Audited Consolidated Financial Statements

Wilton Re Ltd. and Subsidiaries
(Formerly Known as Wilton Re Holdings Limited and Subsidiaries)

Years Ended December 31, 2014, 2013 and 2012
With Report of Independent Registered Public Accounting Firm

Ernst & Young LLP

Building a better
working world

Wilton Re Ltd. and Subsidiaries
(Formerly Known as Wilton Re Holdings Limited and Subsidiaries)

Audited Consolidated Financial Statements

Years Ended December 31, 2014, 2013 and 2012

Contents

Ernst & Young LLP
200 Clarendon Street
Boston, MA 02116

Tel: +1 617 266 2000
Fax: +1 617 266 5843
ey.com

Building a better working world

Report of Independent Registered Public Accounting Firm

The Board of Directors
Wilton Re Ltd. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Wilton Re Ltd. and Subsidiaries (formerly known as Wilton Re Holdings Limited and Subsidiaries) (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wilton Re Ltd. and Subsidiaries at December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with auditing standards generally accepted in the United States and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 30, 2015, expressed an unqualified opinion thereon.

Ernst + Young LLP

March 30, 2015

Wilton Re Ltd. and Subsidiaries
(Formerly Known as Wilton Re Holdings Limited and Subsidiaries)

Consolidated Balance Sheets
(Expressed in Thousands of U.S. Dollars, Except Share Amounts)

	December 31	
	2014	**2013**
Assets		
Investments	**$ 12,213,338**	$ 4,517,263
Short term investments	**237,080**	55,438
Policy loans	**380,069**	184,539
Funds withheld at interest	**1,928,310**	1,765,413
Other invested assets	**418,229**	294,120
Total investments	**15,177,026**	6,816,773
Cash and cash equivalents	**280,415**	106,384
Accrued investment income	**119,480**	44,628
Premiums receivable	**107,122**	113,544
Reinsurance recoverable	**1,310,911**	248,350
Deferred acquisition costs	**288,646**	303,516
Value of in-force business acquired	**479,006**	518,611
Deferred income taxes	**109,908**	–
Other assets	**330,862**	45,702
Total assets	**$ 18,203,376**	$ 8,197,508
Liabilities and shareholders' equity		
Liabilities:		
Reserves for future policy benefits	**$ 5,664,377**	$ 1,923,237
Interest sensitive contract liabilities	**8,499,922**	4,499,416
Other reinsurance liabilities	**31,716**	18,141
Funds held under reinsurance treaties	**259,269**	66,116
Funding agreements	**404,078**	–
Debt	**250,352**	250,000
Deferred income taxes	–	41,836
Other liabilities	**222,795**	42,212
Total liabilities	**15,332,509**	6,840,958
Shareholders' equity:		
Class A common shares:		
0 shares issued and outstanding at December 31, 2014; $1.00 par value; 50,000,000 shares authorized, 16,109,438 issued and outstanding at December 31, 2013	–	16,109
No par value common shares:		
$0 par value; 400,000 shares authorized, 178,827 shares issued and outstanding at December 31, 2014; 0 shares issued and outstanding at December 31, 2013	–	–
Class B common shares:		
0 shares issued and outstanding at December 31, 2014; $1.00 par value; 3,000,000 shares authorized; 0 issued and outstanding at December 31, 2013	–	–
Preferred capital stock	**1,200,000**	–
Additional paid-in capital	**770,561**	718,639
Stock warrants	–	29
Retained earnings and accumulated other comprehensive income	**900,306**	621,773
Total shareholders' equity	**2,870,867**	1,356,550
Total liabilities and shareholders' equity	**$ 18,203,376**	$ 8,197,508

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

Wilton Re Ltd. and Subsidiaries
(Formerly Known as Wilton Re Holdings Limited and Subsidiaries)

Consolidated Statements of Comprehensive Income (Loss)
(Expressed in Thousands of U.S. Dollars, Except Share Amounts)

	Year Ended December 31 2014	2013	2012
Revenues			
Net premiums	**$ 406,680**	$ 467,153	$ 501,744
Policy fees and charges	**414,984**	252,884	270,120
Inuring third-party reinsurance commissions	**39,125**	43,826	45,305
Investment earnings	**642,496**	450,017	403,100
Net unrealized appreciation (depreciation) on investments classified as trading and other	**284,079**	(324,155)	159,617
Change in value of derivatives and embedded derivatives, net	**51,243**	(107,182)	65,045
Total revenues	**1,838,607**	782,543	1,444,931
Expenses			
Claims and policy benefits, net of reinsurance ceded	**747,379**	468,699	587,558
Interest credited to interest sensitive contract liabilities	**239,994**	176,526	167,191
Acquisition costs and other insurance expenses	**216,139**	73,009	213,010
Operating expenses	**103,666**	86,885	83,469
Due diligence, transition and conversion costs	**8,357**	2,755	2,187
Change in control expenses	**55,499**	–	–
Interest expense	**15,101**	11,973	150
Total benefits and expenses	**1,386,135**	819,847	1,053,565
Net income (loss) and comprehensive income (loss) before income taxes	**452,472**	(37,304)	391,366
Income tax expense (benefit)	**145,939**	(2,931)	84,901
Net income (loss) and comprehensive income (loss)	**$ 306,533**	$ (34,373)	$ 306,465

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

Wilton Re Ltd. and Subsidiaries
(Formerly Known as Wilton Re Holdings Limited and Subsidiaries)

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Thousands of U.S. Dollars, Except Share Amounts)

	Year Ended December 31		
	2014	**2013**	**2012**
Common shares (Class A)			
Balance at beginning of year	**$ 16,109**	$ 16,107	$ 22,551
Class A common shares repurchased during year	**(16,109)**	–	(6,456)
Class A common shares issued during year	–	2	12
Balance at end of year	–	16,109	16,107
No par value common shares			
Balance at beginning of year	–	–	–
No par value stock issued during year	–	–	–
Balance at end of year	–	–	–
Preferred capital stock			
Balance at beginning of year	–	–	–
Preferred shares issued during year	**1,200,000**	–	–
Balance at end of year	**1,200,000**	–	–
Additional paid-in capital			
Balance at beginning of year	**718,639**	718,083	1,166,967
Common shares repurchased/recapitalized during year, net of costs	**16,109**	–	(450,530)
Tax benefit on stock option exercised	**15,541**	–	–
Warrants redeemed during year	**29**	–	–
Common shares issued during year, net of offering costs	–	149	849
Stock based compensation	**20,243**	407	797
Balance at end of year	**770,561**	718,639	718,083

Wilton Re Ltd. and Subsidiaries

(Formerly Known as Wilton Re Holdings Limited and Subsidiaries)

Consolidated Statements of Changes in Shareholders' Equity (continued)

(Expressed in Thousands of U.S. Dollars, Except Share Amounts)

	Year Ended December 31		
	2014	**2013**	**2012**
Stock warrants			
Balance at beginning of year	**$ 29**	$ 29	$ 29
Warrants redeemed during year	**(29)**	–	–
Balance at end of year	**–**	29	29
Retained earnings			
Balance at beginning of year	**621,773**	806,125	634,600
Net income (loss) and comprehensive income (loss)	**306,533**	(34,373)	306,465
Dividends	**(28,000)**	(149,979)	(132,886)
Change in accounting for deferred acquisition costs, net of tax	**–**	–	(2,054)
Balance at end of year	**900,306**	621,773	806,125
Total shareholders' equity	**$ 2,870,867**	$ 1,356,550	$ 1,540,344

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

Wilton Re Ltd. and Subsidiaries
(Formerly Known as Wilton Re Holdings Limited and Subsidiaries)

Consolidated Statements of Cash Flows
(Expressed in Thousands of U.S. Dollars, Except Share Amounts)

	Year Ended December 31		
	2014	**2013**	**2012**
Operating activities			
Net income (loss) and comprehensive income (loss)	**$ 306,533**	$ (34,373)	$ 306,465
Adjustments to reconcile net income (loss) and comprehensive income (loss) to net cash from operating activities:			
Proceeds from sales of investments	**1,749,895**	596,306	884,511
Proceeds from maturities of investments	**417,777**	292,658	171,425
Purchases of investments	**(9,616,452)**	(1,020,348)	(1,181,687)
Accretion and amortization of discounts and premiums on securities, net	**19,790**	(24,547)	(21,889)
Net realized (gains) losses on investments	**(107,118)**	(47,998)	(47,860)
Net unrealized (gains) losses on investments	**(284,904)**	324,155	(165,988)
Mark to market on embedded derivative	**(50,959)**	100,825	(54,908)
Amortization and other adjustments to deferred acquisition costs	**49,632**	25,381	32,414
Amortization and other adjustments to value of business acquired	**111,347**	(2,096)	125,961
Interest credited to interest sensitive contracts	**239,994**	176,526	167,191
Non-cash equity compensation expense	**20,243**	407	797
Non-cash tax benefit on stock option exercised	**15,541**	–	–
Change in assets and liabilities:			
Accrued investment income	**(74,852)**	2,782	(654)
Deferred income taxes	**(151,744)**	(64,326)	6,791
Premiums receivable	**6,422**	3,370	(17,505)
Reinsurance recoverable	**(1,062,561)**	15,273	1,173
Funds withheld at interest	**(111,114)**	90,798	85,985
Deferred acquisition costs	**(34,761)**	(58,340)	(79,199)
Value of in-force business acquired	**(71,743)**	(45,730)	(21,576)
Other assets	**(237,813)**	(22,018)	(10,487)
Reserves for future policy benefits	**3,741,140**	40,676	54,648
Funds held under reinsurance treaties	**193,153**	3,345	(1,927)
Other reinsurance liabilities	**13,575**	(8,103)	6,531
Other liabilities	**133,236**	(18,400)	5,491
Net cash flows from operating activities	**(4,785,743)**	326,223	245,703

Wilton Re Ltd. and Subsidiaries
(Formerly Known as Wilton Re Holdings Limited and Subsidiaries)

Consolidated Statements of Cash Flows (continued)
(Expressed in Thousands of U.S. Dollars, Except Share Amounts)

	Year Ended December 31		
	2014	**2013**	**2012**
Investing activities			
Net purchases, sales and maturities of short-term investments	**$ (181,639)**	$ (13,517)	$ 155,014
Change in policy loans	**(195,530)**	(1,881)	(99)
Net cash flows from investing activities	**(377,169)**	(15,398)	154,915
Financing activities			
Proceeds from issuance of common shares	–	151	861
Proceeds from issuance of preferred shares	**1,200,000**	–	–
Payment due to repurchase of common shares	**–**	–	(456,986)
Proceeds from debt	**352**	250,000	210,000
Repayment of debt	**–**	(210,000)	–
Increase in funding agreements	**404,078**	–	–
Dividends paid	**(28,000)**	(149,979)	(132,886)
Increase in interest sensitive contracts	**4,146,479**	333,523	508,786
Redemption and benefit payments on interest sensitive contracts	**(385,966)**	(607,770)	(650,082)
Net cash flows from financing activities	**5,336,943**	(384,075)	(520,307)
Increase (decrease) in cash and cash equivalents	**174,031**	(73,250)	(119,689)
Cash and cash equivalents at the beginning of the period	**106,384**	179,634	299,323
Cash and cash equivalents at the end of the period	**$ 280,415**	$ 106,384	$ 179,634
Supplementary disclosure of consolidated cash flow information			
Cash paid during the period for:			
Income taxes	**$ 26,000**	$ 71,448	$ 54,500

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

1. Organization

Wilton Re Ltd. is a company registered in Nova Scotia, Canada. Wilton Re Ltd. and its subsidiaries, collectively referred to as the "Company", principally provides life insurance and reinsurance and acquires blocks of life insurance and annuity contracts. The Company conducts its operations through subsidiaries incorporated in Canada, Bermuda, and the United States of America.

Effective June 30, 2014, in connection with the acquisition of Wilton Re Holdings Limited, a Bermuda company and the former ultimate parent (WRHL), by an affiliate of Canada Pension Plan Investment Board (CPPIB), WRHL was merged with and into Cheddar Merger Holdings Limited, a Bermuda company which, effective August 2014, was continued from Bermuda to Nova Scotia, Canada and renamed as Wilton Re Ltd. (WRL). WRL is the ultimate parent corporation in the Company's holding company system.

Wilton Reinsurance Bermuda Limited (Wilton Re Bermuda), a wholly owned subsidiary of WRL, was incorporated under the laws of Bermuda as a long term insurer in December 2004.

Redding Funding Ltd. (Redding Funding), a wholly owned subsidiary of Wilton Re Ltd., was incorporated in December 2014 under the laws of Nova Scotia, Canada.

Wilton Re U.S. Holdings Trust (Wilton Re Trust), a wholly owned subsidiary of WRL, was established under the laws of Ontario, Canada in June 2014.

Wilton Re US Holdings, Inc. (Wilton Re US Holdings), a wholly owned subsidiary of Wilton Re Trust, was incorporated in Delaware in September 2014. Wilton Re US Holdings conducts its operations principally through its subsidiary, Wilton Reassurance Company, Inc. (WRAC), a Minnesota domiciled life insurer.

Wilton Re Finance LLC (WRFL), a wholly owned subsidiary of Wilton Re US Holdings was formed in March 2013.

Dunmore, LLC (DUNM), a wholly owned subsidiary of Wilton Re US Holdings, is a limited liability corporation.

1. Organization (continued)

Wilton Reassurance Life Company of New York (WRNY), a wholly owned New York domestic subsidiary of WRAC, was formed upon the acquisition and merger of three domestic New York life insurance companies.

Texas Life Insurance Company (TLIC), a wholly owned subsidiary of WRAC, was acquired in March 2009. TLIC is a Texas domiciled life insurer.

Wilton Re Services, Inc. (Wilton Re Services), a wholly owned subsidiary of Wilton Re US Holdings, was incorporated in Delaware in September 2004.

Redding Reassurance Company 2 (RR2), a wholly owned subsidiary of WRAC, was organized in September 2014 as a South Carolina special purpose financial captive insurance company.

Heritage Union Life Insurance Company (HULC), a wholly owned subsidiary of WRAC, was acquired in July 2011. HULC is a Minnesota domiciled life insurer.

Conseco Life Insurance Company (CLIC), a wholly owned subsidiary of WRAC, was acquired on July 1, 2014. CLIC is an Indiana domiciled life insurer.

Continental Assurance Company (CAC), a wholly owned subsidiary of WRAC, was acquired on August 1, 2014. CAC is an Illinois domiciled life insurer.

Woodstown LLC (WDTN), a wholly owned subsidiary of WRAC, is a Delaware limited liability company formed in December 2013 upon the acquisition of investments in life settlement policies from WRAC.

2. Summary of Significant Accounting Policies

a) Consolidation and Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include those used in determining deferred acquisition costs, value of in-force business acquired, unearned revenue, premiums receivable, reserves for future policy benefits, other policy claims and benefits, and the valuation of investments. While the amounts included in the consolidated financial statements reflect management's best estimates and assumptions, the actual results could be materially different from the amounts reported in the consolidated financial statements.

The accompanying consolidated financial statements include the accounts of Wilton Re Ltd. and its subsidiaries which include Wilton Re Bermuda, Wilton Re US Holdings, Wilton Re Services, WRFL, DUNM, WRAC, WRNY, TLIC, HULC, CLIC, CAC, Redding Funding, RR2, WDTN, and Wilton Re Trust. All significant intercompany accounts and transactions have been eliminated in consolidation.

b) Investments and Investment Earnings

Included in the Company's investments are publicly-traded fixed maturity securities, preferred stocks, credit tenant loans, and private placements which are classified as trading and are recorded at fair value with the change in fair value reported as net unrealized appreciation (depreciation) on investments classified as trading and other in the consolidated statements of comprehensive income (loss). The fair value of publicly-traded securities is based on quoted market prices or obtained from independent third-party dealers in the absence of quoted market prices. The fair value of private placements and credit tenant loans is obtained from third-party dealers.

2. Summary of Significant Accounting Policies (continued)

The Company's investment in life settlement policies are accounted for under the investment method and are carried at the initial investment purchase price plus all direct external costs. The Company does not recognize earnings until the insured dies, at which time the Company recognizes in earnings the difference between the carrying amount of the life settlement policy and the life insurance proceeds of the underlying policy.

Investment transactions are recorded on a trade date basis. The Company's investment earnings are recognized when earned and consists primarily of interest and the accretion of discount or amortization of premium on fixed maturity securities. Investment earnings are presented net of investment management and custody expenses on the consolidated statements of comprehensive income (loss). Gains and losses realized on the sale of investments are determined on the specific identification method.

c) Short-Term Investments

Short-term investments represent investments with maturities at acquisition of greater than three months but less than twelve months.

d) Cash and Cash Equivalents

The Company considers all investments purchased with a maturity at acquisition of three months or less to be cash equivalents.

e) Policy Loans

Policy loans are reported at the unpaid principal balance.

f) 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 basis and agreements written on a coinsurance funds withheld basis, assets equal to the statutory reserves, net of reinsurance, are withheld and legally owned by the ceding company. Investment income on funds withheld at interest includes the actual interest income earned on these segregated assets as defined by the treaty terms.

2. Summary of Significant Accounting Policies (continued)

The Company accounts for the embedded derivatives in modified coinsurance and funds withheld contracts as total return swaps. Accordingly, the value of the derivative is equal to the unrealized gain or loss on the assets underlying the funds withheld portfolio associated with each agreement. The Company's funds withheld at interest are recorded at fair value with the changes in the fair value of the embedded derivative reflected in the change in value of derivatives and embedded derivatives, net, in the statements of comprehensive income (loss). At December 31, 2014 and 2013, the fair value of these embedded derivatives included in the funds withheld at interest was $113,925 and $62,967, respectively.

g) Derivative Financial Instruments

The Company hedges certain portions of its exposure to product-related equity market risk and interest rate risk by entering into derivative transactions. These derivative instruments are recognized in "Other Invested Assets" in the accompanying consolidated balance sheets at fair value.

The change in fair value is recognized in the accompanying consolidated statements of comprehensive income (loss). At December 31, 2014 and 2013, the fair value of these derivatives was $30,656 and $29,771, respectively.

h) Premiums Receivable

Premiums receivables are recognized when due or when payment is due from the policyholder. Other factors impacting management estimates of premiums receivable include adjustments for lapsed policies and collateral value. Under the legal right of offset provision in the reinsurance treaties, the Company can withhold payments for allowances and claims for unpaid premiums. Based on a review of these factors and historical experience, the Company did not believe a provision for doubtful accounts was necessary as of December 31, 2014 and 2013.

i) Deferred Acquisition Costs (DAC)

The costs that are directly related to the successful acquisition of new and renewal life insurance and reinsurance business, have been deferred to the extent that such costs are deemed recoverable from future premiums or gross profits.

2. Summary of Significant Accounting Policies (continued)

The Company performs periodic tests to determine that DAC remains recoverable, and if financial performance deteriorates to the point where a premium deficiency exists, a charge to current operations would be recorded. No such adjustments were made during 2014, 2013, or 2012. Deferred costs related to traditional life insurance contracts, all of which relate to long duration contracts, are amortized over the premium-paying period or 25 years, in proportion to the ratio of individual period premium revenues to total anticipated premium revenues over the amortization period. Such anticipated premium revenues are estimated using the same assumptions used for computing liabilities for future policy benefits. DAC related to interest sensitive insurance products, such as universal life and annuities, are recognized as expense over the term of the policies in proportion to estimated gross profits (EGPs), arising principally from surrender charges, investment results and mortality and expense margins, over the amortization period.

j) Separate Accounts

Included in other assets and other liabilities in the accompanying consolidated balance sheets are separate account assets and separate account liabilities of $47,348 and $0 at December 31, 2014 and 2013, respectively. Separate account assets and liabilities represent policyholder funds related to investment and annuity products for which the policyholder assumes substantially all the risk and reward. The assets are segregated into accounts with specific underlying investment objectives and are legally segregated from the Company. All assets of the separate account business are carried at fair value with an equal amount recorded for separate account liabilities. Fee income accruing to the Company related to separate accounts is included within other revenues in the accompanying consolidated statements of comprehensive income (loss). A number of separate account pension deposit contracts guarantee principal and an annual minimum rate of interest. If aggregate contract value in the separate account exceeds the fair value of the related assets, an additional policyholders' funds liability is established. Certain of these contracts are subject to a fair value adjustment if terminated by the policyholder.

k) Reserves for Future Policy Benefits and Interest Sensitive Contract Liabilities

The Company's liabilities for traditional life policies and reinsurance of traditional life insurance policies are recognized as reserves for future policy benefits. All of the Company's material reinsurance contracts are long duration contracts. The Company monitors actual experience and

2. Summary of Significant Accounting Policies (continued)

revises assumptions and related reserve estimates as permitted. The reserve is estimated using the net level premium method utilizing assumptions for mortality, persistency, interest and expenses established when the contract is underwritten. These assumptions are based on anticipated experience with a margin for adverse deviation. If the reserves for future policy benefits plus the present value of expected future gross premiums are insufficient to provide for expected future benefits and expense, deferred policy acquisition costs are expensed and, if required, a premium deficiency reserve is established by a charge to claims and policy benefits. Benefit liabilities for traditional life contingent payout annuities and structured settlements are recorded at the present value of expected future benefit payments. Where required, the Company also establishes an unearned profit reserve and amortizes it over expected benefit payments. Benefit liabilities for non-life contingent payout annuities are recorded at the present value of future benefit payments. Reserves also are established to cover death claims that may have been incurred and reported to the applicable ceding company, but not yet reported to the Company. The average discount rates used to compute the Company's reserves for future policy benefits were approximately 4.65% and 5.22% for 2014 and 2013.

Liabilities for interest sensitive insurance products such as universal life and deferred annuities are established based on account values before applicable surrender charges. Certain universal life products contain features that link interest credited to an equity index. These features create an embedded derivative that is not clearly and closely related to the host insurance contract. The embedded derivative is carried at fair value with changes in the fair value reported in the accompanying consolidated statements of comprehensive income (loss).

In situations where mortality profits are followed by mortality losses, a liability is established, in addition to the account value, to recognize the portion of policy assessments that relate to benefits to be provided in the future. Additional liabilities are established for universal life products related to unearned policy charges.

The calculation of reserves for future policy benefits and for claims incurred but not reported (IBNR) for the Company's business requires management to make estimates and assumptions regarding expected mortality, lapse, persistency, expenses and investment experience. For reinsurance assumed, such estimates are based primarily on historical experience provided by ceding companies with the exception of investment returns and expenses. Actual results could differ materially from those estimates.

2. Summary of Significant Accounting Policies (continued)

l) Recognition of Revenue and Expenses

Assumed reinsurance and policy premiums related to traditional life products are recognized as revenue when due from the ceding companies and policyholders and are reported net of the cost of reinsurance ceded. Benefits and expenses are reported net of amounts related to reinsurance ceded and are associated with earned premiums so that profits are recognized over the life of the related contracts.

For each of its reinsurance contracts, the Company must determine whether the contract provides indemnification against loss or liability relating to insurance risk. 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 under the deposit method of accounting with the net amount payable/receivable reflected in other reinsurance assets or liabilities on the consolidated balance sheets. Fees earned on these contracts are reflected as other revenues, as opposed to premiums, on the consolidated statements of comprehensive income (loss).

The Company did not have any contracts accounted for under the deposit method at December 31, 2014 or 2013. Revenues for interest-sensitive products, such as universal life and annuity products, consist of investment income, policy charges for the cost of insurance, policy administration fees, and surrender fees that have been assessed against policy account balances during the period. Policy benefits and claims that are charged to expense include claims incurred in the period in excess of related policy account balances and interest credited to policy account balances. The weighted average interest-crediting rates for interest-sensitive products was 4.2% during 2014, 2013 and 2012.

m) Income Taxes

The income tax provision is calculated under the liability method on those operations that are subject to income taxes. Deferred tax assets and liabilities result from temporary differences between the carrying amounts of assets and liabilities recorded in the consolidated financial statements and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax rates would be recognized in the consolidated statements of comprehensive income

2. Summary of Significant Accounting Policies (continued)

(loss) in the period in which the tax rate change is enacted. A valuation allowance for a portion or all of deferred tax assets is recorded as a reduction to deferred tax assets when it is more likely than not that such portion or all of such deferred tax assets will not be realized.

n) Closed Block Acquisitions

Acquisitions by the Company of blocks of business in run off (i.e., where only existing policies will be renewed and new policies will not be sold), as either a reinsurance transaction or a stock purchase, are accounted for as reinsurance transactions. Results of operations only include the revenues and expenses from the effective date of acquisition of these blocks of business. The initial transfer of assets and liabilities is recorded in the consolidated balance sheets at the date of acquisition at fair value, except for the reserves for future policy benefits and value of business acquired (VOBA), which are recorded at management's best estimate. Future policy benefit reserves are established based on the present value of benefits and maintenance expense minus the present value of valuation (or net) premiums.

VOBA represents the present value of future profits from the acquired contracts using the discount rate implicit in the pricing of such transactions. In establishing the VOBA, the Company considers costs which vary with and are primarily related to the acquisition to be part of the purchase price. Such costs include initial ceding allowances, advisory and legal fees, investment banking fees, and contractually obligated involuntary severance. Other costs incurred that are not contractually required, such as transition and conversion costs, financing costs, and severance are expensed as period costs. The Company amortizes VOBA in proportion to premiums for traditional life products and in proportion to EGPs for interest sensitive life and annuity contracts. The EGP's and related amortization of VOBA for interest sensitive life and annuity products are updated (unlocked) periodically to reflect revised assumptions for lapses, mortality and investment earnings. The Company performs periodic tests to determine that VOBA associated with both traditional life products and interest sensitive life and annuity products remains recoverable, and when financial performance deteriorates to the point where VOBA is not recoverable, a cumulative charge to current operations would be recorded.

The net GAAP liability recorded (reserves for future policy benefits net of DAC and VOBA) represents management's best estimate of future cash flows, with provisions for adverse deviation as appropriate. Such estimates are subject to refinement within one year of acquisition.

2. Summary of Significant Accounting Policies (continued)

As further discussed in Note 3, the Company engaged in closed block acquisitions in 2014 with MassMutual, CNO Financial Group, and CNA.

o) Stock Warrants

Stock warrants are recorded based on the fair value of the warrants at their issue date. Fair value is estimated using the Black-Scholes option pricing model. For warrants sold during 2004, in the Black-Scholes option pricing model, the expected volatility assumed was 15.5%, the risk free rate assumed was 3.9% and the fair value was estimated to be $11.14 per warrant.

p) Reclassification

The Company has reclassified the presentation of certain prior period information to conform to the 2014 presentation.

q) 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 to the FASB Accounting Standards Codification™. Accounting standards updates not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Company's consolidated financial statements.

2. Summary of Significant Accounting Policies (continued)

Deferred Acquisition Costs

In October 2010, the FASB amended the general accounting principles for *Financial Services – Insurance* which clarifies the types of costs incurred by an insurance entity that can be capitalized in the acquisition of insurance contracts. Only those costs incurred that result directly from and are essential to the successful acquisition of new or renewal insurance contracts may be capitalized as deferrable acquisition costs. The determination of deferability must be made on a contract-level basis. The Company adopted the provisions of this new guidance on a retrospective basis which resulted in a $2.1 million reduction to retained earnings and a decrease in the deferred policy acquisition costs balance of $3.2 million. As the impact of adoption was not material, the $2.1 million was recorded as an adjustment to January 1, 2012 retained earnings and prior periods were not restated.

r) Subsequent Events

The Company has evaluated the impact of subsequent events through March 30, 2015, representing the date at which the financial statements were available to be issued.

(Expressed in Thousands of U.S. Dollars, Except Share Amounts

3. Significant Closed Block Transactions

During 2014, the Company acquired several closed blocks primarily consisting of traditional and interest sensitive life insurance policies, deferred annuities, structured settlements, universal life and term policies.

The balance sheet impact of these transactions after the gross total purchase price of $496,635 was as follows:

Investments	$ 6,745,494
Short term investments	69,793
Policy loans	206,005
Funds withheld at interest	2,892
Other invested assets	13,334
Total investments	7,037,518
Cash and cash equivalents	205,778
Accrued investment income	81,802
Premiums receivable	950
Reinsurance recoverable	991,348
Deferred income taxes	449,893
Other assets	119,663
Total assets	$ 8,886,952
Reserves for future policy benefits	$ 4,381,722
Interest sensitive contract liabilities	3,179,625
Other reinsurance liabilities	12,099
Funds held under reinsurance treaties	203,979
Funding agreements	411,814
Other liabilities	201,077
Total liabilities	$ 8,390,317

(Expressed in Thousands of U.S. Dollars, Except Share Amounts

4. Investments

The amortized cost, fair value and related gross unrealized appreciation and depreciation of fixed maturity and common and preferred stock investments, classified as trading as of December 31, 2014 and 2013, are as follows:

	December 31, 2014			
	Amortized Cost	**Unrealized Appreciation**	**Unrealized Depreciation**	**Fair Value**
Fixed maturities				
U.S. government and agencies	**$ 1,540,391**	**$ 27,145**	**$ (1,264)**	**$ 1,566,272**
State and political subdivisions	**1,173,837**	**111,510**	**(1,377)**	**1,283,970**
Foreign sovereign	**29,966**	**1,273**	**(215)**	**31,024**
Corporate securities	**5,938,467**	**296,078**	**(43,292)**	**6,191,253**
Residential mortgage-backed securities	**935,997**	**32,468**	**(5,535)**	**962,930**
Commercial mortgage-backed securities	**941,489**	**34,082**	**(2,095)**	**973,476**
Asset-backed securities	**966,440**	**32,715**	**(2,961)**	**996,194**
Collateralized debt obligations	**17,160**	**1,041**	**(192)**	**18,009**
Total fixed maturities	**11,543,747**	**536,312**	**(56,931)**	**12,023,128**
Common stock	**25,522**	**–**	**–**	**25,522**
Preferred stock	**159,772**	**4,977**	**(61)**	**164,688**
Total investments	**$ 11,729,041**	**$ 541,289**	**$ (56,992)**	**$ 12,213,338**

	December 31, 2013			
	Amortized Cost	**Unrealized Appreciation**	**Unrealized Depreciation**	**Fair Value**
Fixed maturities				
U.S. government and agencies	$ 188,506	$ 4,997	$ (9,099)	$ 184,404
State and political subdivisions	478,259	31,273	(7,477)	502,055
Foreign sovereign	20,918	915	(794)	21,039
Corporate securities	2,076,495	162,842	(32,672)	2,206,665
Residential mortgage-backed securities	402,188	22,250	(16,508)	407,930
Commercial mortgage-backed securities	350,437	19,963	(9,621)	360,779
Asset-backed securities	637,957	31,405	(3,762)	665,600
Collateralized debt obligations	69,260	5,733	(527)	74,466
Total fixed maturities	4,224,020	279,378	(80,460)	4,422,938
Common stock	13,477	3,666	–	17,143
Preferred stock	68,154	10,358	(1,330)	77,182
Total investments	$ 4,305,651	$ 293,402	$ (81,790)	$ 4,517,263

(Expressed in Thousands of U.S. Dollars, Except Share Amounts

4. Investments (continued)

The unrealized depreciation and fair values by investment category and by the duration of the fixed maturity securities in a continuous unrealized loss position at December 31, 2014 and 2013, are as follows:

	December 31, 2014					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Depreciation	Fair Value	Unrealized Depreciation	Fair Value	Unrealized Depreciation
Fixed maturities						
U.S. government and agencies	**$ 92,838**	**$ (116)**	**$ 38,256**	**$ (1,148)**	**$ 131,094**	**$ (1,264)**
State and political subdivisions	**15,739**	**(445)**	**5,187**	**(932)**	**20,926**	**(1,377)**
Foreign sovereign	**15,134**	**(215)**	**–**	**–**	**15,134**	**(215)**
Corporate securities	**1,490,431**	**(38,678)**	**83,368**	**(4,614)**	**1,573,799**	**(43,292)**
Residential mortgage-backed securities	**256,581**	**(2,837)**	**45,180**	**(2,698)**	**301,761**	**(5,535)**
Commercial mortgage-backed securities	**317,124**	**(1,839)**	**16,642**	**(256)**	**333,766**	**(2,095)**
Asset-backed securities	**339,749**	**(2,232)**	**22,359**	**(729)**	**362,108**	**(2,961)**
Collateralized debt obligations	**4,679**	**(85)**	**5,595**	**(106)**	**10,274**	**(192)**
Total fixed maturities	**$ 2,532,275**	**$ (46,447)**	**$ 216,587**	**$ (10,483)**	**$ 2,748,862**	**$ (56,931)**

At December 31, 2014, one hundred and thirty-three fixed maturity securities with a total unrealized loss of $10,483 had been in an unrealized loss position for 12 months or more. Of those securities in an unrealized loss of 12 months or more, four securities had fair values below 70% of book value with a total unrealized loss of $304. The remaining securities had fair values above 70% of book value.

	December 31, 2013					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Depreciation	Fair Value	Unrealized Depreciation	Fair Value	Unrealized Depreciation
Fixed maturities						
U.S. government and agencies	$ 105,537	$ (8,945)	$ 573	$ (154)	$ 106,110	$ (9,099)
State and political subdivisions	119,810	(7,054)	2,483	(423)	122,293	(7,477)
Foreign sovereign	13,046	(794)	–	–	13,046	(794)
Corporate securities	412,523	(23,033)	53,982	(9,639)	466,505	(32,672)
Residential mortgage-backed securities	143,705	(16,440)	1,476	(68)	145,181	(16,508)
Commercial mortgage-backed securities	139,861	(9,290)	984	(331)	140,845	(9,621)
Asset-backed securities	150,596	(2,913)	15,685	(849)	166,281	(3,762)
Collateralized debt obligations	10,131	(359)	9,043	(168)	19,174	(527)
Total fixed maturities	$1,095,209	$ (68,828)	$ 84,226	$ (11,632)	$ 1,179,435	$ (80,460)

(Expressed in Thousands of U.S. Dollars, Except Share Amounts

4. Investments (continued)

At December 31, 2013, one hundred and sixty-seven fixed maturity securities with a total unrealized loss of $11,632 had been in an unrealized loss position for 12 months or more. Of those securities in an unrealized loss of 12 months or more, four securities had fair values below 70 percent of book value with a total unrealized loss of $452. The remaining securities had fair values above 70% of book value.

Contractual maturities of the Company's fixed maturity securities as of December 31, 2014, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepayment obligations with or without call or prepay penalties.

	Amortized Cost	Fair Value
December 31, 2014		
One or less	$ 71,113	$ 71,330
One through five	1,682,153	1,705,518
After five through ten	1,684,258	1,727,119
After ten through twenty	2,234,356	2,346,265
After twenty	3,010,781	3,222,287
Residential mortgage-backed securities	935,997	962,930
Commercial mortgage-backed securities	941,489	973,476
Asset-backed securities	966,440	996,194
Collateralized debt obligations	17,160	18,009
Total fixed maturities	$ 11,543,747	$ 12,023,128

(Expressed in Thousands of U.S. Dollars, Except Share Amounts

4. Investments (continued)

Major sources and related amounts of investment earnings are as follows:

	2014	2013	2012
Cash and cash equivalents	**$ 90**	$ 62	$ 212
Short-term investments	**48**	624	120
Fixed maturities	**351,849**	239,460	236,210
Policy loans	**24,975**	19,618	17,215
Other invested assets	**67,867**	26,544	22,975
Total investment income	**444,829**	286,308	276,732
Investment expense	**(13,731)**	(10,511)	(9,709)
Subtotal investment income	**431,098**	275,797	267,023
Realized gains on investments	**150,126**	54,639	50,963
Realized losses on investments	**(43,008)**	(6,641)	(2,119)
Investment income on funds withheld at interest	**90,759**	111,210	74,520
Realized gains on funds withheld at interest	**15,314**	16,545	15,684
Realized losses on funds withheld at interest	**(1,793)**	(1,533)	(2,971)
Investment earnings	**$ 642,496**	$ 450,017	$ 403,100

Credit ratings of the Company’s fixed maturity securities as of December 31, 2014 and 2013 are shown below. Ratings are assigned by Standard & Poor’s Corporation, Moody’s Investors Service or Fitch Ratings. The ratings assigned may not be accurate predictors of credit losses.

(Expressed in Thousands of U.S. Dollars, Except Share Amounts

4. Investments (continued)

	Amortized Cost	Fair Value
December 31, 2014		
AAA	**$ 2,840,396**	**$ 2,920,291**
AA	**1,300,927**	**1,406,555**
A	**3,001,164**	**3,192,237**
BBB	**3,719,359**	**3,814,977**
BB	**422,078**	**425,166**
B	**98,116**	**98,199**
CCC or lower	**161,607**	**165,603**
Other not rated	**100**	**100**
Total fixed maturity securities	**$ 11,543,747**	**$ 12,023,128**
December 31, 2013		
AAA	$ 846,968	$ 861,784
AA	550,201	587,073
A	1,314,903	1,397,353
BBB	1,270,679	1,326,831
BB	116,647	118,753
B	57,920	61,806
CCC or lower	66,702	69,338
Total fixed maturity securities	$ 4,224,020	$ 4,422,938

The Company's largest five exposures by issuer as of December 31, 2014, were Comcast Corporation, Twenty-First Century Fox, Berkshire Hathaway, Daimler AG, and Texas Energy Future Holdings, each of which comprised less than 5% of total investments.

The Company's largest five exposures by issuer as of December 31, 2013, were Phoenix Companies, Edison International, Reinsurance Group of America, Incorporated, General Electric Capital Corporation, and Pfizer, Inc. each of which comprised less than 5% of total investments.

4. Investments (continued)

Policy loans comprised approximately 2.5% and 2.7% of the Company's investments as of December 31, 2014 and 2013, respectively. These policy loans present minimal credit risk because the amount of the loan cannot exceed the obligation due the ceding company upon the death of the insured or surrender of the underlying policy. The provisions of the underlying policies determine the policy loan interest rates. Because policy loans represent premature distributions of policy liabilities, they have the effect of reducing future disintermediation risk. In addition, the Company earns a spread between the interest rate earned on policy loans and the interest rate credited to corresponding liabilities.

At December 31, 2014 and 2013, fixed maturity securities of $67,793 and $30,545, respectively, were held on deposit with various state insurance departments in which WRAC, TLIC, HULC, WRNY, CLIC and CAC are licensed to operate to provide security and to meet regulatory requirements.

5. Funds Withheld at Interest

Funds withheld at interest comprised approximately 12.7% and 25.9% of the Company's total investments as of December 31, 2014 and 2013, respectively. The risk of loss to the Company due to the insolvency of a ceding company is mitigated by the Company's contractual right to offset amounts it owes the ceding company for claims or allowances with amounts owed to the Company from the ceding company. Interest generally accrues on these assets based upon the investment earnings on the underlying investments. The Company is subject to the investment performance on the funds withheld assets in a fashion similar to its invested assets.

(Expressed in Thousands of U.S. Dollars, Except Share Amounts

5. Funds Withheld at Interest (continued)

The amortized cost, fair value and related gross unrealized appreciation and depreciation of certain of the assets supporting the funds withheld at interest as of December 31, 2014 and 2013, are as follows:

	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Fair Value
December 31, 2014				
U.S. government and agencies	**$ 55,591**	**$ 2,593**	**$ –**	**$ 58,184**
State and political subdivisions	**130,390**	**13,393**	**(148)**	**143,635**
Foreign sovereign	**3,103**	**104**	**–**	**3,207**
Corporate securities	**1,033,469**	**92,630**	**(4,831)**	**1,121,268**
Residential mortgage-backed securities	**119,236**	**7,235**	**(737)**	**125,734**
Commercial mortgage-backed securities	**163,764**	**3,317**	**(1,176)**	**165,905**
Asset-backed securities	**32,751**	**568**	**(149)**	**33,170**
Total fixed maturities	**1,538,304**	**119,840**	**(7,041)**	**1,651,103**
Preferred stock	**9,510**	**3,799**	**–**	**13,309**
Invested funds held at interest	**$ 1,547,814**	**$ 123,639**	**$ (7,041)**	**$ 1,664,412**

	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Fair Value
December 31, 2013				
U.S. government and agencies	$ 43,626	$ 3,066	$ –	$ 46,692
State and political subdivisions	121,110	4,803	(3,420)	122,493
Corporate securities	968,830	72,262	(15,187)	1,025,905
Residential mortgage-backed securities	134,500	5,464	(2,236)	137,728
Commercial mortgage-backed securities	160,595	1,925	(5,957)	156,563
Asset-backed securities	23,112	174	(610)	22,675
Total fixed maturities	1,451,773	87,694	(27,410)	1,512,057
Common stock	751	–	(12)	739
Preferred stock	11,061	2,650	(232)	13,479
Cash and cash equivalents	2,463	–	–	2,463
Short-term investments	26,175	153	–	26,329
Invested funds held at interest	$ 1,492,223	$ 90,497	$ (27,654)	$ 1,555,066

(Expressed in Thousands of U.S. Dollars, Except Share Amounts

5. Funds Withheld at Interest (continued)

The unrealized depreciation and fair values by investment category and by duration of the fixed maturity securities in a continuous unrealized loss position of assets supporting funds withheld at interest at December 31, 2014 and 2013, are as follows:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Depreciation	Fair Value	Unrealized Depreciation	Fair Value	Gross Unrealized Depreciation
December 31, 2014						
State and political subdivisions	**$ –**	**$ –**	**$ 6,611**	**$ (148)**	**$ 6,611**	**$ (148)**
Corporate securities	**100,352**	**(3,725)**	**28,445**	**(1,106)**	**128,797**	**(4,831)**
Residential mortgage-backed securities	**17,063**	**(487)**	**5,700**	**(250)**	**22,763**	**(737)**
Commercial mortgage-backed securities	**34,570**	**(293)**	**31,509**	**(883)**	**66,079**	**(1,176)**
Asset-backed securities	**8,499**	**(52)**	**260**	**(97)**	**8,759**	**(149)**
Total	**$ 160,484**	**$ (4,557)**	**$ 72,525**	**$ (2,484)**	**$ 233,009**	**$ (7,041)**

At December 31, 2014, thirty-seven fixed maturity investments with a total unrealized loss of $2,484 had been in an unrealized loss position for 12 months or more. Of those securities in an unrealized loss 12 months or more, one security had a fair value below 70% of book value with a total unrealized loss of $81. The remaining securities had fair values above 70% of book value.

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Depreciation	Fair Value	Unrealized Depreciation	Fair Value	Unrealized Depreciation
December 31, 2013						
State and political subdivisions	$ 34,555	$ (3,420)	$ –	$ –	$ 34,555	$ (3,420)
Corporate securities	235,699	(12,650)	13,533	(2,537)	249,232	(15,187)
Residential mortgage-backed securities	43,350	(2,005)	3,131	(231)	46,481	(2,236)
Commercial mortgage-backed securities	79,638	(5,957)	–	–	79,638	(5,957)
Asset-backed securities	13,428	(397)	739	(213)	14,167	(610)
Total	$ 406,670	$ (24,429)	$ 17,403	$ (2,981)	$ 424,073	$ (27,410)

(Expressed in Thousands of U.S. Dollars, Except Share Amounts

5. Funds Withheld at Interest (continued)

At December 31, 2013, forty-three fixed maturity investments with a total unrealized loss of $2,981 had been in an unrealized loss position for 12 months or more. Of those securities in an unrealized loss 12 months or more, three securities had fair values below 70% of book value with a total unrealized loss of $152. The remaining securities had fair values above 70% of book value.

The contractual maturities of the fixed maturity securities supporting funds withheld at interest as of December 31, 2014, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
December 31, 2014		
One or less	$ 34,415	$ 34,833
One through five	317,652	340,348
After five through ten	282,463	298,920
After ten through twenty	201,106	215,052
After twenty	386,917	437,141
Residential mortgage-backed securities	119,236	125,734
Commercial mortgage-backed securities	163,764	165,905
Asset-backed securities	32,751	33,170
	$ 1,538,304	$ 1,651,103

(Expressed in Thousands of U.S. Dollars, Except Share Amounts

5. Funds Withheld at Interest (continued)

Credit ratings of the fixed maturities supporting the funds withheld at interest, as provided by our ceding companies, are shown below as of December 31, 2014.

	Amortized Cost	**Fair Value**
December 31, 2014		
AAA	**$ 321,812**	**$ 333,803**
AA	**142,312**	**153,772**
A	**456,900**	**495,698**
BBB	**535,888**	**584,102**
BB	**26,561**	**26,675**
B	**2,942**	**3,135**
CCC or lower	**51,889**	**53,918**
	$ 1,538,304	**$ 1,651,103**

	Amortized Cost	**Estimated Fair Value**
December 31, 2013		
AAA	$ 310,360	$ 311,295
AA	119,157	119,886
A	376,022	397,607
BBB	558,739	593,459
BB	15,834	17,007
B	4,947	5,089
CCC or lower	66,714	67,714
Total fixed maturity securities	$ 1,451,773	$ 1,512,057

Also included in funds withheld at interest are amounts due from Protective Life of $38,324 and $33,659 at December 31, 2014 and 2013, respectively. These amounts are not supported by specified assets.

(Expressed in Thousands of U.S. Dollars, Except Share Amounts

6. Concentration of Credit Risk

As of December 31, 2014 and 2013, substantially all of the Company's cash and cash equivalents were held in three financial institutions that the Company considers to be of high quality.

7. Reinsurance

The Company has reinsurance and retrocession agreements that enable it to limit the amount of traditional life reinsurance it retains. The contracts are automatic and effective for risks assumed and in force subsequent to January 1, 2005 through December 31, 2007, for lives greater than $1,000 and from January 1, 2008, and subsequent for lives greater than $2,000.

The closed blocks of business acquired via stock purchase include risks that were ceded to other reinsurers under various yearly renewable term, coinsurance and modified coinsurance agreements. The closed blocks of business acquired via coinsurance include risks that were ceded to other reinsurers under existing inuring reinsurance agreements (inuring reinsurance). The related per life retentions vary by block of business from $0 to $2,500.

Reinsurance and retrocession treaties do not relieve the Company from its obligations to counterparties. Failure of reinsurers or retrocessionaires to honor their obligations could result in losses to the Company. Consequently, allowances for uncollectible amounts would be established. At December 31, 2014 and 2013, no allowances were deemed necessary.

The effect of reinsurance and retrocessions on net premiums earned is as follows:

	2014	**2013**	**2012**
Direct premiums	**$ 101,889**	$ 43,177	$ 57,184
Reinsurance assumed	**410,536**	463,373	484,383
Reinsurance ceded	**(105,745)**	(39,397)	(39,823)
Net premiums	**$ 406,680**	$ 467,153	$ 501,744

7. Reinsurance (continued)

The effect of reinsurance and retrocessions on net claims and policy benefits is as follows:

	2014	2013	2012
Direct	**$ 1,146,183**	$ 184,617	$ 184,013
Reinsurance assumed	**492,093**	335,588	445,221
Reinsurance ceded	**(890,895)**	(51,506)	(41,676)
Net claims and policy benefits	**$ 747,379**	$ 468,699	$ 587,558

At December 31, 2014 and 2013, there were no reinsurance ceded or retrocessional receivables associated with a single reinsurer in excess of 5% of total assets.

The effect of reinsurance and retrocessions on life insurance inforce is shown in the following schedule (in millions):

	Direct	Assumed	Ceded	Net	Assumed/ Net %
December 31, 2014	**$ 68,581**	**$ 75,606**	**$ (19,675)**	**$ 124,512**	**60.72%**
December 31, 2013	$ 36,737	$ 77,950	$ (10,206)	$ 104,481	74.61%

Reinsurance assumed in connection with acquiring closed blocks of business via coinsurance is reported net of the effect of existing inuring reinsurance agreements between the ceding company and other reinsurers. The VOBA established in connection with closed blocks of business acquired via coinsurance includes, as an element of the present value of future profits, ceding allowances received from the inuring reinsurance agreements. Failure of the inuring reinsurers to honor their obligations could result in losses to the Company. Consequently, VOBA would be written off to the extent it is deemed not recoverable, or additional reserves for future policy benefits would be recorded.

(Expressed in Thousands of U.S. Dollars, Except Share Amounts

7. Reinsurance (continued)

The VOBA, amount of life insurance inforce and reserves for future policy benefits assumed via coinsurance on acquired closed blocks of business are reported net of the following approximate amounts attributable to inuring reinsurance:

	2014	2013
Value of business acquired	**$ (77,000)**	$ 40,000
Reserves for future policy benefits	**$ 1,095,000**	$ 1,159,000
Life insurance inforce	**$ 91,298,000**	$ 98,889,000

The Company regularly evaluates the financial condition of its reinsurers, retrocessionaires, and inuring reinsurers.

At December 31, 2014, approximately 48% of the Company's aggregate indirect exposure to reinsurer-related credit risk (measured based on inforce ceded) is attributable to four groups of reinsurers. Together, these four groups of reinsurers have a weighted average AM Best rating of A+ as of December 31, 2014. Also at December 31, 2014, approximately 14% of the Company's aggregate exposure related to credit risk (measured based on inforce ceded) is attributable to one reinsurer which was not rated by AM Best, but whose NAIC Risk Based Capital ratio is above 300% of the company action level.

(Expressed in Thousands of U.S. Dollars, Except Share Amounts

8. Deferred Acquisition Costs and Value of Business Acquired

The balances and changes in DAC are as follows:

	For the Year Ended December 31		
	2014	**2013**	**2012**
Beginning of year	**$ 303,516**	$ 270,557	$ 225,826
Change in accounting principle	**–**	–	(3,158)
Recaptures	**(5,948)**	–	–
Capitalized:			
Direct	**37,000**	35,101	34,511
Assumed	**3,710**	23,239	42,634
Amortized:			
Direct	**(18,459)**	(5,898)	(6,062)
Assumed	**(31,173)**	(19,483)	(23,194)
End of year	**$ 288,646**	$ 303,516	$ 270,557

The balances and changes in VOBA are as follows:

	For the Year Ended December 31		
	2014	**2013**	**2012**
Beginning of year	**$ 518,611**	$ 470,785	$ 575,170
Revisions to initial closed block accounting	**103,762**	–	18,600
Acquisitions	**–**	44,319	–
Recaptures	**(36,369)**	–	–
Amortization	**(111,347)**	2,096	(125,961)
Impact of unlocking	**4,349**	1,411	2,976
End of year	**$ 479,006**	$ 518,611	$ 470,785

(Expressed in Thousands of U.S. Dollars, Except Share Amounts

8. Deferred Acquisition Costs and Value of Business Acquired (continued)

The expected amortization of VOBA in the next five years is as follows:

2015	$	46,647
2016		43,483
2017		42,229
2018		38,664
2019		36,108

9. Income Taxes

Under current Bermuda law, WRHL was not (for the period of time it was domesticated in Bermuda), and its Bermuda subsidiary is still not, required to pay taxes in Bermuda on income or realized capital gains. WRHL received an undertaking from the Minister of Finance in Bermuda that, in the event of any taxes being imposed, both it and its Bermuda subsidiary will be exempt from taxation in Bermuda until March 2035.

WRL and its Canadian subsidiary Redding Funding are not subject to taxes in Canada on income or realized capital gains.

Wilton Re U.S. Holdings and its subsidiaries are subject to income taxes imposed by U.S. authorities.

At December 31, 2014, the Company had U.S. net operating loss and tax credit carryforwards of approximately $66,985 and $7,126, respectively. The net operating loss carryforward of $66,985 is limited under Section 382, and will begin to expire in 2026. The Company expects to utilize all of these net operating losses. The tax credit carryforward of $7,126 is limited under Sec. 383 and has a partial valuation allowance of $1,607 as a portion of these are expected to expire unused. The capital loss carryforwards of approximately $1,118 included in the net operating loss and capital loss carryforwards of $4,208 in 2013, which had a full valuation allowance, expired unused in 2014.

The 2014 current year life net operating loss of $431,033 is expected to be carried back to recoup taxes paid in the carryback period (2011–2013).

(Expressed in Thousands of U.S. Dollars, Except Share Amounts

9. Income Taxes (continued)

Income tax expense attributable to income from continuing operations for the years ended December 31, 2014, 2013, and 2012, are as follows:

	2014	2013	2012
Current tax (benefit) expense	**$ (152,111)**	$ 61,395	$ 77,004
Deferred tax expense (benefit)	**298,050**	(64,326)	7,897
	$ 145,939	$ (2,931)	$ 84,901

The income tax expense differs from applying the U.S. federal income tax rate of 35% to income before taxation as a result of the following:

	2014	2013	2012
Computed expected tax expense (benefit) at 35%	**$ 158,365**	$ (13,056)	$ 136,978
Foreign loss (income) not subject to U.S. tax	**(7,980)**	11,243	(51,497)
Effect of change in tax valuation allowance	**–**	(4,612)	(7,727)
Other	**(4,446)**	3,494	7,147
Actual income tax expense (benefit)	**$ 145,939**	$ (2,931)	$ 84,901

(Expressed in Thousands of U.S. Dollars, Except Share Amounts

9. Income Taxes (continued)

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities at December 31, 2014 and 2013, are presented in the following table:

	2014	2013
Deferred income tax assets		
Differences between tax and financial reporting amounts concerning certain reinsurance transactions	**$ 794,601**	$ 699,007
Net operating loss and capital loss	**23,445**	4,208
Tax credit carryforwards	**7,126**	–
Nondeductible accruals	**17,955**	3,027
Deferred acquisition costs/value of business acquired	**238,641**	158,727
Organizational costs	**232**	285
Employee benefits-stock options	**–**	3,116
Other	**3,846**	5,352
Total deferred tax assets	**1,085,846**	873,722
Deferred income tax liabilities		
Reserves for future policy benefits	**(972,258)**	(870,792)
Investments	**(2,073)**	(44,375)
Total deferred tax liabilities	**(974,331)**	(915,167)
Valuation allowance	**(1,607)**	(391)
Net deferred tax asset (liability)	**$ 109,908**	$ (41,836)

Deferred income taxes reflect the tax impact of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and those for income tax purposes. The Company utilizes valuation allowances when it believes that it is more likely than not that gross deferred income tax assets will not be realized. At December 31, 2014, a valuation allowance of $1,607 was recorded against a portion of CLIC's tax credit carryforwards which are limited under Sec. 383 and expected to expire unused. The Company believes its remaining deferred tax assets related to operations will be recognized against future anticipated taxable income.

9. Income Taxes (continued)

Prior to its merger, WRHL operated, and its Bermuda and Canadian subsidiaries continue to operate, in a manner so that each should be treated as not being engaged in a U.S. trade or business or otherwise subject to U.S. income tax. However, because definitive identification of activities which constitute being engaged in a trade or business in the U.S. is not provided by the Internal Revenue Code of 1986, regulations or court decisions, there can be no assurance that the Internal Revenue Service will not contend that WRHL was, or that WRL and its non-U.S. subsidiaries are, engaged in a U.S. trade or business or otherwise subject to taxation. If WRHL, WRL or its non-U.S. subsidiaries were considered to be engaged in a trade or business in the U.S., WRHL, WRL or its non-U.S. subsidiaries could be subject to the U.S. tax at regular corporate tax rates on its taxable income, if any, that is effectively connected with the U.S. trade or business plus an additional 30% branch profits tax on such income remaining, if any, after regular corporate taxes. As a result, there could be a significant adverse effect on the Company's results of operations and its financial condition.

Under the Canada-U.S. tax treaty, the Company is subject to a 5% withholding tax on certain dividends and no withholding tax on interest received from Wilton Re US Holdings. Any distributions in a current year will be subject to 5% withholding tax to the extent there is current earnings and profits in such current year. There were no distributions in 2014.

The Company's U.S. subsidiaries' federal income tax returns for tax years 2011–2014 are open and subject to examination by the Internal Revenue Service.

As of December 31, 2014 and 2013, the Company had no unrecognized tax benefits.

10. Statutory Requirements and Dividend Restrictions

The Company's reinsurance subsidiaries are subject to insurance laws and regulations in the jurisdictions in which they operate, which are Bermuda and certain of the United States. These regulations include restrictions that limit the amount of dividends or other distributions available to shareholders without prior approval of the insurance regulatory authorities.

10. Statutory Requirements and Dividend Restrictions (continued)

Under Bermuda law, a company may not lawfully declare or pay a dividend or make a contribution out of contributed surplus if there are reasonable grounds for believing that it is, or will after payment of the dividend or distribution be, unable to pay its liabilities as they become due, or that the realizable value of the company's assets will, after payment of the dividend or distribution, be less than its liabilities. Further, an insurer may not declare or pay any dividends during any financial year it would cause the insurer to fail to meet its relevant margins, and an insurer which fails to meet its relevant margins on the last day of any financial year may not, without the approval of the Bermuda Monetary Authority ("BMA"), declare or pay any dividends during the next financial year. WREB may not declare or pay a dividend to any person other than a policyholder unless the value of the assets in its long-term business fund, as certified by its approved actuary, exceeds the extent (as so certified) of the liabilities of the insurer's long-term business. In addition, the amount of such dividend shall not exceed the aggregate of that excess and any other funds properly available for payment of dividends, being funds arising out of business of the insurer other than its long-term business. WREB is prohibited from reducing by 15% or more its total statutory capital as set out in its previous year's statutory financial statements and any application for such approval must include an affidavit stating that it will continue to meet the required margins without the prior approval of the BMA. WREB paid a dividend of $40 million in January 2015.

WRAC, WRNY, TLIC, CLIC, CAC, RR2, and HULC file financial statements prepared in accordance with statutory accounting practices prescribed or permitted by insurance regulators in the United States. The National Association of Insurance Commissioners (NAIC) prescribes risk-based capital (RBC) requirements for the United States domiciled life and health insurance companies. As of December 31, 2014 and 2013, WRAC, WRNY, TLIC, CLIC, CAC and HULC exceeded all minimum RBC requirements. RR2 exceeded all minimum RBC requirements as of December 31, 2014.

WRAC and HULC are subject to statutory regulations of the State of Minnesota. Under these regulations, the maximum amount of dividends which can be paid by a company to shareholders in any twelve month period without prior approval of the Minnesota Department of Commerce is restricted to the greater of 10% of surplus or net income less realized gains of the preceding year. In addition, any dividends must be paid from positive unassigned surplus. WRAC can pay $185,333 in 2015 without prior regulatory approval. HULC cannot pay any dividends in 2015 without prior regulatory approval.

10. Statutory Requirements and Dividend Restrictions (continued)

WRNY is subject to statutory regulations of the state of New York. Under these regulations, the maximum amount of dividends which can be paid by a company to shareholders in any twelve month period without prior approval of the New York Department of Insurance is restricted to the lesser of 10% of equity or net income less realized gains of the preceding year. WRNY can pay dividends of $3,228 in 2015 without prior regulatory approval.

TLIC is subject to statutory regulations of the state of Texas. Under these regulations, the maximum amount of dividends which can be paid by a company to shareholders in any twelve month period without prior approval of the Texas Department of Insurance is restricted to the greater of the prior year net gain from operations after federal income tax and before capital gains and losses or 10% of statutory capital and surplus. TLIC can pay dividends of $25,600 in 2015, with $5,600 available to be paid after August 4, 2015, and $20,000 available to be paid after December 15, 2015, without prior regulatory approval.

CAC is subject to statutory regulations of the state of Illinois. Under these regulations, the maximum amount of dividends which can be paid by a company to shareholders in any twelve month period without prior approval of the Illinois Department of Insurance is restricted to the greater of 10% of surplus or net income for the preceding year. In addition, any dividends must be paid from positive unassigned surplus. CAC can pay dividends of $4,420 in 2015, however, due to an extraordinary dividend paid prior to the sale of CAC to the Company, CAC cannot make dividend payments until May 20, 2015, without prior regulatory approval.

CLIC is subject to statutory regulations of the state of Indiana. Under these regulations, the maximum amount of dividends which can be paid by a company to shareholders without approval from the Indiana Commissioner of Insurance is restricted to the greater of statutory net gain from operations before realized capital gains or losses for the preceding year or 10% of statutory surplus as of the preceding year. In addition, any dividends must be paid from positive unassigned surplus. CLIC can pay dividends of $22,143 in 2015 without prior regulatory approval.

RR2 is subject to statutory regulations of the state of South Carolina. As a special purpose financial captive under these regulations, all dividends to be paid to shareholders must receive prior approval by the Director, South Carolina Department of Insurance (Director).

(Expressed in Thousands of U.S. Dollars, Except Share Amounts

10. Statutory Requirements and Dividend Restrictions (continued)

The following table presents statutory capital and surplus for Wilton Re Bermuda, WRAC, WRNY, TLIC, CAC, CLIC, RR2 and HULC as of December 31:

	2014	2013
Wilton Reinsurance Bermuda Limited	**$ 323,707**	$ 326,070
Wilton Reassurance Company	**842,597**	608,786
Wilton Reassurance Life Co. of New York	**106,559**	113,125
Texas Life Insurance Company	**68,947**	82,287
Heritage Union Life Insurance Company	**10,455**	8,640
Continental Assurance Company*	**250,306**	–
Conseco Life Insurance Company*	**225,344**	–
Redding Reassurance Company 2*	**169,980**	–

The following table presents statutory net income (loss) of Wilton Re Bermuda, WRAC, WRNY, TLIC, CAC, CLIC, RR2 and HULC for the year ended December 31:

	2014	2013	2012
Wilton Reinsurance Bermuda Limited	**$ 37,637**	$ 354	$ 85,196
Wilton Reassurance Company	**450,626**	67,119	141,673
Wilton Reassurance Life Co of New York	**(1,743)**	13,702	36,317
Texas Life Insurance Company	**25,557**	33,218	1,145
Heritage Union Life Insurance	**1,552**	(3,524)	(1,061)
Continental Assurance Company*	**34,001**	–	–
Conseco Life Insurance Company*	**62,619**	–	–
Redding Reassurance Company 2*	**(777,535)**	–	–

*CAC and CLIC were not part of the consolidated group in 2013 and 2012. RR2 was a newly formed company in 2014.

11. Shareholders' Equity

Authorized Shares

In June 2014, in connection with the acquisition of WRHL by Cheddar Merger Holdings Limited, all Class A common shares of WRHL had been repurchased in connection with the change of control and have been superseded by no par value shares. The authorized and outstanding no par value shares of the Company at December 31, 2014, was 400,000 and 178,827, respectively. Upon incorporation, the Company issued 178,827 no par value shares for a total of $16,109. In connection with the change of control in June 2014, the Company paid $28,000 in dividends.

The authorized ordinary shares of WRHL consisted of 50,000,000 voting Class A common shares, par value $1.00 per share and 3,000,000 non-voting Class B common shares, par value $1.00 per share as of December 31, 2013.

In February 2012, the Company, through a privately negotiated transaction at $69.00 per Class A common share, repurchased 5,656,000 shares for $390,283. During December 2012, the Company repurchased an additional 800,000 shares from selected shareholders for a privately negotiated purchase price of $82 per share for a total of $65,600. The Company incurred $1,103 of expenses in connection with these share repurchases. Also during December 2012, the Company paid a dividend to the remaining shareholders of $8.25 per share, for a total dividend of $132,886. In November 2013, the Company paid a dividend to its shareholders in the amount of $9.31 per share, for a total dividend of $149,979.

Preferred Capital Stock

In December 2014, the Company issued $1,200,000 of preferred stock. The preferred stock has no mandatory redemption or dividend provisions.

11. Shareholders' Equity (continued)

Founders Warrants

At the date of incorporation and in connection with the stock issuances, the Company issued warrants to purchase up to 8% of the aggregate number of the applicable class of outstanding common shares. The warrants were exercisable at $39.95 per share. The warrants were immediately and fully exercisable at the time of issuance and remain exercisable for a period of 10 years. As of December 31, 2004, the Company had issued 2,560,000 warrants with a fair value of $11.14. No new warrants were issued since 2004, however due to the dividends paid during 2013 and 2012, the number of warrants issued were adjusted to 1,872,545. All 1,872,545 warrants have been exercised as of December 31, 2014. See Note 1 regarding the change in control of the Company.

Equity Based Compensation

The Company had granted to certain of its employees and officers, options to purchase approximately 6.8% of the aggregate number of outstanding common shares. The options were exercisable at a price of $32.44 to $39.94 per share. The options became exercisable based upon vesting schedules over seven years and remained exercisable for not less than ten years. Option awards provided for accelerated vesting if there was a change in control (as defined in the Option Plan). See Note 1 regarding the change in control of the Company. As of December 31, 2014 and 2013, there were 0 and 1,095,492 options outstanding. During December 2014 and 2013, there were 1,095,492 and 0 options exercised, respectively. During 2014 and 2013, 0 and 2,592 options were forfeited, respectively. Equity based compensation expense of $766, $400, and $1,110 related to the granting of the options was recognized in 2014, 2013, and 2012, respectively. The total fair value of shares vested during 2014, 2013, and 2012, was $766, $495, and $2,665 respectively. Options vested as of December 31, 2014 and 2013, were 0 and 1,046,773 respectively. The Black-Scholes model was used to determine the fair value of stock options granted and recognized in the financial statements. The Company used daily historical volatility of several competitors with whom the Company believes would represent a similar volatility if its stock was publicly traded. The risk free rate is based on observed interest rates for instruments with maturities similar to the expected term of the options. There were no options granted during 2014 and 2013. Upon the change in control in 2014, all outstanding options were exercised and paid.

11. Shareholders' Equity (continued)

The Company had granted to its employees and officers restricted stock units. The restricted stock units became vested on the change in control (as defined in the Restricted Stock Unit Plan). See Note 1 regarding the change in control of the Company. In 2014, the Company initiated a long term incentive plan (LTIP) which permits the granting of performance awards to certain employees and officers of the Company. These awards have a vesting period between 3–5 years.

12. Funding Agreements

Two of the Company's insurance subsidiaries (CLIC and WRAC) are members of the Federal Home Loan Bank (FHLB). As members of the FHLB, CLIC and WRAC have the ability to borrow on a collateralized basis from the FHLB. CLIC and WRAC are required to hold certain minimum amounts of FHLB common stock as a condition of membership in the FHLB, and additional amounts based on the amount of the borrowings. At December 31, 2014, the carrying value of the FHLB common stock was $25,522. As of December 31, 2014, collateralized borrowings from the FHLB totaled $383,000 and the proceeds were used to purchase fixed maturity securities. The borrowings are classified as funding agreements in the accompanying consolidated balance sheet. The borrowings are collateralized by investments with an estimated fair value of $499,753 at December 31, 2014, which are maintained in a custodial account for the benefit of the FHLB. All of such investments are classified as fixed maturities, trading, in the accompanying consolidated balance sheets. Interest expense of $1,693 was recognized in 2014 related to the borrowings. At December 31, 2014, CLIC had pledged collateral sufficient to support approximately $19,535 of LOCs/advances and WRAC had pledged collateral sufficient to support approximately $28,116 of LOCs/advances.

(Expressed in Thousands of U.S. Dollars, Except Share Amounts

12. Funding Agreements (continued)

The following summarizes the terms of the borrowings

Amount Borrowed	Maturity Date	Interest Rate at December 31, 2014
$ 146,000	November 2015	Fixed rate – 5.300%
100,000	December 2015	Fixed rate – 4.710%
100,000	July 2017	Fixed rate – 3.900%
37,000	November 2017	Fixed rate – 3.750%
$ 383,000		

The fixed rate borrowings are pre-payable subject to payment of a yield maintenance fee based on current market interest rates. At December 31, 2014, the aggregate yield maintenance fee to prepay all fixed rate borrowings was $22,725.

13. Commitments and Contingencies

Liquidity Facilities

The Company obtains letters of credit for the benefit of various affiliated and unaffiliated insurance companies from which the Company assumes business. These letters of credit represent guarantees of performance under the reinsurance agreements and allow ceding companies to take statutory reserve credits. In April 2012, the Company replaced its existing credit facility with Wells Fargo (the Wells Fargo Facility) with a $400,000, senior letter of credit facility that expires in 2016 which included a $200,000 revolving line of credit sublimit. In August 2013, the Wells Fargo Facility was amended to increase the amount available for issuing revolving loans to $400,000 and reduce the amount available for letter of credit issuance to $220,000. The Wells Fargo Facility contains financial covenant restrictions that require the Company not to exceed a consolidated leverage ratio of greater than 0.325 to 1.00, and maintain a minimum consolidated tangible net worth. Borrowings under the senior revolving credit facility bear interest, at the Company's option, at either a base rate or a LIBOR rate, in each case, plus an applicable margin that is determined according to a sliding scale based upon the lower of the financial strength rating of (i) Wilton Re Bermuda and (ii) Wilton Reassurance. The

13. Commitments and Contingencies (continued)

applicable margin for base rate loans ranges from 0.750% to 1.500%. The applicable margin for LIBOR loans ranges from 1.750% to 2.500%. LOCs issued under the Wells Fargo facility may be collateralized by either a pledge of common stock of Wilton Re US Holdings and Wilton Re Bermuda, or qualifying cash and securities (liquid collateral). The market value of the collateral at December 31, 2014 and 2013, was $18,955 and $18,937, respectively. At December 31, 2014 and 2013, there were approximately $89,789 and $82,526, respectively, of outstanding bank letters of credit issued under the respective facilities and $0 borrowed under the line of credit.

In April 2013, WRFL consummated the sale of a $300,000 144A notes offering (of which $50,000 has been purchased by an affiliated entity). The notes are unconditionally guaranteed on a senior, unsecured basis jointly and severally by WRL and Wilton Re US Holdings. The notes are 5.875% fixed-to-floating rate senior notes due 2033. The notes pay fixed interest semi-annually in arrears on March 30 and September 30 until March 30, 2023, at a rate of 5.875% subject to interest rate adjustments as further described below. The floating interest will be paid quarterly in arrears commencing June 30, 2023, until maturity on March 30, 2033, at an interest rate equal to Three-Month LIBOR plus 3.829% subject to an interest rate adjustment as further described below.

The interest rate payable on the notes shall be subject to adjustments from time to time if the notes are downgraded by the Company's designated rating agencies (or upgraded following a downgrade which resulted in an adjustment to the interest rate payable on the notes) or if any of the Company's rating agencies cease to rate the notes or fail to make a rating of the notes publicly available for reasons outside of WRFL's control. The Company may, however, designate another "nationally recognized statistical organization" as a replacement agency and, upon such designation, the credit rating assigned to the notes by such agency shall be used in the determination of whether the interest rate payable on the notes shall be subject to any adjustment.

The notes include financial covenant restrictions requiring the Company to maintain a consolidated financial leverage ratio not to exceed 0.35 to 1.00 and can be redeemed by the Company in whole or in part at a "make-whole" redemption price at any time prior to March 30, 2023, and at 100% of the principal amount plus accrued and unpaid interest on or after March 30, 2023.

13. Commitments and Contingencies (continued)

Collateral Arrangements

Certain of the Company's operating subsidiaries are required under applicable law, as a result of specific contractual undertakings, or both, to maintain amounts in trust or similar collateral arrangements to secure performance of such subsidiaries' performance of specified policy or contract liabilities. These arrangements include, among others, trusts maintained in connection with indemnity reinsurance or similar arrangements or to support specified blocks of payout annuity obligations and deposits mandated in connection with certain borrowing arrangements. While the terms of these arrangements vary, the Company's operating subsidiaries generally retain investment management prerogatives for these collateral assets subject, in certain cases, to compliance with agreed or stipulated investment guidelines. The aggregate book value of investments maintained by the Company's operating subsidiaries pursuant to these arrangements as of December 31, 2014 and 2013, was $2,199,094 and $210,334, respectively.

Legal Proceedings

In the normal course of business, the Company is involved in litigation, principally from claims made under insurance policies and contracts. The Company reviews its litigation matters on an ongoing basis.

On October 25, 2012, a putative nationwide class action was filed in the United States District Court for the Central District of California, William Jeffrey Burnett and Joe H. Camp v. Conseco Life Insurance Company, CNO Financial Group, Inc., CDOC, Inc. and CNO Services, LLC, Case No. EDCV12-01715VAPSPX. The plaintiffs have commenced this action under Rule 23(B)(3) on behalf of various Lifetrend policyholders who since October 2008 have surrendered their policies or had them lapse and many of which accepted optional benefits and signed a release pursuant to a regulatory settlement to which Conseco Life Insurance Company was party. The plaintiffs allege breach of contract and seek declaratory relief, compensatory damages, attorney fees and costs. On November 30, 2012, Conseco Life and the other defendants filed a motion to dismiss the complaint. On November 18, 2013, the court granted the dismissal, with leave to amend, of CNO Financial Group, Inc., CDOC, Inc. and CNO Services, LLC, and denied the motion to dismiss Conseco Life. We believe this case is without merit and intend to defend it vigorously. While the ultimate disposition of such litigation is subject to a high degree of uncertainty, management does not expect it to have a material adverse effect on the Company's financial condition, liquidity or results of operations.

(Expressed in Thousands of U.S. Dollars, Except Share Amounts

13. Commitments and Contingencies (continued)

Other Commitments

In October 2014, the Company entered into a definitive agreement to acquire the majority of the Aegon N.V. operations in Canada for C$600 million, consisting of Transamerica Life Canada, Canadian Premier Life, Legacy General Insurance Company, Aegon Capital Management, Aegon Fund Management, CRI Canada and Selient, Inc. (Transamerica Canada Business). The consummation of the transaction is subject to customary closing conditions and certain regulatory approvals, and is expected to occur in 2015.

14. Fair Value

The Company determines the fair value of its financial instruments based on the fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following tables presents the carrying amounts and fair values of the Company's financial instruments at December 31, 2014 and 2013:

`	Carrying Value	Estimated Fair Value
December 31, 2014		
Financial assets:		
Investments	**$ 12,213,338**	**$ 12,213,338**
Policy loans	**380,069**	**380,069**
Funds withheld at interest	**1,928,310**	**1,928,310**
Short-term investments	**237,080**	**237,080**
Other invested assets:		
Life settlement policies	**128,463**	**143,361**
Commercial mortgage loans	**123,737**	**124,586**
All others	**166,029**	**165,180**
Financial liabilities:		
Annuities-deferred and without life contingencies	**$ 1,767,284**	**$ 1,937,519**
Funds held under reinsurance treaties	**259,269**	**259,269**
Long-term debt	**250,352**	**269,658**
Funding agreements	**404,078**	**406,562**
Structured settlements	**527,207**	**526,400**

(Expressed in Thousands of U.S. Dollars, Except Share Amounts

14. Fair Value (continued)

	Carrying Value	Estimated Fair Value
December 31, 2013		
Financial assets:		
Investments	$ 4,517,263	$ 4,517,263
Policy loans	184,539	184,539
Funds withheld at interest	1,765,413	1,765,413
Short-term investments	55,438	55,438
Other invested assets:		
Life settlement policies	150,057	164,108
All others	144,063	144,063
Financial liabilities:		
Annuities-deferred and without life contingencies	$ 1,561,080	$ 1,660,865
Funds held under reinsurance treaties	66,116	66,116
Long-term debt	250,000	250,300

The valuation methodologies used to determine the fair values of assets and liabilities reflect market-participant assumptions and prioritize observable market inputs over unobservable inputs. The Company determines the fair values of certain financial assets and financial liabilities based on quoted market prices, where available. The Company also determines certain fair values based on future cash flows discounted at the appropriate current market rate. Fair values reflect adjustments for counterparty credit quality, the Company’s credit standing, liquidity and, where appropriate, risk margins. The following is a discussion of the methodologies used to determine fair values for the financial instruments as listed in the above table.

14. Fair Value (continued)

Publicly traded fixed maturity securities, included in investments and funds withheld at interest are valued based on quoted market prices. Private placement securities, included in investments and funds withheld at interest are valued based on the credit quality and duration of marketable securities deemed comparable by the Company's investment advisor, which may be of another issuer. Policy loans typically carry an interest rate that is tied to the crediting rate applied to the related policy, and contract reserves, which approximates fair value. The fair value of embedded derivatives associated with funds withheld reinsurance treaties is determined based upon a total return swap methodology with reference to the fair value of the investments held by the ceding company that support the Company's funds withheld at interest asset. The fair value of the underlying assets is generally based on market observable inputs using market valuation methodologies. The carrying value of short-term investments approximates fair value and is determined based on quoted market prices. The fair value of the Company's commercial mortgage loans (included in other invested assets) and deferred fixed annuities without life contingencies (included in reserves for future policy benefits) are based on discounted cash flows.

Fair value of the life settlement policies is determined based on pricing models which are updated for life expectancies, undiscounted future premiums, and credit worthiness of counterparties. These assets would be categorized as Level 3 in the fair value hierarchy if they were carried at fair value on the consolidated balance sheets.

The Company has categorized its assets and liabilities recorded at fair value, 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.

14. Fair Value (continued)

Financial assets and liabilities recorded at fair value on the consolidated balance sheets are categorized as follows:

Level 1 **–** Unadjusted quoted prices for identical assets or liabilities in an active market. The types of financial investments included in Level 1 are listed equities, mutual funds, money market funds, U.S. Treasury Securities and non-interest bearing cash.

Level 2 **–** Pricing inputs other than quoted prices in active markets which are either directly or indirectly observable as of the reporting date, and fair value determined through the use of models or other valuation methods. Such inputs may include benchmarking prices for similar assets in active, liquid markets, quoted prices in markets that are not active and observable yields and spreads in the market. Level 2 valuations may be obtained from independent sources for identical or comparable assets or through the use of valuation methodologies using observable market-corroborated inputs. Prices from third-party pricing services are validated through analytical reviews. Financial instruments in this category include publicly traded issues such as U.S. and foreign corporate securities, and residential and commercial mortgage backed securities, among others.

Level 3 **–** Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. They reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability. Market standard techniques for determining the estimated fair value of certain securities that trade infrequently may rely on inputs that are not observable in the market or cannot be derived from or corroborated by market observable data. Prices are determined using valuation methodologies such as discounted cash flow models and other techniques. Management believes these inputs are consistent with what other market participants would use when pricing similar assets.

The types of financial investments included in Level 3 primarily include private placements, certain asset-backed and mortgage-backed securities, and limited partnership interests.

(Expressed in Thousands of U.S. Dollars, Except Share Amounts

14. Fair Value (continued)

Assets measured at fair value on a recurring basis are summarized below.

	December 31, 2014 Fair Value Measurements Using			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
U.S. Government and agencies	**$ 1,306,647**	**$ 259,625**	**$ –**	**$ 1,566,272**
State and political subdivisions	**–**	**1,283,970**	**–**	**1,283,970**
Foreign sovereign	**–**	**31,024**	**–**	**31,024**
Corporate securities	**–**	**6,017,016**	**174,237**	**6,191,253**
Residential mortgage-backed securities	**–**	**953,384**	**9,546**	**962,930**
Commercial mortgage-backed securities	**–**	**973,476**	**–**	**973,476**
Asset-backed securities	**–**	**838,728**	**157,466**	**996,194**
Collateralized debt obligations	**–**	**18,009**	**–**	**18,009**
Total fixed maturities	**1,306,647**	**10,375,232**	**341,249**	**12,023,128**
Preferred stocks	**–**	**164,688**	**–**	**164,688**
Common stocks	**1**	**25,521**	**–**	**25,522**
Cash and short term investments	**517,495**	**–**	**–**	**517,495**
Other invested assets	**–**	**72,411**	**91,905**	**164,316**
Total investments	**$ 1,824,143**	**$ 10,637,852**	**$ 433,154**	**$ 12,895,149**
Funds held at interest:				
U.S. Government and agencies	**$ 58,184**	**$ –**	**$ –**	**$ 58,184**
State and political subdivisions	**–**	**143,635**	**–**	**143,635**
Foreign sovereign	**–**	**3,207**	**–**	**3,207**
Corporate securities	**–**	**1,121,268**	**–**	**1,121,268**
Residential mortgage-backed securities	**–**	**125,734**	**–**	**125,734**
Commercial mortgage-backed securities	**–**	**165,905**	**–**	**165,905**
Asset-backed securities	**–**	**33,170**	**–**	**33,170**
Total fixed maturity securities	**58,184**	**1,592,919**	**–**	**1,651,103**
Preferred stocks	**–**	**13,309**	**–**	**13,309**
Cash and short term investments	**59,617**	**5,798**	**–**	**65,415**
Total funds withheld at interest	**$ 117,801**	**$ 1,612,026**	**$ –**	**$ 1,729,827**

(Expressed in Thousands of U.S. Dollars, Except Share Amounts

14. Fair Value (continued)

	December 31, 2013			
	Fair Value Measurements Using			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
U.S. government and agencies	$ 61,158	$ 123,246	$ –	$ 184,404
State and political subdivisions	–	495,987	6,068	502,055
Foreign sovereign	–	21,039	–	21,039
Corporate securities	–	2,126,409	80,256	2,206,665
Residential mortgage-backed securities	–	407,892	38	407,930
Commercial mortgage-backed securities	–	355,728	5,051	360,779
Asset-backed securities	–	519,581	146,019	665,600
Collateralized debt obligations	–	74,466	–	74,466
Total fixed maturities	61,158	4,124,348	237,432	4,422,938
Common stock	17,143	–	–	17,143
Preferred stock	–	55,823	21,359	77,182
Other invested assets	–	61,928	81,499	143,427
Total investments	$ 78,301	$ 4,242,099	$ 340,290	$ 4,660,690
Fund withheld at interest:				
U.S. government and agencies	$ 46,692	$ –	$ –	$ 46,692
State and political subdivisions	–	122,493	–	122,493
Corporate securities	–	1,025,905	–	1,025,905
Residential mortgage-backed securities	–	137,728	–	137,728
Commercial mortgage-backed securities	–	156,563	–	156,563
Asset-backed securities	–	22,675	–	22,675
Total fixed maturity securities	46,692	1,465,364	–	1,512,056
Common stock	739	–	–	739
Preferred stocks	–	13,479	–	13,479
Total funds withheld at interest	$ 47,431	$ 1,478,843	$ –	$ 1,526,274

14. Fair Value (continued)

The Company reviews the fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets. Such reclassifications are reported as transfers in and out of Level 3, or between other levels, at the ending fair value for the reporting period in which the changes occur. There were no significant transfers between Level 1 and Level 2 for the years ended December 31, 2014 and 2013. The transfers into Level 3 primarily result from securities where a lack of observable market data (versus the previous year) resulted in reclassifying assets into Level 3. The transfers out of Level 3 primarily result from observable market data becoming available for that asset, thus eliminating the need to extrapolate market data beyond observable points.

The fair value of a financial instrument is the estimated amount at which the instrument could be exchanged in an orderly transaction between knowledgeable, unrelated, willing parties, i.e., not in a forced transaction. The estimated fair value of a financial instrument may differ from the amount that could be realized if the security was sold in an immediate sale, e.g., a forced transaction. Additionally, the valuation of investments is more subjective during periods of market disruption, including periods of rapid interest rate changes, rapidly widening credit spreads or illiquidity. It may be difficult to value certain of our securities when markets are less liquid, which may increase the potential that the estimated fair value of an investment is not reflective of the price at which an actual transaction would occur.

The Company utilizes information from third parties, such as pricing services and brokers, to assist in determining fair values. The Company uses various third parties, with expertise in specific asset classes, to perform modeling for market valuation when quoted prices in active markets are not available. The fair values of the Company’s publicly traded fixed maturity, short term, and equity securities, are determined using one of three primary sources: third-party pricing services, independent broker quotations, or using standard market valuation techniques. Security pricing is applied using a “waterfall” approach whereby publicly available prices are first sought from third-party pricing services, any remaining unpriced securities are submitted to independent brokers for prices, and lastly, securities are priced using a pricing matrix or other appropriate fair value model. Typical inputs used by these three pricing methods include, but are not limited to: reported trades, benchmark yields, issuer spreads, bids, offers, estimated cash

14. Fair Value (continued)

flows and rates of prepayments. Third-party pricing services will normally derive the security prices through recent reported trades for identical or similar securities making adjustments through the reporting date based upon available market observable information. If there are no recent reported trades, the third-party pricing services and brokers may use market observable inputs in their matrix or model processes to develop a security price.

The Company utilizes, when available, fair values based on quoted prices in active markets that are regularly and readily obtainable. When quoted prices in active markets are not available, fair value is based on standard market valuation techniques. 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, 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. 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.

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 years ended December 31, 2014 and 2013, the application of market standard valuation techniques applied to similar assets has been consistent.

U.S. Government and Agency Securities, States and Political Subdivisions, Corporate Securities and Foreign Securities

U.S. Treasury securities, which trade based on quoted prices for identical assets in an active market, are included in Level 1.

The fair value of these Level 2 bonds and securities is predominantly priced by third-party pricing services and broker quotes. Their pricing models typically utilize the following inputs: principal and interest payments, treasury yield curve, credit spreads from new issue and secondary trading markets, early redemption or call features, benchmark securities and reported trades.

14. Fair Value (continued)

Level 3 bonds and securities primarily represent investments in privately placed bonds, credit tenant loans and other less liquid corporate and municipal bonds for which prices are not readily available. To determine a fair value, the Company may rely on modeling for market valuation using both observable and unobservable inputs. These inputs are entered into industry standard pricing models to determine the final price of the security. These inputs typically include: projected cash flows, discount rate, industry sector, underlying collateral, credit quality of the issuer, maturity, embedded options, recent new issuance, comparative bond analysis, and seniority of debt.

The extent of the use of each market input depends on the asset class, market conditions and the relevant market data available. Depending on the security, these inputs may change, some market inputs may not be relevant or additional inputs may be necessary.

The fair value of corporate bonds classified as Level 3 is sensitive to changes in the interest rate spread over the corresponding U.S. Treasury rate. This spread represents a risk premium that is affected by company-specific and market factors. An increase in the spread can be caused by a perceived increase in credit risk of a specific issuer and/or an increase in the overall market risk premium associated with similar securities.

Mortgage-Backed Securities, Collateralized Debt Obligations and Asset-Backed Securities

This category consists of residential mortgage-backed securities, commercial mortgage-backed securities, and other asset-backed securities, such as credit card and automobile receivables, home equity loans, manufactured housing bonds and collateralized debt obligations. Level 2 securities are priced from information provided by third-party pricing services and independent broker quotes. For mortgage-backed and asset-backed 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, credit 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, vintage of loans and insurance guarantees.

14. Fair Value (continued)

The Company has included mortgage-backed and asset-backed securities with less liquidity in Level 3, These securities are primarily privately placed transactions with little transparency to the market or other securities with limited or inactive trading markets. Significant inputs cannot be derived principally from or corroborated by observable market data. The significant unobservable inputs used in the fair value measurement of these securities typically include: discounted cash flows, credit rating of issuer, debt coverage ratios, type and quality of underlying collateral, prepayment rates, probability of default and loss severity in the event of default.

Included in the pricing of mortgage-backed and asset-backed securities are estimates of the rate of future prepayments of principal over the remaining life of the securities. Such estimates are derived based on the securities' underlying structure and rates of prepayments previously experienced at the interest rate levels projected for the underlying collateral. Changes in significant inputs used in the fair value measurement, such as the paydown rate (the projected annual rate of principal reduction), may affect the fair value of the securities. For example, a decrease in the paydown rate would increase the projected weighted average life and increase the sensitivity of the fair value to changes in interest rates.

Other Invested Assets

Included in other invested assets are the Company's investments in limited partnership interests. Limited partnership interests are determined by the net asset values of the Company's ownership interest as provided in the financial statements of the investees. The valuation of these investments is considered Level 3 in the fair value hierarchy due to the limited transaction activity and lack of price transparency inherent in the market for such investments.

Other invested assets also include surplus debentures, which are similar to corporate securities, but are subordinated obligations of insurance companies and may be subject to restrictions by the insurance commissioners. The fair value of these securities is priced by third-party pricing services and is included in Level 2 of the fair value hierarchy.

Separate Accounts

As of December 31, 2014, Separate Account assets with a fair value of $47,348 were included in other assets on the accompanying consolidated balance sheets. The majority of these assets are Corporate and Mortgage-backed securities included in Level 2 of the Fair Value Hierarchy.

(Expressed in Thousands of U.S. Dollars, Except Share Amounts

14. Fair Value (continued)

The tables below reconcile the fair value of all Level 3 financial instruments for the years ended December 31, 2014 and 2013:

	State and Political Subdivisions	Corporate Securities	Residential Mortgage-Backed Securities	Commercial Mortgage-Backed Securities	Asset-Backed Securities	Preferred Stock	Other Invested Assets	Total
December 31, 2014								
Beginning balance, January 1	**$ 6,068**	**$ 80,256**	**$ 38**	**$ 5,051**	**$ 146,019**	**$ 21,359**	**$ 81,499**	**$ 340,290**
Total realized/unrealized gains (losses) included in earnings, net:		**–**	**–**		**–**	**–**	**–**	**–**
Net investment income	**(2)**	**(202)**	**(5)**	**2**	**602**	**–**	**–**	**395**
Net investment gains (losses)	**–**	**143**	**–**	**11**	**81**	**6,781**	**(11)**	**7,005**
Net unrealized appreciation (depreciation)	**597**	**3,998**	**5**	**645**	**1,246**	**(7,759)**	**6,246**	**4,978**
Purchases/acquisitions	**–**	**68,002**	**9,512**	**–**	**22,526**	**–**	**4,277**	**104,317**
Sales/disposals	**–**	**(15,748)**	**(4)**	**(928)**	**(10,853)**	**(20,381)**	**(107)**	**(48,021)**
Transfers into Level 3	**–**	**54,103**	**–**	**–**	**23,242**	**–**	**–**	**77,344**
Transfers out of Level 3	**(6,663)**	**(16,315)**	**–**	**(4,781)**	**(25,397)**	**–**	**–**	**(55,155)**
Ending balance, December 31	**$ –**	**$ 174,236**	**$ 9,546**	**$ –**	**$ 157,467**	**$ –**	**$ 91,904**	**$ 433,153**
Total gains (losses) related to assets still held at the reporting date included in earnings:								
Net investment income		**$ (474)**	**$ (229)**	**$ –**	**$ 572**	**$ –**	**$ –**	**$ (131)**
Net investment gains (losses)		**445**	**–**	**–**	**(1)**	**6,781**	**(178)**	**7,047**
Net unrealized appreciation (depreciation)		**(3,029)**	**233**	**–**	**676**	**(7,759)**	**6,411**	**(3,468)**

	State and Political Subdivisions	Corporate Securities	Residential Mortgage-Back Securities	Commercial Mortgage-Backed Securities	Asset-Backed Securities	Preferred Stock	Other Invested Assets	Total
December 31, 2013								
Beginning balance, January 1	$ –	$ 71,468	$ 32	$ –	$ 90,210	$ 29,428	$ 75,020	$ 266,158
Total realized/unrealized gains (losses) included in earnings, net:								
Net investment income	–	66	(5)	–	588	–	–	649
Net investment gains (losses)	–	316	–	–	(3)	8,041	(83)	8,271
Net unrealized appreciation (depreciation)	–	(2,112)	15	–	1,107	4,747	1,511	5,268
Purchases/acquisitions	–	–	–	–	–	–	5,170	5,170
Sales/disposals	–	(18,785)	(4)	–	(5,198)	(20,857)	(119)	(44,963)
Transfers into Level 3	6,068	45,139	–	5,051	62,552	–	–	118,810
Transfers out of Level 3	–	(15,836)	–	–	(3,237)	–	–	(19,073)
Ending balance, December 31	$ 6,068	$ 80,256	$ 38	$ 5,051	$ 146,019	$ 21,359	$ 81,499	$ 340,290
Total gains (losses) related to assets still held at the reporting date included in earnings:								
Net investment income	$ (2)	$ (361)	$ (5)	$ –	$ 339	$ –	$ –	$ (29)
Net investment gains (losses)	–	10	–	–	(4)	8,041	(83)	7,964
Net unrealized appreciation (depreciation)	(1,228)	(2,029)	15	(1,003)	613	4,747	1,511	2,626

14. Fair Value (continued)

We obtain our Level 3 fair value measurements from independent, third-party pricing sources. We do not develop the significant inputs used to measure the fair value of these assets and liabilities, and the information regarding the significant inputs is not readily available to us. Independent broker-quoted fair values are non-binding quotes developed by market makers or broker-dealers obtained from third-party sources recognized as market participants. The fair value of a broker-quoted asset or liability is based solely on the receipt of an updated quote from a single market maker or a broker-dealer recognized as a market participant as we do not adjust broker quotes when used as the fair value measurement for an asset or liability.

Report of Management on Wilton Re Ltd. and Subsidiaries' Internal Control Over Financial Reporting

Management of Wilton Re Ltd. and Subsidiaries (the Company) is responsible for establishing and maintaining adequate internal controls over financial reporting. Internal controls are designed to provide reasonable assurance to the Company's management, Audit Committee and Board of Directors regarding the preparation and fair presentation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Because of inherent limitations in any internal control, no matter how well designed, misstatements due to human error or fraud may occur and not be detected, including the possible circumvention or override of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, internal control effectiveness may vary over time.

On July 1, 2014 and August 1, 2014, the Company, as part of its closed block acquisitions, acquired Conseco Life Insurance Company (CLIC) and Continental Assurance Company (CAC) respectively. Refer to Notes 2 and 3 of the notes to Consolidated Financial Statements for additional information regarding these transactions. In accordance with SEC staff guidance, management has excluded these acquired businesses from its evaluation of the effectiveness of the Company's internal controls over financial reporting as of December 31, 2014. Total revenues attributable to these acquired businesses represent approximately 16.4 percent of the Company's consolidated total revenues for the year ended December 31, 2014, and the aggregate total assets represent approximately 46.7 percent of the Company's consolidated total assets at December 31, 2014.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014, based on criteria for effective internal control over financial reporting described in "Internal Control—Integrated Framework" issued by the 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on those criteria management concluded that the Company's internal control over financial reporting is effective as of December 31, 2014, in providing reasonable assurance regarding the reliability of financial reporting in accordance with generally accepted accounting principles.

Ernst & Young LLP, our independent registered public accounting firm, have issued an audit report on the effectiveness of the Company's internal control over financial reporting.

Chris C. Stroup Chairman and Chief Executive Officer Wilton Re Ltd.	Michael E. Fleitz Senior Vice President and Chief Financial Officer Wilton Re Services Inc.

March 30, 2015

Ernst & Young LLP
200 Clarendon Street
Boston, MA 02116

Tel: +1 617 266 2000
Fax: +1 617 266 5843
ey.com

Report of Independent Registered Public Accounting Firm

The Board of Directors
Wilton Re Ltd. and Subsidiaries

We have audited Wilton Re Ltd. and Subsidiaries' (the Company) internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Wilton Re Ltd. and Subsidiaries' Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Building a better
working world

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Report of Management on Wilton Re Ltd. and Subsidiaries' Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Conseco Life Insurance Company (CLIC) and Continental Assurance Company (CAC), which is included in the 2014 consolidated financial statements of the Company and constituted \$8,505.8 million and \$568.5 million of total and net assets, respectively, as of December 31, 2014, and \$300.7 million and \$71.7 million of revenues and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of CLIC and CAC.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with auditing standards generally accepted in the United States and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income (loss), changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2014, of the Company and our report dated March 30, 2015 expressed an unqualified opinion thereon.

Ernst + Young LLP

March 30, 2015