

Audited Financial Statements

**Kindley Re Ltd.**

For the period from November 17, 2022 to December 31, 2022

With Report of Independent Auditors

**Kindley Re Ltd.**  
Audited Financial Statements  
For the Period from November 17, 2022 to December 31, 2022

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## Report of Independent Auditors

The Board of Directors  
Kindley Re Ltd.

### Opinion

We have audited the financial statements of Kindley Re Ltd. (the Company), which comprise the balance sheet as of December 31, 2022, and the related statements of operations, changes in shareholder's equity and cash flows for the period from November 17, 2022 to December 31, 2022, and the related notes (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 at December 31, 2022, and the results of its operations and its cash flows for the period from November 17, 2022 to December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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 of 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 available to be 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 of 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.

*Ernst & Young Ltd.*

Hamilton, Bermuda  
April 28, 2023

**Kindley Re Ltd.**  
Balance Sheet  
**As at December 31, 2022**

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(expressed in U.S. dollars)

	<b>December 31, 2022</b>
	<b>\$</b>
<b>Assets</b>	
Cash and cash equivalents	66,226,932
Funds withheld (note 3)	1,127,264,525
Total cash and invested assets	<u>1,193,491,457</u>
Accrued investment income	15,036
Accounts receivable	30,911,457
Deferred acquisition costs (note 5)	<u>84,549,735</u>
Total assets	<u>1,308,967,685</u>
<b>Liabilities</b>	
Future policy benefit reserves (note 3)	1,122,729,841
Settlement payable and accrued expenses	<u>29,653,788</u>
Total liabilities	<u>1,152,383,629</u>
<b>Shareholder's equity</b>	
Share capital (note 6)	250,000
Additional paid-in capital (note 6)	157,214,238
Retained deficit	<u>(880,182)</u>
Total shareholder's equity	<u>156,584,056</u>
Total liabilities and shareholder's equity	<u>1,308,967,685</u>



Director

The accompanying notes are an integral part of these financial statements.

# Kindley Re Ltd.

## Statement of Operations

For period from November 17, 2022 to December 31, 2022

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(expressed in U.S. dollars)

	December 31, 2022
	\$
<b>Revenues</b>	
Net investment income	15,036
Total revenues	15,036
<b>Benefits and Expenses</b>	
Operating expenses	(895,218)
<b>Net loss</b>	(880,182)

The accompanying notes are an integral part of these financial statements.

# Kindley Re Ltd.

## Statement of Changes in Shareholder's Equity

For period from November 17, 2022 to December 31, 2022

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(expressed in U.S. dollars)

	Share capital \$	Additional paid-in- capital \$	Retained deficit \$	Total \$
Balance, November 17, 2022	-	-	-	-
Issued and fully paid shares at \$1 par value	250,000	-	-	250,000
Capital contributions (note 6)	-	157,214,238	-	157,214,238
Net loss	-	-	(880,182)	(880,182)
Balance, December 31, 2022	<u>250,000</u>	<u>157,214,238</u>	<u>(880,182)</u>	<u>156,584,056</u>

The accompanying notes are an integral part of these financial statements.



# Kindley Re Ltd.

## Statement of Cash Flows

**For period from November 17, 2022 to December 31, 2022**

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(expressed in U.S. dollars)

	<b>December 31, 2022</b>
	<b>\$</b>
<b>Cash flows from operating activities</b>	
Net loss	(880,182)
Changes in assets and liabilities:	
Funds withheld	(1,127,264,525)
Accrued investment income	(15,036)
Deferred acquisition costs	(84,549,735)
Accounts receivable	(30,911,457)
Future policy benefit reserves	1,122,729,841
Settlement payable and accruals	29,653,788
<b>Net cash (used in) generated by operating activities</b>	<b>(91,237,306)</b>
<b>Cash flows from financing activities</b>	
Paid in share capital	250,000
Additional paid in capital	157,214,238
<b>Net cash provided by financing activities</b>	<b>157,464,238</b>
Change in cash and cash equivalents	66,226,932
Cash and cash equivalents - beginning of period	-
Cash and cash equivalents - end of period	66,226,932

The accompanying notes are an integral part of these financial statements.

# Kindley Re Ltd.

## Notes to Financial Statements

### For period from November 17, 2022 to December 31, 2022

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(expressed in U.S. dollars)

#### **1. Organization and corporate structure**

Kindley Re Ltd. ("Kindley" or "the Company"), a Bermuda exempted company with limited liability, was incorporated on November 17, 2022. The Company was registered as a Class E insurer under The Insurance Act 1978 of Bermuda, effective December 28, 2022.

The Company is solely owned by Kindley Intermediate Holdings Limited ("KIHL"), a holding company incorporated under the laws of Bermuda. The ultimate controlling shareholders of the Company are affiliates of Davidson Kempner Capital Management LP ("DK").

The Company serves the reinsurance marketplace as a reinsurer providing capacity exclusively for transactions sourced, negotiated and underwritten by subsidiaries of the Kuvare Holdings UK ("the Sponsor" or "Kuvare"). Through the five quota share arrangements with the Sponsor entities, Kindley accesses an attractive blend of direct retail business, flow reinsurance and block reinsurance, presenting a mix of annuity and life insurance liabilities. The transactions have been executed on either a Funds Withheld or Modified Coinsurance basis ("modco"). Reserves assumed represent annuity products including fixed deferred contracts, fixed indexed annuity contracts, and preneed contracts.

#### **2. Summary of significant accounting policies**

##### **a) Basis of preparation**

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

##### **b) Cash and cash equivalents**

Cash and cash equivalents include deposits, money-market funds and short-term highly liquid investments (maturity of less than ninety days from the date of acquisition) that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

##### **c) Funds withheld**

Funds withheld represents a receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements in which the Company acts as reinsurer or a modified coinsurer in the case of modco transactions. Although the assets in funds withheld and modco trusts are legally owned by the ceding company, the assets are separated from the general accounts of the cedants and all economic rights and obligations on the assets accrue to the Company. The underlying agreements contain embedded derivatives as discussed in derivatives.

##### **d) Derivative asset and liability**

Authoritative guidance for derivatives and hedging (ASC Topic 815) states that an embedded derivative shall be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risk of the host contract.

# Kindley Re Ltd.

## Notes to Financial Statements

**For period from November 17, 2022 to December 31, 2022**

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(expressed in U.S. dollars)

The coinsurance funds withheld and modco agreements with the Cedants results in an embedded derivative as the assets backing the liabilities are retained by the Cedants but their underlying value is determined by factors separate from the host contract, namely interest rate and credit spread movement impacting the valuation of the underlying investments in the funds withheld and modco accounts. The embedded derivative was initially valued at zero and subsequently valued based on the change in fair value of the underlying funds withheld and modco assets.

Fixed indexed annuity liabilities contain an embedded derivative resulting from change in value of liabilities related to the reference market index performance. The fair value of the embedded derivative is computed as the present value of benefits attributable to the excess of the projected policy contract values over the projected minimum guaranteed contract values. The projections of policy contract values are based on assumptions for future policy growth, which include assumptions for expected index credits, interest rates and policyholder behavior. The projections of minimum guaranteed contract values include the same assumptions for policyholder behavior as are used to project policy contract values. The embedded derivative cash flows are discounted using a risk free interest rate increased by a non-performance risk spread, adjusted for the Company's own credit rating. Changes in the fair value of the embedded derivative are included in interest-sensitive life and investment-type contract liabilities.

**e) Deferred acquisition costs**

Costs that are related directly to the successful acquisition of new and renewal insurance business are deferred to the extent they are recoverable from future gross profits. Deferred acquisition costs ("DAC") primarily consists of commissions paid. Periodic testing is performed to determine if DAC is recoverable, if it is determined that DAC is not recoverable, a cumulative charge is recorded to the current period. The DAC for interest-sensitive life and investment-type contracts is amortized over the life of the policies in proportion to the present value of the estimated gross profit amounts expected to be realized. Estimates of future gross profits are based on assumptions using accepted actuarial methods. Amortization is recorded as an expense within the statement of operations. DAC for limited pay contracts is amortized over the premium paying period, in proportion to anticipated premium income.

**f) Future Policy benefit reserves**

Liabilities for future benefits on interest-sensitive life and investment-type contract liabilities, including fixed deferred annuities, fixed indexed annuities and the fixed annuity component of reinsured variable annuity contracts are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges. These are equal to the balance that accrue to the benefit of the policyholders as of the financial statement date (commonly referred to as the account value), including policyholders' accumulated net deposits plus interest credited, indexed related credited amounts on fixed indexed annuity products and investment performance less policyholder withdrawals, fees and policy charges. The liability for fixed indexed annuities consists of a combination of the underlying account value and an embedded derivative value.

Where applicable, liabilities for future benefits on interest-sensitive life and investment-type contract liabilities also include a sales inducement liability ("SIL") associated with the maturity benefit at the end of the term. The SIL accrues to the set maturity benefit based on projected inforce values over time, and is accrued for interest, adjusted for actual decrements in each period.

Liabilities for future benefits on life contracts are established using accepted actuarial valuation methods based on assumptions related to future claim costs, investment yields, mortality,

# Kindley Re Ltd.

## Notes to Financial Statements

### For period from November 17, 2022 to December 31, 2022

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(expressed in U.S. dollars)

withdrawals and maintenance expenses, determined when the policies were assumed. An additional provision is made to allow for potential adverse deviation for some assumptions. Once established, assumptions on these contracts are locked in at inception and not modified unless a premium deficiency exists. The Company periodically reviews actual and anticipated experience compared to the assumptions used to establish future policy benefit reserves. If the net GAAP liability (gross reserves less DAC, if any) is less than the present value of expected future gross premiums, then a premium deficiency reserve is recognized until the net GAAP liability is equal to the present value of expected future gross premiums. The future pattern of benefit reserve changes is modified to reflect the updated assumptions related to future claim costs, investment yields, mortality, withdrawals and maintenance expenses, determined without an additional provision for potential adverse deviations.

Due to the many assumptions and estimates used in establishing reserves and the long-term nature of the reinsurance contracts, the reserving process, while based on standard actuarial practices, is inherently uncertain.

**g) Recognition of revenues and related expenses**

The amounts collected on interest-sensitive life and investment-type reinsurance contracts are considered deposits and are recognized as part of the future policy benefit reserves. Interest-sensitive life and investment-type benefits include interest credited to policyholder account values, policy administration and benefit claims incurred in the period in excess of related policyholders' account balances.

**h) Fair value measurements**

Authoritative guidance for Fair Value Measurements and Disclosures defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. In compliance with these principles, the Company has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three level hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) 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 instrument. In accordance with the authoritative guidance for Fair Value Measurements and Disclosures, assets and liabilities recorded at fair value on the balance sheet are categorized as Level 1, 2 and 3.

- \* Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities. The Company defines an active market as a market in which transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
- \* Level 2 - Quoted prices in markets that are not active or valuation techniques that require inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:
  - Quoted prices for similar assets or liabilities (other than quoted prices in Level 1) in active markets;
  - Quoted prices for identical or similar assets or liabilities in non-active markets;
  - Inputs other than quoted market prices that are observable; and

# Kindley Re Ltd.

## Notes to Financial Statements

**For period from November 17, 2022 to December 31, 2022**

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(expressed in U.S. dollars)

- Inputs that are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the assets or liabilities.
  - \* Level 3 - Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These valuations, whether derived internally or obtained from a third party, use critical assumptions that are not widely available to estimate market participant expectations in valuing the asset or liability. When available, the estimated fair value of securities is based on quoted prices in active markets that are readily and regularly obtainable. When quoted prices in active markets are not available, the determination of estimated fair value may be based on market standard valuation methodologies (pricing models), including discounted cash flow methodologies, matrix pricing, or other similar techniques, as well as significant management judgement or estimation.
- i) Income taxes**
- At the present time, no taxes are levied in Bermuda on the Company's receipts, dividends, capital gains, gifts or net profit. In the event that such taxes are levied, the Company has received an undertaking from the Bermuda Government exempting it from all such taxes until March 31, 2035.
- j) Foreign Currency Transactions**
- Foreign currency transactions, revenue and expense items denominated in a currency other than the functional currency are converted into the functional currency at the average rates of exchange for the period. Monetary assets and liabilities denominated in currencies other than the functional currency are remeasured into the functional currency at the rates of exchange at the balance sheet date. The resulting foreign exchange transaction gains or losses are included in net foreign exchange gains (losses) in the Statement of Operations. Non-monetary assets and liabilities denominated in foreign currency are not subsequently remeasured.
- k) Recent accounting pronouncements**

### *Long duration contracts*

In August 2018, the FASB issued ASU 2018-12, Financial Services-Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts. The objective of this guidance is to improve, simplify and enhance the financial reporting of long-duration contracts by providing financial statement users with useful information in a timely and transparent manner. The primary changes include: (1) more timely recognition of assumption changes in the liability for future policy benefits and use of a current rate for the discounting of future cash flows; (2) standardization and improvement in the accounting for certain market-based options or guarantees associated with deposit (or account balance) contracts (referred to as market risk benefits); (3) simplification of the amortization of deferred acquisition costs; and (4) enhanced disclosures. As per ASU 2020-11, Financial Services - Insurance (Topic 944): Effective Date and Early Application, the effective date of this standard is fiscal years beginning after December 15, 2024. Certain provisions of the update are required to be adopted on a fully retrospective basis, while others may be adopted on a modified retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact of this guidance on the financial statements.

# Kindley Re Ltd.

## Notes to Financial Statements

### For period from November 17, 2022 to December 31, 2022

(expressed in U.S. dollars)

#### *Financial Instruments – Credit Losses*

In June 2016, the FASB issued new guidance on the measurement of credit losses on financial instruments, including reinsurance recoverables. This guidance replaces the incurred loss impairment methodology with one that reflects expected credit losses. The measurement of expected credit losses should be based on historical loss information, current conditions and reasonable and supportable forecasts. The new guidance also requires that a credit impairment on a debt security be recognized as an allowance going forward, such that improvements in expected future cash flows after an impairment will no longer be reflected as a prospective yield adjustment through net investment income, but as a reversal of the previous impairment that is recognized immediately. In addition, the guidance requires enhanced disclosures. The effective date of this standard is fiscal years beginning after December 15, 2022. Early adoption is permitted. The Company is currently evaluating the impact of this guidance on the financial statements.

### **3. Funds withheld and future policy benefit reserves**

The following table summarizes the Company's funds withheld and future policy benefit reserves by accounting classification.

	<b>December 31, 2022</b>		
	<b>Total</b>	<b>Life contracts</b>	<b>Interest-sensitive life and investment-type contract liabilities</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Assets:			
Funds withheld	1,127,264,525	209,423,355	917,841,170
Liabilities:			
Future policy benefit reserves	1,122,729,841	213,018,375	909,711,466

### **4. Fair value measurements**

The fair values of financial instruments have been determined by using available market information and the valuation techniques described below. Considerable judgment is often required in interpreting market data to develop estimates of fair value. The use of different assumptions or valuation techniques may have a material effect on the estimated fair value amounts. The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2022.

	<b>December 31, 2022</b>	
	<b>Carrying value</b>	<b>Estimated fair value</b>
	<b>\$</b>	<b>\$</b>
Liabilities:		
Fixed index annuities - embedded derivatives*	6,162,709	6,162,709

# Kindley Re Ltd.

## Notes to Financial Statements

### For period from November 17, 2022 to December 31, 2022

(expressed in U.S. dollars)

\* Embedded derivatives related to fixed indexed annuities are included in interest-sensitive life and investment-type contract liabilities.

The following tables present the Company's hierarchy for its financial instruments measured at fair value on a recurring basis as of December 31, 2022.

December 31, 2022	Fair value measurements using:			
	Total	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Fixed index annuities - embedded derivatives	6,162,709			6,162,709

Valuations for embedded derivatives related to fixed indexed annuities and included in interest-sensitive life and investment-type contract liabilities include significant unobservable inputs associated with economic and actuarial assumptions for policyholder behaviour.

The valuation technique and significant unobservable inputs used in the determination of fair value of embedded derivative liabilities includes i) policyholder behaviour, reflecting mortality, lapse/surrender, annuitizations and partial withdrawals assumptions ii) non-performance risk reflecting credit and illiquidity spreads in excess of observable inputs such as treasury yields, adjusted for the Company's own credit risk.

There were no transfers between levels for the period ended December 31, 2022.

#### 5. *Deferred acquisition costs*

The following summarizes a roll-forward of deferred acquisition costs.

	Period ended December 31, 2022
	\$
Balance at the beginning of the period	-
Additions	84,549,735
Amortization	-
Balance at the end of the period	84,549,735

#### 6. *Share capital and additional paid-in capital*

##### *Authorized and Issued share capital*

The authorized and issued share capital of the Company is \$250,000 divided into 250,000 ordinary shares, par value \$1 each.

##### *Additional paid-in capital*

During the period ended December 31, 2022, the Company received \$157,214,238 by way of additional capital contribution from its shareholder. Refer to note 8 for capital amount still receivable at year end.

# Kindley Re Ltd.

## Notes to Financial Statements

**For period from November 17, 2022 to December 31, 2022**

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(expressed in U.S. dollars)

### **7. Statutory requirements**

The Company operates in Bermuda and is subject to Bermuda's Insurance Account Rules, amendments thereto and related Regulations (the "Act"). Under the Act, the Company is prohibited from declaring or paying in any fiscal year dividends of more than 25% of its prior year's statutory capital and surplus without prior approval from the Bermuda Monetary Authority (BMA). Similarly, approval from the BMA is required before any reduction of statutory capital by more than 15% compared to the previous year statutory capital. The primary difference between financial statements prepared for insurance regulatory authorities and statements prepared in accordance with US GAAP is that financial statements prepared for the insurance regulatory authorities apply prudential filters to the US GAAP financial statements in order to derive the Statutory Financial Statements. Prudential filters refer to adjustments to eliminate non-admitted assets including goodwill and other similar intangible assets, not considered admissible for solvency purposes; and to include certain off balance sheet assets and liabilities such as guarantees and other instruments that do not relate to insurance contracts.

The Company is licensed as a Class E Long term insurer under the Act and is required to maintain a minimum statutory solvency margin equal to the greater of a minimum solvency margin (MSM) and a percentage of the Enhanced Capital Requirement (ECR). The MSM is equal to the greater of (i) \$8 million (ii) 2% of the first \$500 million of assets plus 1.5% of assets above \$500 million or (iii) 25% of ECR. The ECR is calculated based on a standard risk-based capital model developed by the Bermuda Monetary Authority (BMA). At December 31, 2022, the Company's statutory capital and surplus exceeded the minimum solvency margin.

The Bermuda Solvency Capital Requirement (BSCR) employs a standard mathematical model that can relate more accurately the risks taken on by (re)insurers to the capital that is dedicated to their business. Insurers and reinsurers may adopt the standard approach where the BMA prescribes a discount rate reflecting a risk-free rate plus illiquidity premium or the scenario-based approach where the insurer uses the actual portfolio of assets (as well as any projected reinvestments) to determine yields net of default costs. The utilization of the scenario-based approach, in some circumstances, may be subject to approval by the BMA. The Company has initially adopted the standard approach and is working with the BMA towards approval for the utilization of the scenario-based approach by the BMA. At December 31, 2022, the Company's enhanced capital requirement (ECR) and target capital level of 120% of ECR have both been met.

### **8. Related parties**

As of December 31, 2022, the Company had an outstanding amount receivable from its ultimate shareholder of \$28,338,511 that related to additional capital contribution due under contractual obligations. This balance is included in accounts receivable at year end and was subsequently received on March 15, 2023.

### **9. Concentration of credit risk**

The Company is a party to financial instruments with a concentration of credit risk in the normal course of business. The creditworthiness of any counterparty is evaluated by the Company, taking into account credit ratings assigned by rating agencies. The credit approval process involves an assessment of factors including, among others, the counterparty and country and industry credit exposure limits. Collateral may be required, at the discretion of the Company, on certain transactions



# Kindley Re Ltd.

## Notes to Financial Statements

**For period from November 17, 2022 to December 31, 2022**

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(expressed in U.S. dollars)

based on the creditworthiness of the counterparty and the nature of the liabilities. The areas where significant concentrations of credit risk may exist include fixed maturity securities, funds withheld and reinsurance balances receivable (collectively, “reinsurance assets”). For reinsurance assets, the risk of loss is mitigated by the Company’s ability to offset amounts owed to the ceding company with the amounts owed to the Company by the ceding company. Mitigating factors include using financially sound custodians, investment grade collateral with further investment guidelines governing the quality of the portfolio, ceding companies with high credit rating, and ability to offset amounts owed to ceding companies with amounts due from them.

### *Funds withheld assets*

The assets are held and managed by the Cedants, well-established reinsurance group and insurance companies with operations in Bermuda and the United States, with A- (Excellent) ratings with Stable outlook respectively. In addition, the risk of loss is mitigated by the Company’s ability to offset amounts owed to the Cedants with the amounts owed to the Company by the Cedants.

### **10. Subsequent events**

The Company has evaluated the effects of events subsequent to December 31, 2022, for recognition and disclosure, through to April 28, 2023, which is the date the financial statements were available to be issued. There were no material events that occurred subsequent to December 31, 2022.