RGA Global
Reinsurance Company, Ltd.

Financial Statements as of and for the
Years Ended December 31, 2021 and 2020, and
Independent Auditor's Report

RGA GLOBAL REINSURANCE COMPANY, LTD.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of
RGA Global Reinsurance Company, Ltd.:

Opinion

We have audited the accompanying financial statements of RGA Global Reinsurance Company, Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, comprehensive income, changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

Results of the Company may not be indicative of those of a stand-alone entity, as the Company is a member of a controlled group of affiliated companies. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

March 31, 2022

RGA GLOBAL REINSURANCE COMPANY, LTD.

BALANCE SHEETS

AS OF DECEMBER 31, 2021 AND 2020

(Expressed in thousands of U.S. dollars, except share data)

	2021	2020
Assets		
Fixed maturity securities:		
Available-for-sale at fair value (amortized cost of $656,701 and $674,250)	$ 690,658	$ 757,629
Funds withheld at interest	51,169	53,342
Short-term investments	19,696	25,297
Total investments	761,523	836,268
Cash and cash equivalents	144,013	130,090
Accrued investment income	5,018	6,259
Premiums receivable	380,493	310,562
Reinsurance ceded receivables	787,021	538,959
Deferred policy acquisition costs	52,404	39,516
Other reinsurance balances	8,623	10,391
Income tax recoverable	2,490	635
Receivable from parent and affiliates	1,247	748
Other assets	3,808	3,975
Total assets	$ 2,146,640	$ 1,877,403
Liabilities and Shareholder's Equity		
Future policy benefits	$ 544,060	$ 536,178
Other policy claims and benefits	975,679	796,325
Other reinsurance balances	43,543	32,607
Payable to parent and affiliates	2,621	3,316
Other liabilities	13,828	6,246
Total liabilities	1,579,731	1,374,672
Commitments and Contingencies (See Note 10)		
Shareholder's Equity:		
Common stock (par value $1.00 per share; 500,000 shares authorized; shares issued: 500,000 at December 31, 2021 and 2020)	500	500
Additional paid-in-capital	122,405	122,364
Retained earnings	431,497	338,188
Accumulated other comprehensive income	12,507	41,679
Total shareholder's equity	566,909	502,731
Total liabilities and shareholder's equity	$ 2,146,640	$ 1,877,403

See accompanying notes to financial statements.

RGA GLOBAL REINSURANCE COMPANY, LTD.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of U.S. dollars)

	2021	2020
Revenues		
Net premiums	$ 380,077	$ 369,117
Investment income, net of related expenses	22,709	20,891
Investment related gains, net	28,317	2,835
Other revenues	71,323	23,804
Total revenues	502,426	416,647
Benefits and expenses		
Claims and other policy benefits	369,735	291,328
Policy acquisition costs and other insurance expenses	4,287	14,509
Other operating expenses	33,315	42,149
Total benefits and expenses	407,337	347,986
Income before income taxes	95,089	68,661
Provision for income taxes	1,780	3,496
Net income	$ 93,309	$ 65,165

See accompanying notes to financial statements.

RGA GLOBAL REINSURANCE COMPANY, LTD.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of U.S. dollars)

	2021	2020
Comprehensive income		
Net income	$ 93,309	$ 65,165
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	20,188	(28,609)
Net unrealized investment gains (losses)	(49,360)	51,234
Total other comprehensive income (loss), net of tax	(29,172)	22,625
Total comprehensive income	$ 64,137	$ 87,790

See accompanying notes to financial statements.

RGA GLOBAL REINSURANCE COMPANY, LTD.
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of U.S. dollars)

	Common Stock	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2020	500	122,349	273,023	19,054	414,926
Net income	—	—	65,165	—	65,165
Total other comprehensive income	—	—	—	22,625	22,625
Equity based compensation	—	15	—	—	15
Balance, December 31, 2020	500	122,364	338,188	41,679	502,731
Net income	—	—	93,309	—	93,309
Total other comprehensive loss	—	—	—	(29,172)	(29,172)
Equity based compensation	—	41	—	—	41
Balance, December 31, 2021	$ 500	$ 122,405	$ 431,497	$ 12,507	$ 566,909

See accompanying notes to financial statements.

RGA GLOBAL REINSURANCE COMPANY, LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of U.S. dollars)

	2021	2020
Cash flows from operating activities		
Net income	$ 93,309	$ 65,165
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in operating assets and liabilities:		
Accrued investment income	1,240	(1,739)
Premiums receivable and other reinsurance balances	(67,437)	290,628
Reinsurance ceded receivables	(296,922)	27,660
Deferred policy acquisition costs	(13,050)	(2,086)
Future policy benefits, other policy claims and benefits, and other reinsurance balances	265,609	(245,456)
Deferred income taxes/income taxes recoverable	(1,914)	(4,102)
Receivable from parent and affiliates	(23,961)	2,182
Payable to parent and affiliates	(695)	(3,363)
Other assets and other liabilities, net	25,971	(7,709)
Amortization of net investment premiums, discounts and other	1,262	1,060
Investment related gains, net	(28,317)	(2,835)
Depreciation and amortization expense	619	508
Equity based compensation	41	15
Net cash used in (provided by) operating activities	(44,245)	119,928
Cash flows from investing activities		
Sales of fixed maturity securities available-for-sale	265,021	192,662
Maturities of fixed maturity securities available-for-sale	9,156	7,500
Purchases of fixed maturity securities available-for-sale	(221,562)	(253,445)
Cash withdrawn from (invested in) funds withheld at interest	2,145	(52,531)
Change in short-term investments	4,954	(5,822)
Net cash provided by (used in) investing activities	59,714	(111,636)
Cash flows from financing activities		
Repayment of affiliated notes	—	38,490
Net cash provided by financing activities	—	38,490
Effect of exchange rate changes on cash	(1,546)	2,342
Change in cash and cash equivalents	13,923	49,124
Cash and cash equivalents, beginning of year	130,090	80,966
Cash and cash equivalents, end of year	$ 144,013	$ 130,090
Supplemental disclosures of cash flow information:		
Income taxes paid, net of refunds	$ 3,342	$ 8,248

See accompanying notes to financial statements.

RGA GLOBAL REINSURANCE COMPANY, LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in U.S. dollars)

Note 1 BUSINESS AND BASIS OF PRESENTATION

Business

RGA Global Reinsurance Company, Ltd. (the "Company") was incorporated under the laws of Bermuda on December 14, 2005, and is registered under the Insurance Act 1978 as amended and related regulations. In 2016, Reinsurance Group of America, Incorporated ("RGA"), a United States of America ("U.S.") insurance holding company formed on December 31, 1992, contributed to RGA Reinsurance Company (Barbados) Ltd. ("RGA Barbados") all of the outstanding shares of the Company. RGA Barbados was incorporated under the laws of Barbados on June 27, 1995 and is a wholly owned subsidiary of RGA. As of December 31, 2021, all outstanding shares of the Company were owned by RGA Barbados.

The Company maintains branch licenses in Taiwan and Labuan, Malaysia, and a representative company in Brazil and their results are included in these financial statements.

The Company received authorization to operate a retakaful window in Labuan, Malaysia effective September 30, 2009. The retakaful window authorizes the Company to provide retakaful services to takaful operators. Takaful operators are entities that apply Islamic finance accounting ("Shariah"), that provide benefits to pools of participants for the purpose of sharing risk, which is similar to the principles of mutual insurance. Retakaful benefits can be provided under various models and a Shariah Advisory Council has been appointed to oversee the Company's retakaful operations. The Company began writing retakaful business in 2011.

The Company is engaged in providing traditional reinsurance, which includes individual and group life and health, disability, and critical illness reinsurance. The Company may also provide financial solutions, which includes longevity reinsurance and financial reinsurance.

Reinsurance is an arrangement under which an insurance company, the reinsurer, agrees to indemnify another insurance company, the ceding company, for all or a portion of the insurance risks underwritten by the ceding company. Reinsurance is designed to:

(i) reduce the net amount at risk on individual risks, thereby enabling the ceding company to increase the volume of business it can underwrite, as well as increase the maximum risk it can underwrite on a single risk;

(ii) enhance the ceding company's financial strength and surplus position;

(iii) stabilize operating results by leveling fluctuations in the ceding company's loss experience; and

(iv) assist the ceding company in meeting applicable regulatory requirements.

Basis of Presentation

The financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include those used in determining deferred policy acquisition costs ("DAC"), premiums receivable, future policy benefits, incurred but not reported claims ("IBNR"), income taxes, valuation of investments and investment impairments. Actual results could differ materially from the estimates and assumptions used by management.

A portion of the Company's reinsurance receivables and policy liabilities are associated with affiliated companies, and the Company relies on affiliated companies for services. See Note 9 - "Related-Party Transactions" for further details.

The COVID-19 global pandemic continues to cause increases in the Company’s claims costs, primarily relating to its mortality business. However, the Company cannot reliably predict the future impact of the pandemic on its business, results of operations and financial condition as the impact will largely depend on, among other factors, the impact of new variants of the virus, vaccination effectiveness and take-up rates, development and deployment of new antiviral therapeutics, country-specific circumstances, measures by public and private institutions, and COVID-19’s indirect impact on mortality and morbidity The risks may have manifested, and may continue to manifest, in our financial statements in the areas of, among others:

(i) investments, increased risk of loss on our investments due to default or deterioration in credit quality or value;

(ii) insurance liabilities and related balances, such as, potential changes to assumptions regarding investment returns, mortality, morbidity and policyholder behavior which are reflected in our insurance liabilities and certain related balances (e.g., DAC, IBNR, etc.), and

(iii) other assets and liabilities.

There were no subsequent events that would require disclosure or adjustments to the accompanying financial statements through the date the financial statements were issued.

Note 2 SIGNIFICANT ACCOUNTING POLICIES AND PRONOUNCEMENTS

Investments

Fixed Maturity Securities

Fixed maturity securities classified as available-for-sale are reported at fair value and are so classified based upon the possibility that such securities could be sold prior to maturity if that action enables the Company to execute its investment philosophy and appropriately match investment results to operating and liquidity needs.

Unrealized gains and losses on fixed maturity securities classified as available-for-sale, less applicable deferred income taxes as well as related adjustments to DAC, if applicable, are recorded in other comprehensive income ("OCI").

Investment income is recognized as it accrues or is legally due. Realized gains and losses on sales of investments are included in investment related gains (losses), net, as are change in allowance for credit losses and impairments. The cost of investments sold is primarily determined based upon the specific identification method.

Funds Withheld at Interest

Funds withheld at interest represent amounts contractually withheld by ceding companies in accordance with reinsurance agreements. For agreements written on a modified coinsurance ("modco") basis and agreements written on a coinsurance funds withheld basis, assets that support the net statutory reserves or as defined in the treaty, are withheld and legally owned by the ceding company. Interest, recorded in investment income, net of related expenses, accrues to these assets at calculated rates as defined by the treaty terms.

Short-term Investments

Short-term investments represent investments with remaining maturities of one year or less, but greater than three months, at the time of acquisition and are stated at estimated fair value or amortized cost, which approximates estimated fair value. Interest on short-term investments is recorded in investment income, net of related expenses.

Allowance for Credit Losses and Impairments

Fixed Maturity Securities

The Company identifies fixed maturity securities that could result in a credit loss by monitoring market events that could impact issuers' credit ratings, business climates, management changes, litigation, government actions and other similar factors. The Company also monitors late payments, pricing levels, rating agency actions, key financial ratios, financial statements, revenue forecasts and cash flow projections as indicators of credit issues.

The Company reviews all securities to determine whether a decline in fair value below amortized cost has resulted from a credit loss and whether an allowance for credit loss should be recognized. In making this determination, the Company considers relevant facts and circumstances including: (1) the reasons for the decline in fair value; (2) the issuer's financial position and access to capital; and (3) the Company's intent to sell a security or whether it is more likely than not it will be required to sell the security before the recovery of its amortized cost that, in some cases, may extend to maturity.

Credit impairments and changes in the allowance for credit losses on fixed maturity securities are reflected in investment related gains (losses), net, while non-credit impairment losses are recognized in accumulated other comprehensive income ("AOCI").

For the years ended December 31, 2021, and 2020, there was no allowance for credit losses.

Fair Value Measurements

General accounting principles for *Fair Value Measurements and Disclosures* define fair value, establish a framework for measuring fair value, establish a fair value hierarchy based on the inputs used to measure fair value and enhance disclosure requirements for fair value measurements. In compliance with these principles, the Company has categorized its assets and liabilities, based on the priority of the inputs to the valuation technique, into a three level hierarchy or separately for assets measured using the net asset value ("NAV"). The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), the second highest priority to quoted prices in markets that are not active or inputs that are observable either directly or indirectly (Level 2) and the lowest priority to unobservable inputs (Level 3).

If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the asset or liability.

See Note 4 - "Fair Value of Assets and Liabilities" for further details on the Company's assets and liabilities recorded at fair value.

Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit and highly liquid debt instruments purchased with an original maturity of three months or less.

Premiums Receivable

Premiums are accrued when due and in accordance with information received from the ceding company. When the Company enters into a new reinsurance agreement, it records accruals based on the terms of the reinsurance treaty. Similarly, when a ceding company fails to report information on a timely basis, the Company records accruals based on the terms of the reinsurance treaty as well as historical experience. Other management estimates include adjustments for increased in force on existing treaties, lapsed premiums given historical experience, the financial health of specific ceding companies, collateral value and the legal right of offset on related amounts (i.e. allowances and claims) owed to the ceding company. Under the legal right of offset provisions in its reinsurance treaties, the Company can withhold payments for allowances and claims for unpaid premiums. Based on its review of these factors and historical experience, the Company did not believe a provision for doubtful accounts was necessary as of December 31, 2021 or 2020.

Reinsurance Ceded Receivables

The Company generally reports retrocession activity on a gross basis. Amounts paid or deemed to have been paid for reinsurance are reflected in reinsurance ceded receivables. The cost of reinsurance related to long-duration contracts is recognized over the terms of the reinsured policies on a basis consistent with the reporting of those policies.

Deferred Policy Acquisition Costs

Costs of acquiring new business, which vary with and are directly related to the production of new business, have been deferred to the extent that such costs are deemed recoverable from future premiums or gross profits. Such costs include commissions and allowances as well as certain costs of policy issuance and underwriting. Non-commission costs related to the acquisition of new and renewal insurance contracts may be deferred only if they meet the following criteria:

- Incremental direct costs of a successful contract acquisition
- Portions of employees' salaries and benefits directly related to time spent performing specified acquisition activities for a contract that has been acquired or renewed
- Other costs directly related to the specified acquisition or renewal activities that would not have been incurred had that acquisition contract transaction not occurred

The Company tests the recoverability for each year of business at issue before establishing additional DAC. The Company also performs annual tests to establish that DAC are expected to remain recoverable, and if financial performance significantly deteriorates to the point where a deficiency exists, a cumulative charge to current income will be recorded. No such adjustments related to DAC recoverability were made in 2021 or 2020.

DAC related to traditional life insurance contracts are amortized with interest over the premium-paying period of the related policies in proportion to the ratio of individual period premium revenues to total anticipated premium revenues over the expected life of the policy. Such anticipated premium revenues are estimated using the same assumptions used for computing liabilities for future policy benefits.

Other Reinsurance Balances

The Company assumes and retrocedes financial reinsurance contracts that do not expose it to a reasonable possibility of loss from insurance risk. These contracts are reported as deposits and are included in other reinsurance assets/liabilities. The amount of revenue reported in other revenues on these contracts represents fees and the cost of insurance under the terms of the reinsurance agreement. Assets and liabilities are reported on a net or gross basis, depending on the specific details within each treaty. Reinsurance agreements reported on a net basis, where a legal right of offset exists, are generally included in other reinsurance balances on the balance sheets. Other reinsurance assets are included in other reinsurance balances within total assets, while other reinsurance liabilities are included in other reinsurance balances within total liabilities on the balance sheets.

Receivable From/Payable To Parent and Affiliates

Receivable from/payable to parent and affiliates are primarily comprised of non-reinsurance related receivables/payables. See Note 9 - "Related-Party Transactions" for further details about transactions with affiliated companies.

Other Assets

Other assets primarily include capitalized assets. Capitalized assets are stated at cost, less accumulated depreciation and amortization. Carrying values are reviewed periodically for indicators of impairment in value.

Future Policy Benefits

Liabilities for future benefits on life policies are established in an amount adequate to meet the estimated future obligations on policies in force. Liabilities for future policy benefits under long-duration life insurance policies have been computed based upon expected investment yields, mortality and withdrawal (lapse) rates, and other assumptions. These assumptions include a margin for adverse deviation and vary with the characteristics of the plan of insurance, year of issue, age of insured, and other appropriate factors. The mortality and withdrawal assumptions are based on the Company's experience as well as industry experience and standards. In establishing reserves for future policy benefits, the Company assigns policy liability assumptions to particular timeframes (eras) in such a manner as to be consistent with the underlying assumptions and economic conditions at the time the risks are assumed. The Company maintains a consistent approach to setting the provision for adverse deviation between eras.

Liabilities for future benefits on longevity business, including annuities in the payout phase, are established in an amount adequate to meet the estimated future obligations on policies in force. Liabilities for future benefits related to the longevity business, including annuities in the payout phase have been calculated using expected mortality, investment yields, and other assumptions. These assumptions include a margin for adverse deviation and vary with the characteristics of the plan of insurance, year of issue, age of insured, and other appropriate factors. The mortality assumptions are based on the Company's experience as well as industry experience and standards. A deferred profit liability is established when the gross premium exceeds the net premium.

The Company periodically reviews actual and anticipated experience compared to the assumptions used to establish policy benefits. The Company establishes premium deficiency reserves if actual and anticipated experience indicates that existing policy liabilities together with the present value of future gross premiums will not be sufficient to cover the present value of future benefits, settlement and maintenance costs and to recover unamortized acquisition costs. Anticipated investment income is considered in the calculation of premium deficiency losses for short-duration contracts. The premium deficiency reserve is established by a charge to income, as well as a reduction in unamortized DAC and, to the extent there are no unamortized DAC, an increase in future policy benefits.

The reserving process includes normal periodic reviews of assumptions used and adjustments of reserves to incorporate the refinement of the assumptions.

The Company reinsures disability products in various markets. Liabilities for future benefits on disability policies' active lives are established in an amount adequate to meet the estimated future obligations on policies in force. These reserves are the amounts that, with the additional premiums to be received and interest thereon compounded annually at certain assumed rates, are calculated to be sufficient to meet the various policy and contract obligations as they mature.

Other Policy Claims and Benefits

Claims payable for IBNR losses are determined using case-basis estimates and lag studies of past experience. The time lag from the date of the claim or death to when the ceding company reports the claim to the Company can vary significantly by ceding company, business segment and product type. IBNR are estimates on an undiscounted basis, using actuarial estimates of historical claims expense, adjusted for current trends and conditions. These estimates are continually reviewed and the ultimate liability may vary significantly from the amount recognized, which are reflected in claims and other policy benefits in the period in which they are determined.

Other Liabilities

Other liabilities primarily include accounts payable, employee benefits, investments in transit and lease liabilities.

Income Taxes

The Company provides for foreign income taxes currently payable, as well as those deferred due to temporary differences between the tax basis of assets and liabilities and the reported amounts and are recognized in net income or in certain cases in OCI. The Company’s accounting for income taxes represents management’s best estimate of various events and transactions considering the laws enacted as of the reporting date.

Deferred tax assets and liabilities are measured by applying the relevant jurisdictions' enacted tax rate for the period in which the temporary differences are expected to reverse to the temporary difference change for that period The Company will establish a valuation allowance if management determines, based on available information, that it is more likely than not that deferred income tax assets will not be realized.

Significant judgment is required in determining whether valuation allowances should be established as well as the amount of such allowances. When making such a determination, consideration is given to, among other things, the following:

(i) taxable income in prior carryback years;
(ii) future reversals of existing taxable temporary differences;
(iii) future taxable income exclusive of reversing temporary differences and carryforwards; and
(iv) tax planning strategies.

Any such changes could significantly affect the amounts reported in the financial statements in the year these changes occur.

The Company reports uncertain tax positions in accordance with GAAP. In order to recognize the benefit of an uncertain tax position, the position must meet the more likely than not criteria of being sustained. Unrecognized tax benefits due to tax uncertainties that do not meet the more likely than not criteria are included within income tax liabilities and are charged to earnings in the period that such determination is made. The Company classifies interest related to tax uncertainties as interest expense whereas penalties related to tax uncertainties are classified as a component of income tax.

See Note 7 - "Income Taxes" for further discussion.

Foreign Currency Translation

Assets, liabilities and results of foreign operations are recorded based on the functional currency of each foreign operation. The determination of the functional currency is based on economic facts and circumstances pertaining to each foreign operation. The Company's material functional currencies are the U.S. dollar, Thai bhat, Hong Kong dollar and Taiwanese dollar. The translation of the functional currency into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using weighted-average exchange rates during each year. Gains or losses, net of applicable deferred income taxes, resulting from such translation are included in accumulated currency translation adjustments, in AOCI until the underlying functional currency operation is sold or substantially liquidated.

Recognition of Revenues and Related Expenses - Long Duration Products

Life and health premiums are recognized as revenue when due from the insured, and are reported net of amounts retroceded. Benefits and expenses are reported net of amounts retroceded and are associated with earned premiums so that profits are recognized over the life of the related contract. This association is accomplished through the provision for future policy benefits and the amortization of DAC. Other revenue includes items such as treaty recapture fees, fees associated with financial reinsurance contracts, fees earned from its reinsurance arrangements with affiliates and fees earned on intercompany service agreements. Any fees that are collected in advance of the period benefited are deferred and recognized over the period benefited.

For certain reinsurance transactions involving in force blocks of business, the ceding company pays a premium equal to the initial required reserve (future policy benefit). In such transactions, for income statement presentation, the Company nets the expense associated with the establishment of the reserve against the premiums from the transaction.

For each of its reinsurance contracts, the Company must determine if the contract provides indemnification against loss or liability relating to insurance risk, in accordance with GAAP. The Company must review all contractual features, particularly those that may limit the amount of insurance risk to which the Company is subject or features that delay the timely reimbursement of claims. If the Company determines that a contract does not expose it to a reasonable possibility of a significant loss from insurance risk, the Company records the contract on a deposit method of accounting with any net amount receivable reflected as an asset within other reinsurance balances, and any net amount payable reflected as a liability within other reinsurance balances. Fees earned on the contracts are reflected as other revenues, rather than premiums.

Recognition of Revenues and Related Expenses – Short-Duration Products

The Company provides reinsurance of medical, disability, life and other products for a fixed period of short-duration, typically one to three years. Under the short-duration insurance accounting model:

- Premiums are recognized over the coverage period in proportion to the amount of insurance protection provided.
- Claims or benefits are recognized when insured events occur, based on the ultimate cost to settle the claim, and are adjusted to reflect changes in estimates during the life of the contract. The estimated cost to settle the claim is based on actuarial assumptions for similar claims. The Company also establishes an IBNR liability based on historical reporting patterns.

- Eligible DAC are capitalized and amortized in proportion to premium.

Equity Based Compensation

The Company expenses the fair value of stock awards included in its incentive compensation plans. The fair value of the awards is expensed over the performance or service period, which generally corresponds to the vesting period, and is recognized as an increase to additional paid-in-capital in shareholder's equity, and stock-based compensation expense is reflected in other operating expenses. The Company recognized an immaterial amount of equity compensation expense in 2021 and 2020.

New Accounting Pronouncements

Changes to the general accounting principles are established by the Financial Accounting Standards Board ("FASB") in the form of accounting standards updates ("ASU") to the FASB Accounting Standards Codification™. ASU's not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Company's financial statements.

Description	Date of Adoption	Effect on the Financial Statements
Standards adopted:		
Financial Instruments - Credit Losses		
This guidance adds to U.S. GAAP an impairment model, known as current expected credit loss ("CECL") model that is based on expected losses rather than incurred losses. For traditional and other receivables, held-to-maturity debt securities, loans and other instruments entities will be required to use the new forward-looking "expected loss" model that generally will result in earlier recognition of allowance for losses. For available-for-sale debt securities with unrealized losses, entities will measure credit losses similar to what they do today, except the losses will be recognized through an allowance for credit losses and adjusted each period for changes in credit risks. Early adoption is permitted.	January 1, 2020	For asset classes within the scope of the CECL model, this guidance was adopted through a cumulative-effect adjustment to retained earnings (that is, a modified-retrospective approach). For available-for-sale debt securities, this guidance was applied prospectively. The Company does not have asset classes within the scope of the CECL model and did not have an adjustment to opening retained earnings.
Fair Value Measurement		
This guidance is part of the FASB's disclosure framework project and eliminates certain disclosure requirements for fair value measurements, requires entities to disclose new information and modifies existing disclosure requirements. Early adoption is permitted.	January 1, 2020	Certain disclosure changes in the new guidance were applied prospectively in the year of adoption. The remaining changes in the new guidance were applied retrospectively to all periods presented in the year of adoption. The Company adopted, as of December 31, 2019, the guidance that removed the requirements relating to transfers between fair value hierarchy levels and certain disclosures about valuation processes for Level 3 fair value measurements. The Company adopted the remainder of the guidance on January 1, 2020. The adoption of the new guidance was not material to the Company's financial position.
Reference Rate Reform		
This guidance eases the potential burden in accounting for, or recognizing the effects of, reference rate reform on financial reporting, which includes the transition from the London Interbank Offered Rate ("LIBOR") during 2023. The ASU provides optional expedients and exceptions for applying GAAP modification to contracts and hedge accounting relationships affected by reference rate reform on financial reporting. Under the new guidance, a change in the reference rate for a contract that meets certain criteria will be accounted for as a continuation of that contract rather than the creation of a new contract. The new guidance applies to debt, insurance contracts, leases, derivative contracts and other arrangements.	January 1, 2020	The reference rate reform is not expected to have material accounting consequences. The Company has established a team that is currently assessing the effects of the discontinuation of LIBOR on existing contracts that extend beyond 2021 (that is, the date when the Financial Conduct Authority intends to stop persuading or compelling banks to submit LIBOR), by analyzing contractual fallback provisions, evaluating alternative rate ramifications and assessing the effects on current hedging strategies, systems and operations.

Description	Anticipated Date of Adoption	Effect on the Financial Statements
Standards not yet adopted:		
Financial Services - Insurance		
This guidance significantly changes how insurers account for long-duration insurance contracts. The new guidance also significantly expands the disclosure requirements of long-duration insurance contracts. The new guidance will be effective for annual and interim reporting periods beginning January 1, 2023. Below are the most significant areas of change:	January 1, 2023	See each significant area of change below for the method of adoption and expected impact to the Company's results of operations and financial position.
Cash flow assumptions for measuring liability for future policy benefits. The new guidance requires insurers to review, and if necessary, update the cash flow assumptions used to measure liabilities for future policy benefits periodically. The change in the liability estimate as a result of updating cash flow assumptions will be recognized in net income.		Cash flow assumptions for measuring liability for future policy benefits. The Company will likely adopt this guidance on a modified retrospective basis as of the earliest period presented in the year of adoption. Upon adoption, there will be an adjustment to retained earnings as a result of capping the net premium ratio at 100%. The Company is currently evaluating this impact but anticipates it will likely result in a material decrease to retained earnings. The Company is currently evaluating the impact of the other cash flow assumptions amendments on its results of operations and financial position but anticipates they will likely be material.
Discount rate assumption for measuring liability for future policy benefits. The new guidance requires insurers to update the discount rate assumption used to measure liabilities for future policy benefits at each reporting period, and the discount rate utilized must be based on an upper-medium grade fixed income instrument yield. The change in the liability estimate as a result of updating the discount rate assumption will be recognized in other comprehensive income.		Discount rate assumption for measuring liability for future policy benefits. The Company will likely adopt this guidance on a modified retrospective basis as of the earliest period presented in the year of adoption. Upon adoption, there will be an adjustment to accumulated other comprehensive income as a result of remeasuring in force contract liabilities using current upper-medium grade fixed income instrument yields. The adjustment will largely reflect the difference between discount rates locked-in at contract inception versus current discount rates at transition. The Company is currently evaluating the impact of this adjustment but anticipates it will likely be material.
Market risk benefits. The new guidance created a new category of benefit features called market risk benefits that will be measured at fair value with changes in fair value attributable to a change in the instrument-specific credit risk recognized in other comprehensive income.		Market risk benefits. The Company will adopt this guidance on a retrospective basis as of the earliest period presented in the year of adoption. The Company is currently evaluating the impact of this amendment on its results of operations and financial position but anticipates the updated guidance will likely not have a material impact, unless it begins reinsuring these benefits.
Amortization of deferred acquisition costs and other balances. The new guidance requires DAC and other balances to be amortized on a constant level basis over the expected term of the related contracts.		Amortization of deferred acquisition costs and other balances. The Company will likely adopt this guidance on a modified retrospective basis as of the earliest period presented in the year of adoption. The Company is currently evaluating the impact of this amendment on its results of operations and financial position but anticipates the updated guidance will likely have a material impact.

Note 3 INVESTMENTS

Fixed Maturity Securities Available-for-Sale

The Company holds various types of fixed maturity securities available-for-sale and classifies them as corporate securities ("Corporate"), residential mortgage-backed securities ("RMBS"), asset-backed securities ("ABS"), commercial mortgage-backed securities ("CMBS"), U.S. government and agencies ("U.S. government"), state and political subdivisions, and other foreign government, supranational and foreign government-sponsored enterprises ("Other foreign government"). RMBS, ABS and CMBS are collectively "structured securities."

The following tables provide information relating to investments in fixed maturity securities by type as of December 31, 2021 and 2020 (dollars in thousands):

December 31, 2021:	Amortized Cost	Allowance for Credit Losses	Unrealized Gains	Unrealized Losses	Estimated Fair Value	% of Total
Available-for-sale:						
Corporate	$ 364,960	$ —	$ 27,712	$ 1,371	$ 391,301	56.8 %
RMBS	9,932	—	106	82	9,956	1.4
ABS	66,800	—	307	543	66,564	9.6
CMBS	56,890	—	2,673	—	59,563	8.6
U.S. government	85,141	—	330	12	85,459	12.4
State and political subdivisions	12,312	—	1,653	—	13,965	2.0
Other foreign government	60,666	—	3,318	134	63,850	9.2
Total fixed maturity securities	$ 656,701	$ —	$ 36,099	$ 2,142	$ 690,658	100.0 %

December 31, 2020:	Amortized Cost	Allowance for Credit Losses	Unrealized Gains	Unrealized Losses	Estimated Fair Value	% of Total
Available-for-sale:						
Corporate	$ 484,908	$ —	$ 70,651	$ 607	$ 554,952	73.3 %
RMBS	23,968	—	407	65	24,310	3.2
ABS	35,517	—	209	105	35,621	4.7
CMBS	61,247	—	4,809	58	65,998	8.7
U.S. government	1,112	—	375	—	1,487	0.2
State and political subdivisions	13,497	—	2,771	—	16,268	2.1
Other foreign government	54,001	—	5,020	28	58,993	7.8
Total fixed maturity securities	$ 674,250	$ —	$ 84,242	$ 863	$ 757,629	100.0 %

The Company enters into various collateral arrangements with counterparties that require both the pledging and acceptance of fixed maturity securities as collateral. Pledged fixed maturity securities are included in fixed maturity securities, available-for-sale in the Company's balance sheets. Fixed maturity securities received as collateral are held in separate custodial accounts and are not recorded on the Company's balance sheets. Subject to certain constraints, the Company is permitted by contract to sell or repledge collateral it receives; however, as of December 31, 2021 and 2020, none of the collateral received had been sold or repledged. The following table includes fixed maturity securities pledged and received as collateral under certain third-party reinsurance treaties as of December 31, 2021 and 2020 (dollars in thousands):

	2021		2020	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Fixed maturity securities pledged as collateral	$ —	$ —	$ 7,250	$ 7,251
Fixed maturity securities received as collateral	n/a	938,311	n/a	887,367

The Company monitors its concentrations of financial instruments on an ongoing basis and mitigates credit risk by maintaining a diversified investment portfolio that limits exposure to any one issuer. The Company’s exposure to concentrations of credit risk from single issuers greater than 10% of the Company’s shareholder’s equity included securities of the U.S. government and its agencies, as of December 31, 2021. The Company did not hold any securities issued by a single entity that exceeded 10% of the Company's shareholder's equity as of December 31, 2020.

The amortized cost and estimated fair value of fixed maturity securities classified as available-for-sale as of December 31, 2021, are shown by contractual maturity in the table below (dollars in thousands). Actual maturities can differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Structured securities are shown separately in the table below, as they are not due at a single maturity date.

	Amortized Cost	Estimated Fair Value
Available-for-sale:		
Due in one year or less	$ 2,804	$ 2,836
Due after one year through five years	163,805	168,335
Due after five years through ten years	189,511	196,353
Due after ten years	166,959	187,051
Structured securities	133,622	136,083
Total	$ 656,701	$ 690,658

Corporate Fixed Maturity Securities

The tables below show the major sectors of the Company's corporate fixed maturity holdings as of December 31, 2021 and 2020 (dollars in thousands):

December 31, 2021:	Amortized Cost	Estimated Fair Value	% of Total
Finance	$ 193,917	$ 205,769	52.6 %
Industrial	131,292	139,732	35.7
Utility	39,751	45,800	11.7
Total	$ 364,960	$ 391,301	100.0 %

December 31, 2020:	Amortized Cost	Estimated Fair Value	% of Total
Finance	$ 237,879	$ 267,384	48.2 %
Industrial	205,252	237,302	42.8
Utility	41,777	50,266	9.0
Total	$ 484,908	$ 554,952	100.0 %

Unrealized Losses for Fixed Maturity Securities Available-for-Sale

The Company’s determination of whether a decline in value necessitates the recording of an allowance for credit losses includes an analysis of whether the issuer is current on its contractual payments, evaluating whether it is probable that the Company will be able to collect all amounts due according to the contractual terms of the security and analyzing the overall ability of the Company to recover the amortized cost of the investment.

The following tables present the estimated fair values and gross unrealized losses for the 61 and 21 fixed maturity securities as of December 31, 2021 and 2020 for which the estimated fair value had declined and remained below amortized cost (dollars in thousands). These investments are presented by class and grade of security, as well as the length of time the related fair value has continuously remained below amortized cost.

December 31, 2021:	Less than 12 months		12 months or greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Investment grade securities:						
Corporate	$ 57,683	$ 1,017	$ 8,109	$ 342	$ 65,792	$ 1,359
RMBS	1,867	38	2,232	44	4,099	82
ABS	34,730	466	2,193	77	36,923	543
U.S. government	84,017	12	—	—	84,017	12
Other foreign government	21,016	119	—	—	21,016	119
Total investment grade securities	199,313	1,652	12,534	463	211,847	2,115
Below investment grade securities:						
Corporate	1,042	12	—	—	1,042	12
Other foreign government	—	—	959	15	959	15
Total below investment grade securities	1,042	12	959	15	2,001	27
Total fixed maturity securities	$ 200,355	$ 1,664	$ 13,493	$ 478	$ 213,848	$ 2,142

December 31, 2020:	Less than 12 months		12 months or greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Investment grade securities:						
Corporate	$ 18,328	$ 348	$ —	$ —	$ 18,328	$ 348
RMBS	8,895	65	—	—	8,895	65
ABS	4,215	105	—	—	4,215	105
CMBS	3,496	58	—	—	3,496	58
Total investment grade securities	34,934	576	—	—	34,934	576
Below investment grade securities:						
Corporate	2,160	259	—	—	2,160	259
Other foreign government	973	28	—	—	973	28
Total below investment grade securities	3,133	287	—	—	3,133	287
Total fixed maturity securities	$ 38,067	$ 863	$ —	$ —	$ 38,067	$ 863

The Company has no intention to sell, nor does it expect to be required to sell, the securities outlined in the tables above, as of the dates indicated. However, unforeseen facts and circumstances may cause the Company to sell fixed maturity securities in the ordinary course of managing its portfolio to meet certain diversification, credit quality and liquidity guidelines. Changes in unrealized losses are primarily driven by changes in interest rates.

Investment Income, Net of Related Expenses

Major categories of investment income, net of related expenses, consist of the following (dollars in thousands):

	For the years ended December 31,	
	2021	2020
Fixed maturity securities available-for-sale	$ 25,836	$ 23,468
Funds withheld at interest	(2,615)	(2,436)
Short-term investments and cash and cash equivalents	554	887
Investment income	23,775	21,919
Investment expense	(1,066)	(1,028)
Investment income, net of related expenses	$ 22,709	$ 20,891

Investment Related Gains, Net

Investment related gains, net, consist of the following (dollars in thousands):

	For the years ended December 31,	
	2021	2020
Fixed maturity securities available-for-sale:		
Realized gains on investment activity	30,155	2,873
Realized losses on investment activity	(1,951)	(6)
Other, net	113	(32)
Total investment related gains, net	$ 28,317	$ 2,835

As of December 31, 2021 and December 31, 2020, the Company did not hold any securities that were non-income producing. Generally, securities are non-income producing when principal or interest is not paid primarily as a result of bankruptcies or credit defaults, but also include securities where amortization has been discontinued.

For the years ended December 31, 2021 and 2020, there were no purchases from affiliates for cash. For the year ended December 31, 2021, there were security sales to affiliates for cash with amortized costs of $176.7 million and estimated fair values of $204.2 million. For the year ended December 31, 2020, there were security sales to affiliates for cash with amortized costs of $56.9 million and estimated fair values of $58.0 million.

Funds Withheld at Interest

For reinsurance agreements written on a modco basis and certain agreements written on a coinsurance funds withheld basis, assets equal to the net statutory reserves are withheld and legally owned and managed by the ceding company and are reflected as funds withheld at interest. In the event of a ceding company's insolvency, the Company would need to assert a claim on the assets supporting its reserve liabilities. However, the risk of loss to the Company is mitigated by its ability to offset amounts it owes the ceding company for claims or allowances against amounts owed to the Company from the ceding company.

Note 4 FAIR VALUE OF ASSETS AND LIABILITIES

Fair Value Measurement

General accounting principles for *Fair Value Measurements and Disclosures* define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. These principles also establish a three-level fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities. Active markets are defined through various characteristics for the measured asset/liability, such as having many transactions and narrow bid/ask spreads.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or market standard valuation techniques and assumptions that use significant inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the related assets or liabilities and include those whose value is determined using market standard valuation techniques described above. Prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques that require management's judgment or estimation in developing inputs that are consistent with those other market participants would use when pricing similar assets and liabilities.

Assets and Liabilities by Hierarchy Level

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2021 and 2020 are summarized below (dollars in thousands):

December 31, 2021:		Fair Value Measurements Using:		
	Total	Level 1	Level 2	Level 3
Assets:				
Fixed maturity securities — available-for-sale:				
Corporate	$ 391,301	$ —	$ 369,272	$ 22,029
RMBS	9,956	—	9,956	—
ABS	66,564	—	58,072	8,492
CMBS	59,563	—	59,563	—
U.S. government	85,459	84,017	1,442	—
State and political subdivisions	13,965	—	13,965	—
Other foreign government	63,850	—	63,850	—
Total fixed maturity securities — available-for-sale	690,658	84,017	576,120	30,521
Cash equivalents	1,508	1,508	—	—
Total	$ 692,166	$ 85,525	$ 576,120	$ 30,521

December 31, 2020:		Fair Value Measurements Using:		
	Total	Level 1	Level 2	Level 3
Assets:				
Fixed maturity securities — available-for-sale:				
Corporate	$ 554,952	$ —	$ 544,358	$ 10,594
RMBS	24,310	—	24,310	—
ABS	35,621	—	35,621	—
CMBS	65,998	—	65,998	—
U.S. government	1,487	—	1,487	—
State and political subdivisions	16,268	—	16,268	—
Other foreign government	58,993	—	58,993	—
Total fixed maturity securities — available-for-sale	757,629	—	747,035	10,594
Cash equivalents	1,754	1,754	—	—
Short-term investments	2,394	—	2,394	—
Total	$ 761,777	$ 1,754	$ 749,429	$ 10,594

The Company may utilize information from third parties, such as pricing services and brokers, to assist in determining the fair value for certain assets and liabilities; however, management is ultimately responsible for all fair values presented in the Company's financial statements. This includes responsibility for monitoring the fair value process, ensuring objective and reliable valuation practices and pricing of assets and liabilities, and approving changes to valuation methodologies and pricing sources. The selection of the valuation technique(s) to apply considers the definition of an exit price and the nature of the asset or liability being valued and significant expertise and judgment is required.

The Company performs initial and ongoing analysis and review of the various techniques utilized in determining fair value to ensure that they are appropriate and consistently applied, and that the various assumptions are reasonable. The Company analyzes and reviews the information and prices received from third parties to ensure that the prices represent a reasonable estimate of the fair value and to monitor controls around pricing, which includes quantitative and qualitative analysis and is overseen by the Company's investment and accounting personnel. Examples of procedures performed include, but are not limited to, review of pricing trends, comparison of a sample of executed prices of securities sold to the fair value estimates, comparison of fair value estimates to management's knowledge of the current market, and ongoing confirmation that third party pricing services use, wherever possible, market-based parameters for valuation. In addition, the Company utilizes both internal and external cash flow models to analyze the reasonableness of fair values utilizing credit spread and other market assumptions, where appropriate. As a result of the analysis, if the Company determines there is a more appropriate fair value based upon the available market data, the price received from the third party is adjusted accordingly. The Company also determines if the inputs used in estimated fair values received from pricing services are observable by assessing whether these inputs can be corroborated by observable market data.

For assets and liabilities reported at fair value, the Company utilizes when available, fair values based on quoted prices in active markets that are regularly and readily obtainable. Generally, these are very liquid investments and the valuation does not require management judgment. When quoted prices in active markets are not available, fair value is based on market valuation techniques, market comparable pricing and the income approach. The use of different techniques, assumptions and inputs may have a material effect on the estimated fair values of the Company's securities holdings. For the periods presented, the application of market standard valuation techniques applied to similar assets and liabilities has been consistent.

The methods and assumptions the Company uses to estimate the fair value of assets and liabilities measured at fair value on a recurring basis are summarized below.

Fixed Maturity Securities - The fair values of the Company's publicly-traded fixed maturity securities are generally based on prices obtained from independent pricing services. Prices from pricing services are sourced from multiple vendors, and a vendor hierarchy is maintained by asset type based on historical pricing experience and vendor expertise. The Company generally receives prices from multiple pricing services for each security, but ultimately uses the price from the vendor that is highest in the hierarchy for the respective asset type. To validate reasonableness, prices are periodically reviewed as explained above. Consistent with the fair value hierarchy described above, securities with quotes from pricing services are generally reflected within Level 2, as they are primarily based on observable pricing for similar assets and/or other market observable inputs. If the pricing information received from third party pricing services is not reflective of market activity or other inputs observable in the market, the Company may challenge the price through a formal process with the pricing service.

If the Company ultimately concludes that pricing information received from the independent pricing service is not reflective of fair value, non-binding broker quotes are used, if available. If the Company concludes that the values from both pricing services and brokers are not reflective of fair value, an internally developed valuation may be prepared; however, this occurs infrequently. Internally developed valuations or non-binding broker quotes are also used to determine fair value in circumstances where vendor pricing is not available. These valuations may use significant unobservable inputs, which reflect the Company's assumptions about the inputs that market participants would use in pricing the asset. Observable market data may not be available in certain circumstances such as market illiquidity and credit events related to the security. Pricing service overrides, internally developed valuations and non-binding broker quotes are generally based on significant unobservable inputs and are reflected as Level 3 in the valuation hierarchy.

The inputs used in the valuation of corporate and government securities include, but are not limited to, standard market observable inputs that are derived from, or corroborated by, market observable data including market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately placed issues that incorporate the credit quality and industry sector of the issuer. For internal pricing of private placements and structured securities, valuation is based primarily on matrix pricing or other similar techniques using standard market inputs including spreads for actively traded securities, spreads off benchmark yields, expected prepayment speeds and volumes, current and forecasted loss severity, rating, weighted average coupon, weighted average maturity, average delinquency rates, geographic region, debt-service coverage ratios and issuance-specific information including, but not limited to: collateral type, payment terms of the underlying assets, payment priority within the tranche, structure of the security, deal performance and vintage of loans.

When observable inputs are not available, the market standard valuation techniques for determining the estimated fair value of certain types of securities that trade infrequently, and therefore have little or no price transparency, rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from or corroborated by observable market data, such as market illiquidity. These unobservable inputs can be based in large part on management judgment or estimation, and cannot be supported by reference to market activity. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and are believed to be consistent with what other market participants would use when pricing such securities.

Cash Equivalents and Short-Term Investments - Cash equivalents and short-term investments include money market instruments and other highly liquid debt instruments. Money market instruments are generally valued using unadjusted quoted prices in active markets that are accessible for identical assets and are primarily classified as Level 1. The fair value of certain other short-term investments, such as bonds with original maturities twelve months or less, are based upon other market observable data and are typically classified as Level 2. Various time deposits, certificates of deposit and sweeps carried as cash equivalents and short-term investments are not measured at estimated fair value and therefore are excluded from the tables presented.

Quantitative Information Regarding Internally-Priced Assets and Liabilities

The following table presents quantitative information about significant unobservable inputs used in Level 3 fair value measurements that are developed internally by the Company as of December 31, 2021 and 2020 (dollars in thousands):

	Estimated Fair Value		Valuation	Unobservable	Range (Weighted Average)	
Assets:	2021	2020	Technique	Input	2021	2020
Corporate	$ 2,136	—	Market comparable securities	Liquidity premium	1.0 %	—

Changes in Level 3 Assets and Liabilities

Assets and liabilities transferred into Level 3 are due to a lack of observable market transactions and price information. Transfers out of Level 3 are primarily the result of the Company obtaining observable pricing information or a third party pricing quotation that appropriately reflects the fair value of those assets and liabilities.

The reconciliations for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows (dollars in thousands):

For the year ended December 31, 2021:	Fixed maturity securities - available-for-sale	
	Corporate	Structured securities
Fair value, beginning of period	$ 10,594	$ —
Total gains/losses (realized/unrealized)		
Included in earnings, net:		
Investment income, net of related expenses	(12)	—
Included in other comprehensive income	(36)	(8)
Purchases[(1)]	11,496	—
Settlements[(1)]	(13)	—
Transfers into Level 3	—	8,500
Fair value, end of period	$ 22,029	$ 8,492
Total gains/losses (realized/unrealized) recorded for the period relating to those Level 3 assets and liabilities that were still held at the end of the period		
Included in earnings, net:		
Investment income, net of related expenses	$ (12)	$ —
Included in other comprehensive income	(36)	(8)

For the year ended December 31, 2020:	Fixed maturity securities - available-for-sale	
	Corporate	Structured securities
Fair value, beginning of period	$ —	$ 2,509
Total gains/losses (realized/unrealized)		
Included in earnings, net:		
Investment income, net of related expenses	(5)	—
Included in other comprehensive income	(65)	—
Purchases[(1)]	10,664	—
Transfers out of Level 3	—	(2,509)
Fair value, end of period	$ 10,594	$ —
Total gains/losses (realized/unrealized) recorded for the period relating to those Level 3 assets and liabilities that were still held at the end of the period		
Included in earnings, net:		
Investment income, net of related expenses	$ (5)	$ —
Included in other comprehensive income	(65)	—

(1) The amount reported within purchases and settlements is the purchase price (for purchases) and the settlement proceeds (for settlements) based upon the actual date purchased or settled. Items purchased and settled in the same period are excluded from the rollforward. The Company had no issuances during the period.

Nonrecurring Fair Value Measurements

The Company did not have any assets measured at estimated fair value on a nonrecurring basis during the periods ended December 31, 2021 and 2020.

Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments, which were not measured at fair value on a recurring basis, as of December 31, 2021 and 2020 (dollars in thousands). This table excludes any payables or receivables for collateral transactions. The estimated fair value of the excluded amount approximates carrying value as they equal the amount of cash collateral received/paid.

December 31, 2021:	Carrying Value [(1)]	Estimated Fair Value	Fair Value Measurement Using: Level 1	Level 2	Level 3
Assets:					
Funds withheld at interest	$ 51,169	$ 51,169	$ —	$ —	$ 51,169
Cash and cash equivalents	142,505	142,505	142,505	—	—
Short-term investments	19,696	19,696	19,696	—	—
Accrued investment income	5,018	5,018	—	5,018	—
December 31, 2020:					
Assets:					
Funds withheld at interest	$ 53,342	$ 53,342	$ —	$ —	$ 53,342
Cash and cash equivalents	128,336	128,336	128,336	—	—
Short-term investments	22,903	22,903	22,903	—	—
Accrued investment income	6,259	6,259	—	6,259	—

(1) Carrying values presented herein may differ from those presented in the Company's balance sheets because certain items within the respective financial statement captions may be measured at fair value on a recurring basis.

Funds Withheld at Interest - The carrying value of funds withheld at interest approximates fair value except where the funds withheld are specifically identified in the agreement. When funds withheld are specifically identified in the agreement, the fair value is based on the fair value of the underlying assets that are held by the ceding company. Ceding companies use a variety of sources and pricing methodologies, which are not transparent to the Company and may include significant unobservable inputs, to value the securities that are held in distinct portfolios, therefore the valuation of these funds withheld assets are considered Level 3 in the fair value hierarchy.

Cash and Cash Equivalents and Short-term Investments - The carrying values of cash and cash equivalents and short-term investments approximate fair values due to the short-term maturities of these instruments and are considered Level 1 in the fair value hierarchy.

Accrued Investment Income - The carrying value for accrued investment income approximates fair value as there are no adjustments made to the carrying value. This is considered Level 2 in the fair value hierarchy.

Note 5 REINSURANCE

In the normal course of business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding reinsurance to other insurance or reinsurance companies under excess coverage and coinsurance contracts. Retrocession reinsurance treaties do not relieve the Company from its obligations to direct writing companies. Failure of retrocessionaires to honor their obligations could result in losses to the Company. The Company regularly evaluates the financial condition of the insurance and reinsurance companies from which it assumes and to which it cedes reinsurance. Consequently, allowances would be established for amounts deemed uncollectible. At December 31, 2021 and 2020, no allowances were deemed necessary.

Retrocessions are arranged through the Company's retrocession pools for amounts in excess of the Company's retention limit. As of December 31, 2021 and 2020, all rated retrocession pool participants followed by the A.M. Best Company were rated "A- (excellent)" or better. The Company verifies retrocession pool participants' ratings on a quarterly basis.

Included in the reinsurance ceded receivables balances were $243.7 million and $190.4 million of claims recoverable, of which $235.6 million and $181.8 million were with related parties, as of December 31, 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the effect of reinsurance on net premiums is as follows (dollars in thousands):

	2021	2020
Reinsurance assumed:		
Affiliated	261,923	209,502
Non-affiliated	691,780	656,346
Total reinsurance assumed	953,703	865,848
Reinsurance retroceded:		
Affiliated	(552,223)	(486,061)
Non-affiliated	(21,403)	(10,670)
Total reinsurance retroceded	(573,626)	(496,731)
Net premiums	$ 380,077	$ 369,117

As of December 31, 2021 and 2020, the effect of reinsurance on claims and other policy benefits is as follows (dollars in thousands):

	2021	2020
Reinsurance assumed:		
Affiliated	384,603	151,728
Non-affiliated	554,005	471,939
Total reinsurance assumed	938,608	623,667
Reinsurance retroceded:		
Affiliated	(542,354)	(322,006)
Non-affiliated	(26,519)	(10,333)
Total reinsurance retroceded	(568,873)	(332,339)
Claims and other policy benefits	$ 369,735	$ 291,328

As of December 31, 2021 and 2020, the effect of reinsurance on life insurance in force is shown in the following schedule (in millions):

	2021	2020
Life insurance in force assumed:		
Affiliated	43,246	34,033
Non-affiliated	140,059	158,196
Total life insurance in force assumed	183,305	192,229
Life insurance in force retroceded:		
Affiliated	(45,334)	(85,332)
Non-affiliated	(10,291)	(5,051)
Total life insurance in force retroceded	(55,625)	(90,383)
Life insurance in force net:		
Affiliated	(2,088)	(51,299)
Non-affiliated	129,768	153,145
Total life insurance in force net	$ 127,680	$ 101,846
Assumed/net percentage	143.57 %	188.74 %

At December 31, 2021 and 2020, the Company provided approximately $987.7 million and $2,560.9 million of financial reinsurance, as measured by pre-tax statutory surplus, risk based capital and other financial reinsurance structures, to other insurance companies under financial reinsurance transactions to assist ceding companies in meeting applicable regulatory requirements. Generally, such financial reinsurance is provided by the Company committing cash or assuming insurance liabilities, which are collateralized by future profits on the reinsured business. The Company earns a fee based on the amount of net outstanding financial reinsurance.

Reinsurance treaties, whether facultative or automatic, may provide for recapture rights on the part of the ceding company. Recapture rights permit the ceding company to reassume all or a portion of the risk formerly ceded to the reinsurer after an agreed-upon period of time, generally 10 years, or in some cases due to changes in the financial condition or ratings of the reinsurer. Recapture of business previously ceded does not affect premiums ceded prior to the recapture of such business but would reduce premiums in subsequent periods. Additionally, some reinsurance treaties give the ceding company the right to require the Company to place assets in trust for their benefit to support the ceding company's statutory reserve credits, in the event of a downgrade of the Company's credit ratings and or other statutory measure to specified levels, generally non-investment grade levels, or if minimum levels of financial condition are not maintained. As of December 31, 2021, the Company was not required to post additional collateral and did not have a reinsurance treaty recaptured as a result of credit downgrade or defined statutory measure decline.

Note 6 DEFERRED POLICY ACQUISITION COSTS

The following reflects the amounts of policy acquisition costs deferred and amortized as of December 31, 2021 and 2020 (dollars in thousands):

	2021	2020
Balance, beginning of year	$ 39,516	$ 37,319
Capitalization	19,598	11,176
Amortization (including interest)	(6,556)	(9,039)
Foreign currency translation	(154)	60
Balance, end of year	$ 52,404	$ 39,516

Some reinsurance agreements involve reimbursing the ceding company for allowances and commissions in excess of first-year premiums. These amounts represent acquisition costs and are capitalized to the extent deemed recoverable from the future premiums and amortized against future profits of the business. This type of agreement presents a risk to the extent that the business lapses faster than originally anticipated, resulting in future profits being insufficient to recover the Company's investment.

Note 7 INCOME TAXES

Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event of income or capital gains taxes being imposed, the Company will be exempted from such taxes until March 28, 2035.

Pursuant to an irrevocable election made in January 2020 under the Malaysia income Tax Act ("ITA") of 1967, the Labuan Branch is subject to tax on reinsurance income at 8% and non-reinsurance income at 24%. Total income tax for the year in the Labuan branch was $0.3 million.

The Taiwan branch is subject to a 20% income tax rate in Taiwan. Total income tax for the year in the Taiwan branch was $1.5 million.

RGA Global Reinsurance Company, Ltd. - Escritório de Representação no Brasil Ltda. is subject to a 34% income tax rate. Total income tax for the year in Brazil was $0.04 million.

The Company's earnings are not effectively connected to the U.S., therefore, there are no U.S. income taxes required in 2021 or 2020.

Note 8 SHAREHOLDER'S EQUITY

The Company is authorized to issue 0.5 million shares of $1.00 par value common shares. The Company had issued 0.5 million common shares with a stated value of $0.5 million as of December 31, 2021 and 2020.

The Company is registered under the Bermuda Insurance Act 1978 (the "Act") and amendments thereto and related regulations, which require that the Company maintain a minimum solvency margin. The minimum solvency margin required at December 31, 2021 is the greater of $8.0 million or 2% of the first $500 million of statutory assets of the Company plus 1.5% of statutory assets of the Company above $500 million. The Company is required to calculate an enhanced capital requirement ("ECR") and target capital level ("TCL") as prescribed by or under rules made under Section 6A of the Act, which are additional capital and surplus requirements to the minimum solvency margin. The Company's ECR is the higher of the Bermuda Solvency Capital Requirement ("BSCR") model and the minimum margin of solvency. The TCL is calculated as 120% of the ECR. As of December 31, 2021, the statutory capital and surplus of the Company was $564.8 million, and has met the solvency requirements.

The Bermuda Monetary Authority considers prepaid and fixed assets non-admitted assets. As non-admitted assets, such balances were reflected as a reduction of statutory surplus, and reinsurance assets and liabilities were presented net of reinsurance.

In 2021 and 2020, the Company did not receive any capital contributions.

Note 9 RELATED-PARTY TRANSACTIONS

The Company transacts business with affiliated companies on a regular basis. These transactions primarily consist of reinsurance agreements, securities borrowing agreements, administrative service agreements, investment management agreements, and the Company may purchase or sell securities with affiliated companies. The table below contains material related-party reinsurance transactions, other than those previously disclosed in Note - 5 "Reinsurance", as of and for the years ended December 31, 2021 and 2020 (dollars in thousands):

	2021	2020
Future policy benefits	315,665	389,896
Other policy claims and benefits	527,655	446,632

The Company issued a note receivable to RGA Life Reinsurance Company of Canada on December 19, 2019 for CAD $50 million, with a maturity date of January 17, 2020. The note was repaid in full in 2020.

The Company also regularly transacts business with affiliates under various service agreements and investment management agreements. As of December 31, 2021, the Company had $1.2 million receivable from affiliates, and $2.6 million payable to affiliates. For the year ended December 31, 2020 the Company had $0.7 million receivable from affiliates and $3.3 million payable to affiliates.

Since the Company is a member of a controlled group of affiliated companies, its results may not be indicative of those of a stand-alone entity.

Note 10 COMMITMENTS AND CONTINGENCIES

Commitments

Letters of Credit

In the ordinary course of business, the Company provides letters of credit as security to cover liabilities relating to reinsurance agreements. As of December 31, 2021, the Company had $31.5 million of letters of credit outstanding, none of which were for the benefit of a related party. RGA is the guarantor to these letters of credit as of December 31, 2021.

Contingencies

Litigation

The Company is subject to litigation in the normal course of its business; however the Company currently has no material litigation. A legal reserve is established when the Company is notified of an arbitration demand or litigation or is notified that an arbitration demand or litigation is imminent, it is probable that the Company will incur a loss as a result and the amount of the probable loss is reasonably capable of being estimated.

Note 11 OTHER COMPREHENSIVE INCOME

The following tables present the components of the Company's other comprehensive income for the years ended December 31, 2021 and 2020 (dollars in thousands):

December 31, 2021	Before-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Foreign currency translation adjustments, change arising during year	20,188	$ —	$ 20,188
Unrealized gains (losses) on investments:			
Unrealized net holding losses arising during the year	(21,105)	47	(21,058)
Less: Reclassification adjustment for net gains realized in net income	28,317	(15)	28,302
Net unrealized gains (losses)	(49,422)	62	(49,360)
Other comprehensive income (loss)	$ (29,234)	$ 62	$ (29,172)

December 31, 2020	Before-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Foreign currency translation adjustments, change arising during year	$ (28,609)	$ —	$ (28,609)
Unrealized gains (losses) on investments:			
Unrealized net holding gains arising during the year	54,086	(23)	54,063
Less: Reclassification adjustment for net gains realized in net income	2,823	6	2,829
Net unrealized gains	51,263	(29)	51,234
Other comprehensive income	$ 22,654	$ (29)	$ 22,625

The balance of and changes in each component of AOCI were as follows (dollars in thousands):

	Accumulated Currency Translation Adjustments	Unrealized Appreciation of Investments	Accumulated Other Comprehensive Income
Balance, January 1, 2020	$ (13,032)	$ 32,086	$ 19,054
Change in foreign currency translation adjustments	(28,609)	—	(28,609)
Unrealized gains on investments	—	54,063	54,063
Amounts reclassified from AOCI	—	(2,829)	(2,829)
Balance, December 31, 2020	(41,641)	83,320	41,679
Change in foreign currency translation adjustments	20,188	—	20,188
Unrealized losses on investments	—	(21,058)	(21,058)
Amounts reclassified from AOCI	—	(28,302)	(28,302)
Balance, December 31, 2021	$ (21,453)	$ 33,960	$ 12,507

The following table presents the amounts of AOCI reclassifications for the years ended December 31, 2021 and 2020 (dollars in thousands):

Details about AOCI Components	Amount Reclassified from AOCI 2021	2020	Affected Line Item in Statement of Income
Net unrealized investment gains:			
Net unrealized gains on available-for-sale securities	28,317	2,823	Investment related gains, net
Provision for income taxes	(15)	6	
Total reclassifications for the year	$ 28,302	$ 2,829	