Wilton Re
U.S. Holdings, Inc.
and Subsidiaries

Consolidated Financial Statements and
Supplementary Information as of and for the
Years Ended December 31, 2019 and 2018, and
Independent Auditors’ Report

WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES

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Deloitte & Touche LLP
30 Rockefeller Plaza
New York, New York 10112-0015
USA

Tel: + 1 212 492 4000
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Wilton Re U.S. Holdings, Inc. and Subsidiaries:

We have audited the accompanying consolidated financial statements of Wilton Re U.S. Holdings, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wilton Re U.S. Holdings, Inc. and its subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

We have also audited, in accordance with auditing standards generally accepted in the United States of America, the Company's internal control over financial reporting as of December 31, 2019 based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 27, 2020 expressed an unmodified opinion on the Company's internal control over financial reporting.

Deloitte & Touche LLP

March 27, 2020

WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2019 AND 2018
(Amounts in thousands of US Dollars, except share amounts)

	2019	2018
Assets		
Fixed maturity and equity securities (includes $25,033,802 and $22,950,356 at fair value at December 31, 2019 and 2018, respectively)	$25,770,316	$23,766,220
Commercial mortgage loans at fair value	1,403,955	1,039,952
Policy loans	341,880	324,902
Funds withheld at interest (includes $4,871,204 and $4,570,067 at fair value at December 31, 2019 and 2018, respectively)	5,082,225	4,675,922
Short term investments	1,661	3,970
Other invested assets (includes $590,763 and $366,938 at fair value at December 31, 2019 and 2018, respectively)	976,455	514,481
Total investments	33,576,492	30,325,447
Cash and cash equivalents	470,110	597,429
Accrued investment income	221,269	224,494
Premiums receivable	74,288	73,632
Reinsurance recoverable	19,301,245	19,867,584
Other reinsurance receivables	82,615	-
Net deferred acquisition costs	414,575	361,608
Value of in-force business acquired	285,610	331,238
Net deferred income taxes	252,580	375,107
Other assets	180,329	446,142
Separate account assets	31,937	33,927
Total assets	$54,891,050	$52,636,608
Liabilities and shareholder's equity		
Reserves for future policy benefits	$16,266,779	$16,842,972
Interest sensitive contract liabilities	16,151,869	15,663,138
Other reinsurance liabilities	124,085	160,259
Funds held under reinsurance treaties	19,190,438	17,525,481
Long-term debt	250,000	250,000
Surplus notes	736,514	815,864
Other liabilities	661,082	665,260
Separate account liabilities	31,937	33,927
Total liabilities	53,412,704	51,956,901
Shareholder's equity:		
Class A common shares—$0.01 par value; 500 shares authorized, issued and outstanding at December 31, 2019 and 2018	-	-
Class B common shares—$0.01 par value 500 shares authorized, issued and outstanding at December 31, 2019 and 2018	-	-
Additional paid-in capital	134,807	134,807
Retained earnings and accumulated other comprehensive income	1,343,539	544,900
Total shareholder's equity	1,478,346	679,707
Total liabilities and shareholder's equity	$54,891,050	$52,636,608

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

WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Amounts in thousands of US Dollars)

	2019	2018
Revenues		
Net premiums	$ 341,908	$ 268,921
Policy fees and charges	449,379	458,221
Inuring third-party reinsurance commissions	25,976	34,241
Investment earnings—net	672,531	417,493
Net change in unrealized gains (losses) on investments classified as trading and other	2,271,937	(1,282,269)
Change in value of derivatives and embedded derivatives—net	(1,370,456)	775,066
Total revenues	2,391,275	671,673
Benefits and expenses		
Claims and policy benefits—net of reinsurance ceded	891,439	509,183
Interest credited to interest sensitive contract liabilities	200,940	228,090
Acquisition costs and other insurance expenses	57,088	(35,081)
Operating expenses	253,673	212,868
Interest expense	17,419	16,158
Total benefits and expenses	1,420,559	931,218
Net income (loss) and comprehensive income (loss) before income taxes and net earnings of equity method investee	970,716	(259,545)
Income tax expense (benefit)	206,139	(106,180)
Net income (loss) and comprehensive income (loss) before net earnings of equity method investee	764,577	(153,365)
Share of net earnings of equity method investee	34,062	8,759
Net income (loss) and comprehensive income (loss)	$ 798,639	$ (144,606)

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

WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Amounts in thousands of US Dollars)

	2019	2018
Common shares (class A)		
Balance at beginning and end of year	$ -	$ -
Common shares (class B)		
Balance at beginning and end of year	-	-
Additional paid-in capital		
Balance at beginning and end of year	134,807	134,807
Retained earnings		
Balance—beginning of year	544,900	939,506
Dividends to shareholders	-	(250,000)
Net income (loss) and comprehensive income (loss)	798,639	(144,606)
Balance—end of year	1,343,539	544,900
Total shareholder's equity	$ 1,478,346	$ 679,707

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

WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Amounts in thousands of US Dollars)

	2019	2018
Cash flows from operating activities		
Net income (loss) and comprehensive income (loss)	$ 798,639	$ (144,605)
Adjustments to reconcile net income (loss) and comprehensive income (loss) to net cash from (used in) operating activities:		
Amortization of net investment premium, discounts and other	16,646	37,182
Investment related realized (gains) losses—net	(93,711)	183,690
Investment related unrealized (gains) losses—net	(2,274,389)	1,298,205
Earnings of equity method investee	(46,609)	(7,936)
Mark-to-market on embedded derivative	1,393,676	(801,276)
Amortization and other adjustments to deferred acquisition costs	15,918	17,087
Amortization and other adjustments to value of business acquired	34,943	40,780
Interest credited to interest sensitive contracts	419,783	439,651
Other reserve changes of interest sensitive contract liabilities	(60,395)	(757,033)
Cash and cash equivalents from closed block reinsurance	(9,662)	204,495
Change in assets and liabilities:		
Fixed maturity and equity securities	897,159	228,173
Accrued investment income	7,038	29,120
Deferred income taxes	157,593	(74,103)
Premiums receivable	(20)	(2,949)
Reinsurance recoverable	(27,119)	486,441
Other reinsurance receivables	(82,615)	-
Funds withheld at interest	(317,013)	324,478
Deferred acquisition costs	(68,885)	(76,200)
Value of in-force business acquired	10,686	(41,239)
Other assets	265,814	(165,780)
Reserves for future policy benefits	(483,533)	(463,179)
Funds held under reinsurance treaties	181,991	(583,175)
Other reinsurance liabilities	(44,123)	123,183
Other liabilities	(59,313)	97,245
Net cash flows from (used in) operating activities	632,499	392,254

WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Amounts in thousands of US Dollars)

	2019	2018
Cash flows from investing activities		
Sales, maturities and repayments of:		
Commercial mortgage loans	$ 118,126	$ 129,302
Limited partnership interests	46,973	3,673
Other invested assets	9,407	19,419
Purchases of:		
Commercial mortgage loans	(449,799)	(24,968)
Limited partnership interests	(238,514)	(102,654)
Equity method investment in affiliate	-	(33,900)
Other invested assets	(213,205)	(31,558)
Change in policy loans	16,830	14,556
Change in short-term investments	3,963	5,321
Net cash flows from (used in) investing activities	(706,219)	(20,811)
Cash flows from financing activities		
Dividend to shareholder	-	(250,000)
Deposits into interest sensitive contracts	526,553	527,329
Redemption and benefit payments on interest sensitive contracts	(580,152)	(687,280)
Net cash flows from (used in) financing activities	(53,599)	(409,951)
Increase (decrease) in cash and cash equivalents	(127,319)	(38,508)
Cash and cash equivalents—beginning of the year	597,429	635,937
Cash and cash equivalents—end of the year	$ 470,110	$ 597,429
Supplemental disclosure of cash flow information		
Cash received (paid) during the period for income taxes	$ (37,689)	$ 214,370

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

(Concluded)

1. ORGANIZATION

Wilton Re U.S. Holdings, Inc. (Wilton Re US Holdings or the Company) is incorporated in Delaware. Wilton Re US Holdings conducts its operations principally through its subsidiary, Wilton Reassurance Company (WRAC), a Minnesota domiciled life insurer. Wilton Re US Holdings is a wholly owned subsidiary of Wilton Re U.S. Holdings Trust, established under the laws of Nova Scotia, Canada, which itself is a wholly owned subsidiary of Wilton Re Ltd., a Nova Scotia company, and Wilton Re US Holdings' parent. WRL is the ultimate parent in the holding company system. Subsidiaries of the Company include the following:

- Wilton Re Finance LLC (WRFL), a wholly owned subsidiary of Wilton Re US Holdings.
- Wilton Reassurance Life Company of New York (WRNY), a wholly owned New York domiciled subsidiary of WRAC.
- Texas Life Insurance Company (TLIC), a wholly owned subsidiary of WRAC. TLIC is a Texas domiciled life insurer.
- Wilton Re Services, Inc. (Wilton Re Services or WRSI), a wholly owned subsidiary of Wilton Re US Holdings, is incorporated in Delaware.
- Wilco Life Insurance Company (WLCO), a wholly owned subsidiary of WRAC, is an Indiana domiciled life insurer.
- Wilcac Life Insurance Company (WCAC), a wholly owned subsidiary of WRAC, is an Illinois domiciled life insurer.
- Redding Reassurance Company 2 (RRE2), a wholly owned subsidiary of WRAC, organized as a South Carolina special purpose financial captive insurance company, was dissolved in October 2018.
- Redding Reassurance Company 3 LLC (RRE3), a wholly owned subsidiary of WRAC, was organized in April 2018 as a Missouri special purpose financial captive insurance company.

In April 2018, the Company acquired a 4.1% interest, and became a 25% voting shareholder of Wilton Reinsurance Bermuda Limited (WREB), an affiliate incorporated under the laws of Bermuda as a long-term insurer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation and Basis of Presentation—The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and include the accounts of Wilton Re US Holdings and its subsidiaries which include WRSI, WRFL, WRAC, WRNY, TLIC, WLCO, WCAC, RRE2 and RRE3. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates—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, 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.

Investments and Investment Earnings

Fixed Maturity and Equity Securities

Fixed maturity and equity securities include publicly-traded fixed maturity securities, preferred stocks, common 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 change in unrealized gains (losses) 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 or is modeled.

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 first in-first out method.

Commercial Mortgage Loans

The Company elects the Fair Value Option (FVO) for commercial mortgage loans. The change in fair value is reported as net change in unrealized gains (losses) on investments classified as trading and other in the consolidated statements of comprehensive income (loss). The fair value is determined using a net present value calculation of future cash flows using credit and liquidity spreads added to an interpolated Treasury yield to determine the discount rate. Credit and liquidity spreads are derived from data provided by third parties considered market-makers in commercial mortgage loans.

Interest income is accrued on the outstanding principal amount of the loan based on its contractual interest rate. Amortization of premiums and discounts are recorded using the constant-yield method. The Company accrues interest on loans until it is probable the Company will not receive interest or the loan is 90 days past due. Interest income, amortization of premiums, accretion of discounts and prepayment fees are reported in investment earnings—net in the consolidated statements of comprehensive income (loss).

A mortgage loan is considered to be impaired when, based on the current information and events, the Company does not have a reasonable expectation that it will be able to collect all amounts due according to the contractual terms of the mortgage agreement. Although all available and applicable factors are considered in the Company's analysis, loan-to-value, debt service coverage ratios and delinquency status are critical factors in determining impairment.

Policy Loans

Policy loans are reported at the unpaid principal balance. Interest income on such loans is recorded as earned using the contractually agreed upon interest rates.

Funds Withheld at Interest and Funds Held under Reinsurance Treaties

Funds withheld at interest, an asset, and funds held under reinsurance treaties, a liability, represent amounts contractually withheld by the ceding company in accordance with reinsurance agreements (funds withheld). For agreements written on a modified coinsurance basis and agreements written on a coinsurance funds withheld basis, assets generally equal to the statutory reserves, net of reinsurance, are withheld and legally owned by the ceding company. Investment income on funds withheld include the interest income earned on these assets as defined by the treaty terms.

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 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, 2019 and 2018, the fair value of these embedded derivatives, and the changes in fair value for the years then ended, included:

	2019		**2018**	
	Fair Value	**Change in Fair Value**	**Fair Value**	**Change in Fair Value**
Funds withheld at interest	$ 91,751	$ 89,290	$ 2,461	$(67,198)
Funds held under reinsurance treaties	(1,156,781)	(1,482,966)	326,185	868,474
		$ (1,393,676)		$801,276

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 within funds withheld at interest and other invested assets in the accompanying consolidated balance sheets at fair value.

The change in fair value is recognized in the change in value of derivatives and embedded derivatives, net, in the statements of comprehensive income (loss). At December 31, 2019 and 2018, the fair value of these derivatives, and the changes in fair value for the years then ended, included:

	2019		2018	
	Fair Value	**Change in Fair Value**	**Fair Value**	**Change in Fair Value**
Funds withheld at interest	$ 24,950	$ 20,812	$4,257	$(23,145)
Other invested assets	2,261	2,408	101	(3,064)
		$ 23,220		$(26,209)

Short Term Investments

Short term investments represent investments with maturities at acquisition of greater than three months but less than twelve months and are carried at amortized cost.

Other Invested Assets

In addition to the derivatives discussed above, other invested assets include investments in limited partnerships and limited liability corporations (limited partnerships), surplus debentures and the equity method investment in an affiliate.

Limited Partnerships—Limited partnerships are accounted for using the equity method if the Company has more than a minor ownership interest, more than a minor influence over the investees' operations or if the limited partnership maintains separate capital accounts for their investors. The most recently available financial information provided by the general partner or manager of each of the investments is used, which is one to three months prior to the end of our reporting period. Changes in the fair value of these securities are included in investment earnings—net in the consolidated statements of comprehensive income (loss).

Surplus Debentures—Surplus debentures are similar to corporate securities, but are subordinated obligations of insurance companies and may be subject to restrictions by the insurance commissioners and are carried at fair value.

Equity Method Investment in Affiliate—With the ability to exercise significant influence over WREB, this investment is accounted for under the equity method. At December 31, 2019 and 2018, the carrying value of the investment included within other invested assets on the consolidated balance sheet was $76,721 and $42,659, respectively. Income from the investment is presented in share of net earnings of equity method investee in the consolidated statement of comprehensive income (loss).

Cash and Cash Equivalents

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

Premiums Receivable

Premiums receivable are recognized when due from the policyholder or other party and adjusted for lapsed policies. 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 does not believe a provision for doubtful accounts was necessary as of December 31, 2019 or 2018.

Reinsurance Recoverable

Reinsurance recoverables include an estimate of the amount of policy and claim reserves that are ceded under the terms of reinsurance agreements, including claims incurred but not reported (IBNR). Reinsurers and the respective amounts recoverable are regularly evaluated and a provision for uncollectible reinsurance is recorded if needed. No allowances for uncollectible reinsurance were recorded as of December 31, 2019 or 2018.

Other Reinsurance Receivables and Liabilities

Other reinsurance receivables and liabilities primarily include material reinsurance settlements not yet paid, but which generally settle quarterly. At December 31, 2019 and 2018, Other reinsurance receivables includes reinsurance settlements due of $79,743 and $0 and Other reinsurance liabilities includes payables of $72,708 and $130,502 respectively. Of those amounts, $60,855 and $0 are due from affiliates and $11,703 and $83,917 are due to affiliates, respectively.

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.

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 2019 or 2018. Deferred costs related to traditional life insurance contracts, all of which relate to long duration contracts, are amortized generally over the premium-paying period, 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 margins including unrealized gains (losses) on investments classified as trading and mortality and expense margins, over the amortization period. EGPs are updated periodically with actual gross profits, and the assumptions underlying future EGPs are evaluated for reasonableness. Adjustments to EGPs require that amortization rates be revised retroactively to the date of the contract issuance (“unlocking”).

Income Taxes

The income tax provision is calculated under the liability method. 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 (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.

Separate Accounts

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 policy fees and charges 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.

The Company considers all separate account assets assumed or ceded on a modified coinsurance basis to be components of funds withheld with the liabilities included as components of reserves for future policy benefits, interest sensitive contract liabilities or reinsurance recoverables.

Reserves for Future Policy Benefits

The Company's liabilities for direct and payout annuity (with life contingencies) policies and reinsurance of traditional life insurance, accident and health (including long-term care) and payout annuities (including structured settlements) with life contingencies 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 revises assumptions and related reserve estimates as permitted. The reserve is estimated using the net level premium method utilizing assumptions for mortality, morbidity, persistency, interest and expenses established when the contract is underwritten. These assumptions are based on anticipated experience with a margin for adverse deviation. For reinsurance assumed, such estimates are based primarily on historical experience provided by ceding companies with the exception of investment returns and expenses.

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.

The average discount rates used to compute the Company's reserves for future policy benefits are as follows:

	2019	2018
Traditional life insurance	4.47%	4.90%
Payout annuities with life contingencies	2.20%	2.19%
Accident and health, including long-term care	3.50%	3.50%

Interest Sensitive Contract Liabilities

Liabilities for interest sensitive insurance products such as universal life and deferred annuities are established based on account values before applicable surrender charges. Liabilities for payout annuities without life contingencies are recorded at the present value of future benefits. Certain universal life products contain features that link interest credited to an equity index. These features create embedded derivatives that are not clearly and closely related to the host insurance contract. The embedded derivatives carried at fair value with changes in the fair value are recognized within interest credited to interest sensitive contract liabilities in the accompanying consolidated statements of comprehensive income (loss). At December 31, 2019, the fair value of these derivatives were $19,900, an increase of $19,799 from December 31, 2018. At December 31, 2018, the fair value of these derivatives were $101, a decrease of $19,421 from December 31, 2017.

In situations where mortality profits are followed by mortality losses (PFBL), 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. The calculation of these liabilities is based on management's best estimates and assumptions regarding expected mortality, lapse, persistency, expenses and investment experience, which are reviewed and unlocked at least annually if necessary. Additional liabilities are established for universal life products related to unearned policy charges. As of December 31, 2019, the Company has passed PFBL testing with no projected losses for all years, and therefore, has not recorded an additional liability related to benefits provided in the future.

Claim Reserves

For both non-interest sensitive and interest sensitive life insurance, liabilities are established for estimated death benefits that have been incurred, but not yet reported. These liabilities are based on periodic analysis of the actual reporting lag between when a claim occurs and when it is reported to the Company, including a provision for adverse deviation.

Long-term care claim reserves are established for continuing benefit payments are calculated using assumptions of anticipated mortality and claim continuance rates that are based on established industry tables adjusted for the ceding company's historical experience. Long-term care claims reserves are discounted at 3.50% and 3.50% for 2019 and 2018, respectively.

Recognition of Revenue and Expenses

Assumed reinsurance and policy premiums related to traditional life products and long-duration accident and health contracts 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 policy fees and charges, as opposed to premiums, on the consolidated statements of comprehensive income (loss).

For annuity and interest-sensitive life contracts, premiums collected are not reported as revenues, but as deposits to Interest sensitive contract liabilities. The Company recognizes revenues for these products over time in the form 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 4.22% and 4.49% during 2019 and 2018, respectively.

Closed Block Reinsurance

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 in-force 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 including unrealized gains (losses) on investments classified as trading. 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 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.

New Accounting Pronouncements

Changes to the accounting principles are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB Accounting Standards Codification. Accounting standard 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.

ASUs adopted during the year ended December 31, 2019

In January 2016, the FASB amended the guidance on the classification and measurement of financial instruments. The amendment revises the accounting related to (1) the classification and measurement of investments in equity securities, (2) the presentation of certain fair value changes for financial liabilities measured at fair value, (3) certain disclosure requirements associated with the fair value of financial instruments. The guidance is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company adopted the guidance on a retrospective basis. The adoption of the guidance was not material to the Company's financial position.

In March 2017, the FASB issued authoritative guidance on purchased callable debt securities. The guidance shortens the amortization period for certain callable debt securities held at a premium and requires the premium to be amortized to the earliest call date. However, the new guidance does not require an accounting change for securities held at a discount whose discount continues to be amortized to maturity. The guidance is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. A reporting entity should apply the guidance retrospectively to all periods presented. The Company early adopted the guidance on a retrospective basis. The adoption of the guidance was not material to the Company's financial position.

In August 2018, the FASB modified the disclosure requirements for fair value measurements by removing, modifying and adding certain disclosures. The guidance removes the requirement to disclose:

(i) The amount and reasons for any transfers between Level 1 and Level 2 of the fair value hierarchy;

(ii) A description of the valuation processes used to value Level 3 fair value measurements;

(iii) The policy for timing of transfers between levels; and,

(iv) The changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period.

Additionally, in lieu of a rollforward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities. The additional disclosures added by the guidance are not applicable to nonpublic entities. The guidance is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. The Company early adopted the guidance on a retrospective basis. This resulted in the removal or modification of the aforementioned fair value measurement disclosures presented in the Company's consolidated financial statements.

ASUs issued but not adopted as of December 31, 2019

In June 2016, the FASB issued an accounting standard update which amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, the update eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available for sale debt securities, credit losses should be measured in a manner similar to current GAAP; however, the update will require that credit losses to be presented as an allowance rather than as a write-down. The guidance is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements.

In August 2018, the FASB issued an accounting standard update with the objective of making targeted improvements to the existing recognition, measurement, presentation, and disclosure requirements for long-duration contracts issued by an insurance entity. The standard prescribes significant and comprehensive changes to recognition, measurement, presentation and disclosure as summarized below:

- Requires the review and if necessary, update of future policy benefit assumptions at least annually for traditional and limited pay long-duration contracts, with the recognition and separate presentation of any resulting re-measurement gain or loss (except for discount rate changes as noted below) in the income statement.

- Requires the discount rate assumption to be updated at the end of each reporting period using an upper medium grade (low-credit risk) fixed income instrument yield that maximizes the use of observable market inputs and recognizes the impact of changes to discount rates in other comprehensive income.

- Simplifies the amortization of DAC to a constant level basis over the expected term of the related contracts with adjustments for unexpected terminations, but no longer requires an impairment test.

- Requires the measurement of all market risk benefits associated with deposit (or account balance) contracts at fair value through the income statement with the exception of instrument-specific credit risk changes, which will be recognized in other comprehensive income.

- Increased disclosures of disaggregated roll-forwards of policy benefits, account balances, market risk benefits, separate account liabilities and information about significant inputs, judgments and methods used in measurement and changes thereto and impact of those changes.

The Company plans to adopt the standard on its effective date of January 1, 2024. the Company is evaluating the method of adoption and impact of the standard on our reported consolidated financial statements and required disclosures. The adoption of this standard is expected to have a significant impact on our consolidated financial statements and required disclosures, as well as systems, processes and controls.

In January 2019, the FASB issued an accounting standard update based on the principle that entities should recognize assets and liabilities arising from leases, does not significantly change the lessees' recognition, measurement and presentation of expenses and cash flows from the previous accounting standard. Leases are classified as finance or operating. The new standard's primary change is the requirement for entities to recognize a lease liability for payments and a right of use asset representing the right to use the leased asset during the term of operating lease arrangements. Lessees are permitted to make an accounting policy election to not recognize the asset and liability for leases with a term of twelve months or less. Lessors' accounting is largely unchanged from the previous accounting standard. In addition, the new standard expands the disclosure requirements of lease arrangements. The guidance is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements.

In December 2019, the FASB amended the guidance on simplifying the accounting for income taxes. The amendment eliminates the need for an organization to analyze whether the following apply in a given period (1) exception to the incremental approach for intraperiod tax allocation (2) exceptions to accounting for basis differences when there are ownership changes in foreign investments and (3) exceptions in interim period income tax accounting for year-to-date losses that exceed anticipated losses. The accounting standards update is also designed to improve financial statement preparers' application of income tax-related guidance and simplify GAAP for (1) franchise taxes that are partially based on income, (2) transactions with a government that result in a step-up in the tax basis of goodwill, (3) separate financial statements of legal entities that are not subject to tax, and (4) enacted changes in tax laws in interim periods. The guidance is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption of the amendments is permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements.

3. CLOSED BLOCK REINSURANCE

Effective October 1, 2019, WCAC recaptured from Swiss Re Life & Health America Inc. a closed block of traditional life, universal life, payout and deferred annuity contracts. The initial balance sheet effect of this transaction was as follows:

Assets	
Fixed maturity and equity securities	$ 658,015
Short term investments	1,663
Policy loans	33,809
Total investments	693,487
Cash and cash equivalents	9,540
Accrued investment income	3,813
Premiums receivable	635
Reinsurance recoverable	(593,457)
Net deferred tax assets	35,066
Total assets	$ 149,084
Liabilities	
Reserves for future policy benefits	$ (86,510)
Interest sensitive contract liabilities	182,942
Other reinsurance liabilities	7,949
Other Liabilities	44,703
Total liabilities	$ 149,084

2018 Transaction—Effective July 1, 2018, WRAC reinsured from CNO's Bankers Life and Casualty Company, a closed block of long-term care business on a coinsurance basis. The initial balance sheet effect of this transaction was as follows:

Assets	
Fixed maturity and equity securities	$3,594,535
Short term investments	4,384
Other invested assets	1,785
Total investments	3,600,704
Cash and cash equivalents	365,521
Accrued investment income	51,484
Premiums receivable	524
Net deferred tax assets	239,382
Total assets	$4,257,616
Liabilities	
Reserves for future policy benefits	$4,002,082
Other reinsurance liabilities	2,791
Other Liabilities	252,743
Total liabilities	$4,257,616

During 2019, and pursuant to the contract, the initial transaction was finalized resulting in a reduction to the Company's other liabilities of $13,052, and reserves for future policy benefits of $6,149 and cash of $19,202 was returned to CNO's Bankers Life and Casualty Company.

For the closed block reinsurance transactions described above, the non-cash assets and liabilities assumed and ceded have been excluded from the statement of cash flows. The 2019 cash paid of $9,662 and 2018 net cash received of $299,319, respectively, is included in cash flows from operating activities within the statement of cash flows.

4. INVESTMENTS

Fixed Maturity and Equity Securities—The amortized cost, fair value and related gross unrealized gain and loss of fixed maturity and common and preferred stock investments, all of which are classified as trading, except for the issuer obligation—non-affiliates which is held-to-maturity, as of December 31, 2019 and 2018 are as follows:

	2019			
	Amortized Cost	**Unrealized Gain**	**Unrealized Loss**	**Fair Value**
U.S. government and agencies	$ 2,520,107	$ 216,331	$ (1,291)	$ 2,735,147
State and political subdivisions	1,732,044	203,510	(305)	1,935,249
Foreign sovereign	49,446	5,735	-	55,181
Corporate securities	12,321,577	1,319,181	(14,313)	13,626,445
Residential mortgage-backed securities	1,621,216	91,631	(4,844)	1,708,003
Commercial mortgage-backed securities	1,265,619	68,596	(4,494)	1,329,721
Asset-backed securities	1,663,697	63,068	(4,653)	1,722,112
Collateralized debt obligations	1,480,099	8,220	(42,122)	1,446,197
Issuer obligations—non-affiliates	736,514	-	-	736,514
Total fixed maturities	23,390,319	1,976,272	(72,022)	25,294,569
Preferred stock	435,432	20,363	(8,996)	446,799
Common stock	28,948	-	-	28,948
Total fixed maturity and equity securities	$23,854,699	$ 1,996,635	$ (81,018)	$25,770,316

	2018			
	Amortized Cost	**Unrealized Gain**	**Unrealized Loss**	**Fair Value**
U.S. government and agencies	$ 2,007,838	$ 21,179	$ (80,883)	$ 1,948,134
State and political subdivisions	1,684,555	92,258	(12,506)	1,764,307
Foreign sovereign	77,190	609	(3,386)	74,413
Corporate securities	13,070,540	171,199	(440,450)	12,801,289
Residential mortgage-backed securities	1,776,448	26,706	(27,945)	1,775,209
Commercial mortgage-backed securities	1,412,965	20,132	(29,837)	1,403,260
Asset-backed securities	1,770,770	24,409	(17,215)	1,777,964
Collateralized debt obligations	1,099,491	7,949	(48,218)	1,059,222
Issuer obligations—non-affiliates	815,864	-	-	815,864
Total fixed maturities	23,715,661	364,441	(660,440)	23,419,662
Preferred stock	335,594	1,115	(19,099)	317,610
Common stock	28,948	-	-	28,948
Total fixed maturity and equity securities	$24,080,203	$365,556	$(679,539)	$23,766,220

The unrealized loss and fair values by investment category and by the duration of the fixed maturity securities in a continuous unrealized loss position at December 31, 2019 and 2018, are as follows:

	2019					
	Less than 12 Months		**12 Months or More**		**Total**	
	Fair Value	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
U.S. government and agencies	$ 327,391	$ (1,053)	$ 17,040	$ (238)	$ 344,431	$ (1,291)
State and political subdivisions	19,373	(305)	-	-	19,373	(305)
Corporate securities	231,494	(6,231)	164,064	(8,082)	395,558	(14,313)
Residential mortgage-backed securities	80,152	(869)	46,867	(3,975)	127,019	(4,844)
Commercial mortgage-backed securities	98,973	(1,577)	14,964	(2,917)	113,937	(4,494)
Asset-backed securities	189,139	(2,017)	25,188	(2,636)	214,327	(4,653)
Collateralized debt obligations	297,185	(4,994)	693,597	(37,128)	990,782	(42,122)
Total fixed maturities	1,243,707	(17,046)	961,720	(54,976)	2,205,427	(72,022)
Preferred stock	30,759	(302)	59,528	(8,694)	90,287	(8,996)
Common stock	-	-	-	-	-	-
Total fixed maturity and equity securities	$ 1,274,466	$ (17,348)	$1,021,248	$ (63,670)	$ 2,295,714	$ (81,018)

	2018					
	Less than 12 Months		**12 Months or More**		**Total**	
	Fair Value	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
U.S. government and agencies	$ 826,869	$ (28,924)	$ 611,244	$ (51,959)	$ 1,438,113	$ (80,883)
State and political subdivisions	262,177	(11,184)	20,245	(1,322)	282,422	(12,506)
Foreign sovereign	41,208	(2,592)	7,081	(794)	48,289	(3,386)
Corporate securities	8,283,059	(383,551)	660,310	(56,899)	8,943,369	(440,450)
Residential mortgage-backed securities	665,100	(14,905)	402,781	(13,040)	1,067,881	(27,945)
Commercial mortgage-backed securities	545,510	(14,012)	238,183	(15,824)	783,693	(29,836)
Asset-backed securities	561,847	(13,794)	114,119	(3,421)	675,966	(17,215)
Collateralized debt obligations	868,405	(47,571)	13,875	(647)	882,280	(48,218)
Total fixed maturities	12,054,175	(516,533)	2,067,838	(143,906)	14,122,013	(660,439)
Preferred stock	224,888	(12,795)	42,410	(6,305)	267,298	(19,100)
Common stock	-	-	-	-	-	-
Total fixed maturity and equity securities	$12,279,063	$(529,328)	$2,110,248	$(150,211)	$14,389,311	$(679,539)

At December 31, 2019, two hundred forty fixed maturity securities with a total unrealized loss of $54,976 had been in an unrealized loss position for 12 months or more. Of those securities in an unrealized loss position for 12 months or more, nine securities had fair values below 70% of book value with a total unrealized loss of $2,150.

At December 31, 2018, five hundred forty-two fixed maturity securities with a total unrealized loss of $143,906 had been in an unrealized loss position for twelve months or more. Of those securities in an unrealized loss position for twelve months or more, nine securities had fair values below 70% of book value with a total unrealized loss of $785.

Contractual maturities of the Company's fixed maturity securities as of December 31, 2019, 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.

	2019	
	Amortized Cost	**Fair Value**
One or less	$ 168,367	$ 169,981
One through five	658,722	682,730
After five through ten	1,605,046	1,737,634
After ten through twenty	6,772,419	7,446,312
After twenty	8,155,134	9,051,879
Residential mortgage-backed securities	1,621,216	1,708,003
Commercial mortgage-backed securities	1,265,619	1,329,721
Asset-backed securities	1,663,697	1,722,112
Collateralized debt obligations	1,480,099	1,446,197
Total fixed maturity securities	$23,390,319	$25,294,569

The Company's largest five exposures by issuer as of December 31, 2019 were The Walt Disney Company, Wal-Mart Stores, Inc., AT&T Inc., Bank of America Corporation, and UnitedHealth Group Incorporated, each of which comprised less than 1%, and in aggregate comprised 2.4%, of total investments.

The Company's largest five exposures by issuer as of December 31, 2018 were Wal-Mart Stores, Inc., Twenty-First Century Fox, Inc., Berkshire Hathaway, Inc., Anheuser-Busch InBev, and Comcast, each of which comprised less than 1%, and in aggregate comprised 2.3%, of total investments.

At December 31, 2019 and 2018, fixed maturity securities with a fair value of $50,976 and $52,925, respectively, were held on deposit with various state insurance departments in which WRAC, TLIC, WRNY, WLCO, and WCAC are licensed to operate to provide security and to meet regulatory requirements.

Investment Earnings—Net—Major sources of investment earnings are as follows:

	2019	2018
Fixed maturity and equity securities	$ 1,061,951	$ 987,250
Commercial mortgage loans	47,883	41,645
Policy loans	23,544	25,360
Funds withheld at interest	37,510	48,780
Short term investments and cash and cash equivalents	6,026	8,383
Other invested assets	38,581	13,831
Investment income	1,215,495	1,125,249
Investment income ceded on funds withheld	(544,488)	(617,078)
Investment expense	(35,611)	(27,631)
Investment income—net	635,396	480,540
Realized gains on investments	118,588	48,414
Realized losses on investments	(39,973)	(264,713)
Realized gains on funds withheld at interest	7,708	24,168
Realized losses on funds withheld at interest	(3,008)	(6,304)
Realized net (gains)/losses ceded on funds withheld	(46,180)	135,388
Investment earnings—net	$ 672,531	$ 417,493

Commercial Mortgage Loans—Commercial mortgage loans (CMLs) represented approximately 4.18% and 3.43% of the Company's investments as of December 31, 2019 and 2018, respectively. The amortized cost, fair value and the related gross unrealized gain (loss) as of December 31, 2019 and 2018, are as follows:

	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
December 31, 2019	$1,363,623	$ 42,137	$ (1,805)	$1,403,955
December 31, 2018	$1,047,210	$ 4,414	$(11,672)	$1,039,952

The unrealized loss and fair values by the duration of the CMLs in a continuous unrealized loss position at December 31, 2019 and 2018, are as follows:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
December 31, 2019	$102,764	$(1,651)	$ 48,983	$ (154)	$151,747	$ (1,805)
December 31, 2018	$370,597	$(3,908)	$430,312	$(7,764)	$800,909	$(11,672)

The Company's CML portfolio is collateralized by a variety of commercial real estate property types located across the United States. The principal geographic distribution as of

December 31, 2019, are shown below. No other state represented more than 5% of the portfolio.

Percentage of Loan Portfolio Fair Value	2019
California	14.2 %
New York	12.4
Virginia	8.9
Texas	5.9
Ohio	5.4
Florida	5.1
Tennessee	5.0

The types of properties collateralizing the CMLs as of December 31, 2019 and 2018, are as follows:

Percentage of Loan Portfolio Fair Value	2019	2018
Multifamily	37.6 %	33.4 %
Retail	20.8	26.5
Office buildings	18.3	21.3
Other commercial	10.7	10.1
Industrial	12.6	8.7
Total	100.0 %	100.0 %

The contractual maturities of the CML portfolio as of December 31, 2019, are as follows:

	Number of Loans	Fair Value	Percent
2020	8	$ 35,016	2.5 %
2021	12	17,384	1.2
2022	9	27,551	2.0
2023	19	220,806	15.7
2024	21	111,929	8.0
Thereafter	126	991,269	70.6
Total	195	$ 1,403,955	100.0 %

Loan-to-value (LTV) and debt service coverage (DSC) ratios are measures commonly used to assess risk and quality of CMLs. The LTV ratio, calculated at time of origination, is expressed as a percentage of the amount of the loan relative to the value of the underlying property. An LTV ratio in excess of 100% indicates the unpaid loan amount exceeds the value of the underlying collateral. There were no loans at December 31, 2019 or 2018, with an LTV ratio greater than 75%. The DSC ratio, based upon the most recently received financial statements, is expressed as a percentage of the amount of estimated cash flows from the property available to the borrower to meet principal and interest payment obligations. A DSC ratio of less than 1.0 indicates that property’s operations do not generate sufficient cash flows to cover the debt payments. There were no loans at December 31, 2019 or 2018, with a DSC ratio less than 1.0.

The following table reflects the distribution of the Company's CMLs across these two risk and quality measures as of December 31, 2019:

	Debt Service Coverage Ratio				
Loan-to-Value Ratios	**1.0 to 1.25**	**1.26 to 1.5**	**1.51 to 1.75**	**Above 1.75**	**Total**
Less than 50%	$ 12,789	$ 202,864	$ 157,701	$ 719,092	$ 1,092,446
50% to 60%	46,485	52,412	31,267	43,958	174,122
60% to 75%	13,109	36,529	53,963	33,786	137,387
Total	$ 72,383	$ 291,805	$ 242,931	$ 796,836	$ 1,403,955

Policy Loans—Policy loans comprised approximately 1.0% and 1.1% of the Company's investments as of December 31, 2019 and 2018, respectively. These policy loans present minimal credit risk because the amount of the loan cannot exceed the obligation due the ceding company or the insured 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 advances of policy benefits, 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.

5. CONCENTRATION OF CREDIT RISK

As of December 31, 2019, substantially all of the Company's cash, cash equivalent and short-term investment funds were held in four financial institutions, that the Company considers being of high credit quality.

6. FUNDS WITHHELD AT INTEREST

Funds withheld at interest comprised approximately 15.1% and 15.4% of the Company's total investments as of December 31, 2019 and 2018, 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.

The funds withheld at interest balances on the consolidated balance sheets are comprised of the following:

	2019	**2018**
Segregated portfolio of assets—general account	$1,325,127	$1,211,250
Segregated portfolio of assets—separate account	3,667,604	3,392,352
Non-segregated portfolio of assets	89,494	72,320
Funds withheld at interest—at fair value	$5,082,225	$4,675,922

The disclosures that follow are for the segregated portfolio—general account only and exclude other invested assets, short-term investments and cash of $135,979 and

$113,129 as of December 31, 2019 and 2018, respectively. The segregated portfolio—separate account is supported by assets with specific underlying investment objectives and are in accounts legally segregated from the single ceding company for which the policyholder has assumed substantially all the risk and reward. The non-segregated portfolio is supported by a proportionate share of the assets held by the ceding company.

The amortized cost, fair value and related gross unrealized gain and loss of the segregated portfolio—general account assets supporting the funds withheld at interest as of December 31, 2019 and 2018, are as follows:

	2019			
	Amortized Cost	**Unrealized Gain**	**Unrealized Loss**	**Fair Value**
U.S. government and agencies	$ 113,318	$ 7,720	$ (295)	$ 120,743
State and political subdivisions	52,795	9,266	-	62,061
Foreign sovereign	1,409	55	-	1,464
Corporate securities	685,057	69,928	(1,063)	753,922
Residential mortgage-backed securities	117,202	3,932	(220)	120,914
Commercial mortgage-backed securities	57,443	1,880	(243)	59,080
Asset-backed securities	25,387	374	(38)	25,723
Collaterlized debt obligations	43,602	114	(130)	43,586
Total fixed maturities	1,096,213	93,269	(1,989)	1,187,493
Preferred stock	1,600	121	(67)	1,654
Common stock	-	1	-	1
Total fixed maturity and equity securities	$1,097,813	$93,391	$ (2,056)	$1,189,148

	2018			
	Amortized Cost	**Unrealized Gain**	**Unrealized Loss**	**Fair Value**
U.S. government and agencies	$ 126,977	$ 1,689	$ (2,445)	$ 126,221
State and political subdivisions	63,973	6,646	(86)	70,533
Foreign sovereign	1,405	-	(110)	1,295
Corporate securities	710,807	15,446	(18,738)	707,515
Residential mortgage-backed securities	80,794	1,706	(1,398)	81,102
Commercial mortgage-backed securities	58,483	300	(1,049)	57,734
Asset-backed securities	33,266	163	(228)	33,201
Collaterlized debt obligations	16,457	41	(108)	16,390
Total fixed maturities	1,092,162	25,991	(24,162)	1,093,991
Preferred stock	3,803	425	(98)	4,130
Total fixed maturity and equity securities	$1,095,965	$26,416	$(24,260)	$1,098,121

The unrealized loss and fair values by investment category and by duration of the fixed maturity securities in a continuous unrealized loss position of the segregated portfolio—general account assets supporting the funds withheld at interest at December 31, 2019 and 2018, are as follows:

	2019					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. government and agencies	$ 12,759	$ (295)	$ -	$ -	$ 12,759	$ (295)
Corporate securities	26,367	(270)	3,353	(793)	29,720	(1,063)
Residential mortgage-backed securities	18,510	(184)	1,472	(36)	19,982	(220)
Commercial mortgage-backed securities	6,332	(153)	1,536	(90)	7,868	(243)
Asset-backed securities	4,382	(37)	385	(1)	4,767	(38)
Collateralized debt obligations	18,862	(54)	5,274	(76)	24,136	(130)
Total fixed maturities	87,212	(993)	12,020	(996)	99,232	(1,989)
Preferred stock	225	(7)	312	(60)	537	(67)
Total fixed maturity and equity securities	$ 87,437	$ (1,000)	$ 12,332	$(1,056)	$ 99,769	$ (2,056)

	2018					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. government and agencies	$ 40,865	$ (1,261)	$ 31,435	$(1,184)	$ 72,300	$ (2,445)
State and political subdivisions	3,345	(40)	3,184	(46)	6,529	(86)
Foreign sovereign	1,296	(110)	-	-	1,296	(110)
Corporate securities	395,678	(15,741)	68,637	(2,997)	464,315	(18,738)
Residential mortgage-backed securities	23,277	(451)	25,963	(947)	49,240	(1,398)
Commercial mortgage-backed securities	16,445	(328)	16,671	(721)	33,116	(1,049)
Asset-backed securities	13,340	(68)	8,364	(160)	21,704	(228)
Collateralized debt obligations	10,948	(108)	-	-	10,948	(108)
Total fixed maturities	505,194	(18,107)	154,254	(6,055)	659,448	(24,162)
Preferred stock	1,442	(98)	-	-	1,442	(98)
Total fixed maturity and equity securities	$506,636	$(18,205)	$154,254	$(6,055)	$660,890	$(24,260)

At December 31, 2019, twenty-one fixed maturity investments with a total unrealized loss of $998 had been in an unrealized loss position for 12 months or more. Of those securities in an unrealized loss position for 12 months or more, one security had a fair value below 70% of book value with a total unrealized loss of $11.

At December 31, 2018, one hundred-seventeen fixed maturity investments with a total unrealized loss of $6,055 had been in an unrealized loss position for twelve months or more. Of those securities in an unrealized loss position for twelve months or more, one security had a fair value below 70% of book value with a total unrealized loss of $668.

The contractual maturities of the segregated portfolio—general account's fixed maturity securities supporting the funds withheld at interest as of December 31, 2019, 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.

	2019	
	Amortized Cost	Fair Value
One year or less	$ 38,180	$ 38,325
One through five	187,936	195,616
After five through ten	141,252	150,843
After ten through twenty	251,947	283,982
After twenty	233,264	269,424
Residential mortgage-backed securities	117,202	120,914
Commercial mortgage-backed securities	57,443	59,080
Asset-backed securities	25,387	25,723
Collateralized debt obligations	43,602	43,586
Total fixed maturity securities	$ 1,096,213	$ 1,187,493

7. FUNDS HELD UNDER REINSURANCE TREATIES

As of December 31, 2019, the funds held under reinsurance treaties liability balance of $19,190,438 is comprised of reinsurance ceded to WREB for $19,005,146, with the remaining $185,292 ceded to unaffiliated third parties.

As of December 31, 2018, the funds held under reinsurance treaties liability balance of $17,525,481 is comprised of reinsurance ceded to WREB for $17,338,299, with the remaining $187,182 ceded to unaffiliated third parties.

8. REINSURANCE CEDED

During the year the Company had reinsurance and retrocession agreements with nonaffiliates that enabled it to limit the amount of traditional life reinsurance it retains. The contracts were 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. As of December 31, 2019, the retrocession agreements with third parties for our Traditional Reinsurance business were recaptured.

The closed blocks of business acquired via stock purchase may 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 may include risks that were ceded to other reinsurers under existing inuring reinsurance agreements (inuring reinsurance). For those risks ceded to other reinsurers, the related per life retentions vary by block.

In March 2019, Scottish Re was placed into receivership and litigation over the Scottish Re rehabilitation is continuing as of December 31, 2019. The Company continues to monitor through legal counsel and the American Council of Life Insurers on the progression of the rehabilitation. The Delaware Insurance Commissioner (the Rehabilitator) has not yet filed with the Court a final Rehabilitation plan. Counsel for the Rehabilitator represented that the goal is to file the Rehabilitation plan by the end of the first quarter of 2020. As of December 31, 2019, the Company has approximately $37,000 of GAAP reserves ceded associated with its exposure to Scottish Re. The Company believes that a loss is probable given that Scottish Re is in receivership and has reported assets that are less than liabilities, and therefore, the Company has recorded a contingent liability of $15,000 within other liabilities of the consolidated balance sheets.

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, 2019 and 2018, no allowances were deemed necessary.

The Company's subsidiaries have a number of retrocessional agreements with WREB covering various blocks of business and products including term, universal life, whole life, payout annuities, COLI, BOLI and separate accounts.

The following table presents information for the Company's reinsurance recoverable, including the respective amount and A.M. Best rating for each reinsurer representing in excess of 5% of the total as of December 31, 2019 and 2018:

	2019		
Reinsurer	**A. M. Best Rating**	**Amount**	**% of Total**
Affiliate—Wilton Reinsurance Bermuda Limited	A+	$18,725,986	97.0 %
Non-affiliate—other reinsurers		575,259	3.0
Total		$19,301,245	100.0 %

	2018		
Reinsurer	**A. M. Best Rating**	**Amount**	**% of Total**
Affiliate—Wilton Reinsurance Bermuda Limited	A+	$18,655,100	93.9 %
Non-affiliate—other reinsurers		1,212,484	6.1
Total		$19,867,584	100.0 %

Included in the total reinsurance recoverable balance were $127,152 and $118,179 of claims recoverable, of which $6,025 and $3,630 were in excess of 90 days past due but were deemed collectible as December 31, 2019 and 2018, respectively.

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

	2019	2018
Direct	$ 122,668	$ 129,255
Reinsurance assumed	417,376	354,622
Reinsurance ceded—affiliate	(75,530)	(76,066)
Reinsurance ceded—non-affiliate	(122,606)	(138,890)
Net premiums	$ 341,908	$ 268,921

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

	2019	2018
Direct	$ 623,376	$ 441,822
Reinsurance assumed	813,187	646,723
Reinsurance ceded—affiliate	(404,375)	(390,764)
Reinsurance ceded—non-affiliate	(140,749)	(188,598)
Claims and policy benefits—net of reinsurance ceded	$ 891,439	$ 509,183

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

	Direct	Assumed	Ceded	Net
December 31, 2019	$63,011,482	$69,079,405	$(30,636,241)	$101,454,646
December 31, 2018	$63,507,859	$72,369,993	$(34,292,227)	$101,585,625

9. DEFERRED ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED

The balances and changes in DAC for the years ended December 31, 2019 and 2018, are as follows:

	2019	2018
Beginning of year	$ 361,608	$ 302,494
Capitalized	55,826	51,656
Amortized	(15,918)	(17,087)
Recaptures of existing reinsurance treaties	(1,982)	-
Attributable to realized/unrealized gains and losses	(5,294)	6,045
Impact of unlocking	20,335	18,500
End of year	$ 414,575	$ 361,608

The balances and changes in VOBA for the years ended December 31, 2019 and 2018, are as follows:

	2019	2018
Beginning of year	$331,238	$330,779
Amortized	(34,943)	(40,780)
Attributable to realized/unrealized gains and losses	(19,044)	28,789
Impact of unlocking	8,359	12,450
End of year	$285,610	$331,238

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

2020	$31,528
2021	29,221
2022	26,779
2023	22,853
2024	18,341

10. INCOME TAXES

At December 31, 2019, the Company had net operating loss and tax credit carryforwards of approximately $20,263 and $7,191, respectively. Of the total net operating loss carryforward, $11,345 is limited under Section 382 and will begin to expire in 2026. The Company expects to utilize all of these net operating losses. Most of the tax credit carryforward, $7,127, is limited under Sec. 383 and has a partial valuation allowance of $648 as a portion of these are expected to expire unused. The balance of $64 represents AMT credit carryforwards. The Company has $757 of capital loss carryforwards which will begin to expire in 2023.

Income tax expense attributable to income from continuing operations for the years ended December 31, 2019 and 2018, is as follows:

	2019	2018
Current tax expense (benefit)	$ 83,612	$ 109,920
Deferred tax expense (benefit)	122,527	(216,100)
Income tax expense (benefit)	$ 206,139	$(106,180)

The income tax expense differs from applying the U.S. federal income tax rate of 21% to income before taxation as a result of the following:

	2019	2018
Computed expected tax expense (benefit)	$ 211,004	$ (50,165)
Tax reform rate reduction impact to deferred taxes	-	(36,145)
Tax reform rate reduction impact to capital losses to be carried back	974	(16,850)
Other	(5,839)	(3,020)
Income tax expense (benefit)	$ 206,139	$(106,180)

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities at December 31, 2019 and 2018, are presented in the following table:

Differences between tax and financial reporting amounts concerning certain reinsurance transactions	$ 912,107	$ 756,867
Net operating losses	4,255	8,294
Capital loss carryforwards	159	159
Tax credit carryforwards	7,190	7,127
Nondeductible accruals	68,586	41,740
Deferred acquisition costs/value of business acquired	108,380	85,522
Investments	7,481	183,943
Other	3,715	2,916
Total deferred tax assets	1,111,873	1,086,568
Deferred income tax liabilities—reserves for future policy benefits	(858,645)	(710,813)
Total deferred tax liabilities	(858,645)	(710,813)
Valuation allowance	(648)	(648)
Net deferred tax asset	$ 252,580	$ 375,107

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 records valuation allowances when it believes that it is more likely than not that gross deferred income tax assets will not be realized.

The Company’s U.S. subsidiaries’ federal income tax returns for tax years 2016–2019 are open and subject to examination by the Internal Revenue Service.

As of December 31, 2019 or 2018, the Company had no unrecognized tax benefits.

11. STATUTORY REQUIREMENTS AND DIVIDEND RESTRICTIONS

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

WRAC, WRNY, TLIC, WLCO, WCAC, and RRE3 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, 2019, and 2018, all of the Company's insurance and reinsurance subsidiaries exceeded all minimum RBC requirements.

WRAC is 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 cannot pay a dividend in 2020 without prior regulatory approval.

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 Financial Services is restricted to the greater of 10% of surplus to policyholders as of the immediately preceding calendar year or net income less realized gains of the preceding year, which may be further limited. WRNY can pay dividends of $13,180 after July 22, 2020 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 $31,804 at any time during 2020.

WCAC 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. WCAC cannot pay a dividend in 2020 without prior regulatory approval.

WLCO 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. WLCO can pay dividends of $26,528 in 2020, with $1,528 available to be paid prior to May 28, 2020, without prior regulatory approval.

RRE3 is subject to statutory regulations of the state of Missouri. As a special purpose financial captive under these regulations, all dividends to be paid to shareholders must receive prior approval by the Director of the Missouri Department of Insurance.

The following table presents statutory capital and surplus as of December 31, 2019 and 2018:

	2019	2018
Wilton Reassurance Company	$843,550	$950,182
Wilton Reassurance Life Company of New York	103,177	100,047
Texas Life Insurance Company	125,475	94,987
Wilcac Life Insurance Company	90,928	120,455
Wilco Life Insurance Company	161,739	161,399
Redding Reassurance Company 3 LLC	86,222	97,581

The following table presents statutory net income (loss) for the years ended December 31, 2019 and 2018:

	2019	2018
Wilton Reassurance Company	$ 86,373	$ 44,779
Wilton Reassurance Life Company of New York	12,912	8,703
Texas Life Insurance Company	37,215	38,777
Wilcac Life Insurance Company	(21,876)	13,062
Wilco Life Insurance Company	30,204	40,573
Redding Reassurance Company 2	-	715,321
Redding Reassurance Company 3 LLC	28,262	(658,572)

12. LONG-TERM INCENTIVE PLAN

Certain employees and officers within Wilton Re have been granted the conditional right to receive performance awards if certain performance indicators are met and depending on continued employment of the individual employee to whom the rights have been granted. The units are conditionally granted on September 30 of each year. The performance indicators apply over a performance period of three to five years and consist of financial targets set by the Board of Directors. A vesting period of three to five years applies after which units are valued based on actual performance and the awards are paid out to the eligible employees.

Initiated in 2014, the plan's expense is recognized ratably over the requisite performance period as a component of operating expenses. At December 31, 2019 and 2018, included within other liabilities of the accompanying consolidated balance sheets, is the Company's payable of $270,319 and $158,188, respectively, resulting in incurred expenses of $112,131 and $84,121 for the years ended 2019 and 2018, respectively, related to awards vesting in 2019, 2020, 2021 and 2022.

13. RELATED PARTY TRANSACTIONS

Services—Wilton Re Services provides among others, certain accounting, actuarial and administrative services to affiliates of the Company. Services charged to affiliates during 2019 and 2018 amounted to $4,626 and $4,521, respectively, and $1,319 and $1,200 of this was recorded as other assets at December 31, 2019 and 2018, respectively. Services charged to affiliates are generally paid quarterly.

14. FUNDING AGREEMENTS

Two of the Company's insurance subsidiaries are members of the Federal Home Loan Bank (FHLB). As members of the FHLB, WLCO and WRAC have the ability to borrow on a collateralized basis from the FHLB. As a condition of membership in the FHLB, they are required to hold certain minimum amounts of FHLB common stock, and additional amounts based on the amount of the borrowings. At December 31, 2019 and 2018, the carrying value of the FHLB common stock was $28,948 and $28,948, respectively.

As of December 31, 2019, and 2018, there were no collateralized borrowings from the FHLB. Investments with an estimated fair value of $23,036 and $21,673 at December 31, 2019 and 2018, respectively, are maintained in a custodial account for the benefit of the FHLB. All such investments are classified as fixed maturities, trading, in the accompanying consolidated statements of assets and liabilities—contractual basis. Interest expense of $0 and $0 was recognized in 2019 and 2018, respectively, related to the borrowings.

At December 31, 2019 and 2018, WLCO pledged collateral sufficient to support LOCs/advances of approximately $0 and $0 and WRAC pledged collateral sufficient to support approximately $18,619 and $19,670, respectively.

15. COMMITMENTS AND CONTINGENCIES

Funding of Investments

The Company's commitments to fund investments as of December 31, 2019, are presented in the following table:

	2019	
	Commitment	**Unfunded**
Limited partnerships	$996,500	$699,063

The Company anticipates that the majority of its current limited partnership commitments will be invested over the next five years; however, these commitments could become due any time at the request of the counterparties.

RRE3 Surplus Note—Weston2038 LLC Credit-Linked Note

On July 27, 2018, RRE3 issued approximately $845,738 of its face amount 6.00% Variable Funding Surplus Notes, final maturity July 1, 2038 (the Surplus Note) in exchange for an equivalent face amount of 6.00% Variable Funding Credit-Linked Notes, final maturity July 1, 2038 (the CLN) issued by Weston2038 LLC, an "orphan" special purpose Delaware limited liability company (Weston) established by RRE3 and Hannover Life Reassurance Company of America (Bermuda), Ltd. (Hannover). The principal amount of the Surplus Note will always mirror the principal amount of the CLN; and the Surplus Note and the CLN will each accrue interest on the outstanding principal amount at 6.00% per annum, which amounts will be fully offset pursuant to a netting agreement. The CLN supports non-economic reserves required to be carried by the Company's domestic insurance subsidiaries under Regulation XXX and Guideline AXXX.

Concurrently with the issuance of the CLN, Weston entered into a risk transfer agreement with Hannover pursuant to which, in exchange for a fee, Hannover will provide liquidity to Weston for any redemption/monetization of the CLN. As of July 27, 2018, AM Best assigned a Long-Term Issue Credit Rating of "a" to the CLN. Upon request by WRAC for payment under the CLN, the CLN will be drawn down in the amount of such request and Hannover will back such request through operation of the risk transfer agreement. In connection with each draw, the outstanding principal balance of the Surplus Note and the CLN will be reduced by the amount of the draw and a 6.00% Funded Surplus Note in the same amount of the draw will be issued to Hannover.

The Surplus Note is classified as a surplus note and the CLN is a component of fixed maturity and equity securities on the balance sheets. Considering the "linked" and illiquid nature of the CLN and Surplus Note, both notes are classified as held-to-maturity and carried at amortized cost. The net interest expense paid by RRE3 is zero and the financing fee is recognized in interest expense, in the statements of comprehensive income (loss). Information regarding the two notes are as follows:

	Surplus Note	**Credit-Linked Note**
July 27, 2018 carry value	$ 845,738	$ 845,738
Paydown—December	(29,874)	(29,874)
December 31, 2018 carry value	$ 815,864	$ 815,864
Paydown—March	(32,137)	(32,137)
Paydown—June	(15,942)	(15,942)
Paydown—September	(12,329)	(12,329)
Paydown—December	(18,941)	(18,941)
December 31, 2019 carry value	$ 736,514	$ 736,514
2019 interest (paid) received	$ (46,571)	$ 46,571
2018 interest (paid) received	$ (21,813)	$ 21,813

Liquidity Facilities

WRL 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 October 2018, WRL, along with the Company, extended its existing credit facility with a $500,000 senior revolving credit facility (Wells Fargo Facility I) 2 years, with new expiry in 2023 with a syndicate of lenders. The facility includes a $100,000 letter of credit sublimit. The facility also requires WRL's combined leverage ratio not to be greater than 0.35 to 1.00 and that WRL maintain a minimum adjusted consolidated tangible net worth. Borrowings under the Wells Fargo Facility I bear interest, at the applicable borrower's option, at either a base rate or a LIBOR rate (or, in the case of borrowings denominated in Canadian Dollars, at the Canadian Dollar Offered Rate or "CDOR"), in each case, plus an applicable margin that is determined according to a sliding scale based upon the majority of the financial strength rating of WRAC, WREB, and ivari. The applicable margin for base rate loans ranges from 0.125% to 1.000%. The applicable margin for LIBOR loans/CDOR Loans ranges from 1.125% to 2.000%. Any amounts borrowed may be repaid at any time without prepayment penalty.

LOCs issued under the Wells Fargo Facility I may be collateralized by qualifying cash and securities (liquid collateral). The market value of the collateral held by the Company at December 31, 2019 and 2018 was $27,664 and $34,326, respectively. At December 31, 2019 and 2018, there were approximately $20,130 and $28,890, respectively of outstanding bank letters of credit issued by the Company under the facility and $0 borrowed under the line of credit.

In October 2019, WRL, along with the Wilton Re US Holdings, renewed its 364-day $500,000 senior revolving credit facility (Wells Fargo Facility II), which was first added in October 2017, with a syndicate of lenders. Wells Fargo Facility II has the same financial covenant restrictions and rates as Wells Fargo Facility I. At December 31, 2019 and 2018, there was $0 borrowed under the facility.

Fixed-to-Floating Rate Senior Notes

In April 2013, WRFL consummated the sale of a $300,000 144A notes offering (of which $50,000 has been purchased by WRSI and are eliminated in consolidation). The notes are unconditionally guaranteed on a senior, unsecured basis jointly and severally by WRL and the Company. 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.

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 responsibility for these collateral assets subject, in certain cases, to compliance with agreed investment guidelines. The aggregate market value of investments maintained by the Company's operating subsidiaries pursuant to these arrangements as of December 31, 2019 and 2018, was $18,569,783 and $16,902,501, 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.

In October 2012, a purported 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 commenced this action on behalf of various Lifetrend life insurance policyholders who, since October 2008, surrendered or lapsed their policies. The Company believes it has meritorious defenses to plaintiffs' claims and has pursued those defenses vigorously. Nevertheless, in order to avoid the costs and burden of continued litigation, the Company and the plaintiffs entered into a confidential memorandum of understanding on October 1, 2019 that would result in a settlement and release of the class claims. The parties are continuing to negotiate the terms of the settlement and class relief, which terms will ultimately require the court's approval to become final. The settlement will not have a material effect on the Company's financial position.

While the ultimate disposition of such litigation is uncertain, management does not expect it to have a material adverse effect on the Company's financial condition, liquidity or results of operations.

16. FAIR VALUE

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.

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, US 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.

The types of financial instruments included in Level 2 include publicly traded issues such as US 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, commercial mortgage loans, collateral loans and LLC or limited partnership interests that are not accounted for on an equity basis.

Recurring Fair Value Measurements

The assets and liabilities measured at fair value on a recurring basis and their placement in the fair value hierarchy, including those items for which the Company has elected the FVO, are summarized below at:

December 31, 2019	Fair Value		Level 1	Level 2	Level 3
Invested assets					
U.S. government and agencies	$ 2,735,147		$2,244,465	$ 490,682	$ -
State and political subdivisions	1,935,249		-	1,851,662	83,587
Foreign sovereign	55,181		-	55,181	-
Corporate securities	13,626,445		-	13,096,117	530,328
Residential mortgage-backed securities	1,708,003		-	1,707,977	26
Commercial mortgage-backed securities	1,329,721		-	1,329,721	-
Asset-backed securities	1,722,112		-	1,325,297	396,815
Collateralized debt obligations	1,446,197		-	1,279,958	166,239
Total fixed maturity	24,558,055		2,244,465	21,136,595	1,176,995
Preferred stocks	446,799		-	446,799	-
Common stocks	28,948		-	28,948	-
Total fixed maturity and equity securities	25,033,802	1	2,244,465	21,612,342	1,176,995
Commercial mortgage loans	1,403,955		-	-	1,403,955
Other invested assets	590,763	2	-	221,357	369,406
Total invested assets	27,028,520		2,244,465	21,833,699	2,950,356
Funds withheld at interest					
U.S. government and agencies	120,743		32,942	87,801	-
State and political subdivisions	62,061		-	62,061	-
Foreign Sovereign	1,464		-	1,464	-
Corporate securities	753,922		-	753,922	-
Residential mortgage-backed securities	120,914		-	120,914	-
Commercial mortgage-backed securities	59,080		-	59,080	-
Asset-backed securities	25,723		-	25,723	-
Collateralized debt obligations	43,586		-	43,586	-
Total fixed maturity	1,187,493		32,942	1,154,551	
Preferred stocks	1,654		-	1,654	-
Common stocks	1		-	-	1
Other invested assets	14,452		-	14,452	-
Funds withheld at interest: Segregated portfolio of assets—General account	1,203,600	3	32,942	1,170,657	1
Funds withheld at interest: Segregated portfolio of assets—Separate account	3,667,604		-	3,667,604	-
Total funds withheld at interest	4,871,204		32,942	4,838,261	1
Other assets					
Separate account assets	31,937		-	31,937	-
Total	$31,931,661		$2,277,407	$26,703,897	$ 2,950,357

1 Issuer obligations – non-affiliates of $736,514 are a component of Total fixed maturities not measured at fair value on a recurring basis.

2 Components of Other invested assets not measured at fair value on a recurring basis are equity method investment in affiliate of $76,721 and limited partnerships of $308,971.

3 Cash and short-term investments of $121,527 are a component of funds withheld at interest: segregated portfolio of assets – general account not measured at fair value on a recurring basis.

4 Funds withheld at interest: Non-segregated portfolio of assets of $89,494 are a component of Funds withheld at interest not measured at fair value on a recurring basis.

December 31, 2018	Fair Value		Level 1	Level 2	Level 3
Invested Assets					
U.S. government and agencies	$ 1,948,134		$1,438,640	$ 509,494	$ -
State and political subdivisions	1,764,307		-	1,724,257	40,050
Foreign sovereign	74,413		-	74,413	-
Corporate securities	12,801,289		-	12,362,948	438,341
Residential mortgage-backed securities	1,775,209		-	1,775,180	29
Commercial mortgage-backed securities	1,403,260		-	1,403,260	-
Asset-backed securities	1,777,964		-	1,384,055	393,909
Collateralized debt obligations	1,059,222		-	933,934	125,288
Total fixed maturity	22,603,798		1,438,640	20,167,541	997,617
Preferred stocks	317,610		-	317,610	-
Common stocks	28,948		-	28,948	-
Total fixed maturity and equity securities	22,950,356	1	1,438,640	20,514,099	997,617
Commercial mortgage loans	1,039,952		-	-	1,039,952
Other invested assets	366,938	2	-	116,620	250,318
Total	24,357,246		1,438,640	20,630,719	2,287,887
Funds Withheld at Interest					
U.S. government and agencies	126,221		29,631	96,590	-
State and political subdivisions	70,533		-	70,533	-
Foreign Sovereign	1,295		-	1,295	-
Corporate securities	707,515		-	707,515	-
Residential mortgage-backed securities	81,102		-	81,102	-
Commercial mortgage-backed securities	57,734		-	57,734	-
Asset backed securities	33,201		-	33,201	-
Collateralized debt obligations	16,390		-	16,390	-
Total fixed maturity	1,093,991		29,631	1,064,360	-
Preferred stocks	4,130		-	4,130	-
Other invested assets	7,274		-	7,274	-
Funds withheld at interest: Segregated portfolio of assets—general account	1,105,395	3	29,631	1,075,764	-
Funds withheld at interest: Segregated portfolio of assets—separate account	3,392,352		-	3,392,352	-
Funds withheld at interest: Non-segregated	72,320		-	72,320	-
Total funds withheld at interest	4,570,067		29,631	4,540,436	-
Other Assets					
Separate account assets	33,927		-	33,927	-
Total	$28,961,240		$1,468,271	$25,205,082	$2,287,887

1 Issuer obligations – non-affiliates of $815,864 are a component of Total fixed maturities not measured at fair value on a recurring basis.

2 Components of Other invested assets not measured at fair value on a recurring basis are equity method investment in affiliate of $42,659 and limited partnerships of $104,883.

3 Cash and short-term investments of $105,855 are a component of funds withheld at interest: segregated portfolio of assets – general account not measured at fair value on a recurring basis.

Fixed Maturity and Equity Securities

Publicly traded fixed maturity securities included in fixed maturity and equity securities and funds withheld at interest are valued based on quoted market prices or broker prices. Private placement securities included in fixed maturity and equity securities 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. In some cases, discounted cash flow analysis may be used.

US Government and Agency Securities, States and Political Subdivisions, Corporate Securities and Foreign Securities

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

The fair value of Level 2 bonds and securities in this category 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.

Level 3 bonds and securities in this category 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 US 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, Asset-Backed Securities and Collateralized Debt Obligations

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.

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.

Preferred and Common Stock

The fair values of preferred and common stocks are primarily based upon quoted market prices in active markets and are classified within Level 1 in the fair value hierarchy. The fair values of preferred and common stocks, for which quoted market prices are not readily available, are based on prices obtained from independent pricing services and are generally classified within Level 2 in the fair value hierarchy.

Commercial Mortgage Loans

The Company elects the FVO for CMLs. The loans are valued using a net present value calculation of future cash flows. The calculation uses a credit spread plus a liquidity spread and is added to an interpolated Treasury yield to determine the discount rate. Credit and liquidity spreads are derived from industry spread curve data provided by third parties that are considered market-makers in commercial mortgage loans.

The CMLs are considered Level 3 in the fair value hierarchy due to the limited transaction activity and unobservable inputs.

Funds Withheld

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.

Separate Account Assets

The majority of these assets are Corporate and Mortgage-backed securities included in Level 2 of the Fair Value Hierarchy.

Changes of Level 3 assets and liabilities measured at fair value on a recurring basis

The Company obtains our Level 3 fair value measurements from independent, third-party pricing sources. The Company does 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 the Company does not adjust broker quotes when used as the fair value measurement for an asset or liability. In addition, some prices are determined based on discounted cash flow models.

For all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3), the following table presents select activity for the years ended December 31, 2019 and 2018:

	2019			2018		
Invested Assets	**Purchases**	**Transfer into**	**Transfer out of**	**Purchases**	**Transfer into**	**Transfer out of**
State and political subdivisions	$ 44,000	$ -	$ -	$ -	$ -	$ -
Corporate securities	97,227	8,571	(9,006)	306,483	11,485	(63,729)
Residential mortgage-backed securities	-	1	-	334	-	(50,848)
Asset-backed securities	67,087	-	(48,709)	228,557	-	(2,733)
Collateralized debt obligations	42,000	-	-	-	-	-
Commercial mortgage loans	439,926	-	-	24,968	-	-
Other invested assets	130,590	-	-	1,945	-	-
Total invested assets	$820,830	$ 8,572	$ (57,715)	$562,287	$11,485	$(117,310)

17. SUBSEQUENT EVENTS

The Company has evaluated the impact of subsequent events through March 27, 2020, representing the date at which the consolidated financial statements were available to be issued.

Dividends

Effective January 6, 2020, Wilton Re US Holdings declared a dividend of $175,000 payable to its parent, WRL. On January 17, 2020, Wilton Re US Holdings paid $166,250 in cash to WRL. The payment represents a dividend of $175,000 but Wilton Re US Holdings made a 5% US Federal tax withholding payment of $8,750 on behalf of its shareholders, and, as such, these funds were withheld from the payment.

Liquidity Facilities

On March 17, 2020, the Company chose to draw $500,000 from its Wells Fargo Facility II. The Company has elected a 6 month LIBOR interest period plus the applicable margin of 1.25%. The Company plans to hold the funds in high quality short term investments.

COVID-19

As a result of the spread of COVID-19 globally, the World Health Organization declared a global emergency on January 30, 2020. The COVID-19 pandemic could have a material adverse effect on global, national and local economies, as well as the Company. The extent to which COVID-19 impacts the Company's results will depend on future developments.

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Deloitte.

Deloitte & Touche LLP
30 Rockefeller Plaza
New York, New York 10112-0015
USA

Tel: + 1 212 492 4000
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Wilton Re U.S. Holdings, Inc. and subsidiaries:

We have audited the internal control over financial reporting of Wilton Re U.S. Holdings, Inc. and its subsidiaries (the "Company") as of December 31, 2019, based on the criteria established in the Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management's Responsibility for Internal Control over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Wilton Re U.S. Holdings, Inc. and Subsidiaries' Internal Control over Financial Reporting.

Auditors' Responsibility

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 of America. 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.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

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

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity'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 entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment 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.

Opinion

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the criteria established in the *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Report on Financial Statements

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Company as of December 31, 2019 and the related consolidated statements of comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and our report dated March 27, 2020 expressed an unmodified opinion on those financial statements

Deloitte & Touche LLP

March 27, 2020

REPORT OF MANAGEMENT ON WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES' INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Wilton Re U.S. Holdings, Inc. 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.

Management assessed the effectiveness of the Company's internal controls over financial reporting as of December 31, 2019, 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 controls over financial reporting are effective as of December 31, 2019, in providing reasonable assurance regarding the reliability of financial reporting in accordance with generally accepted accounting principles.

Deloitte & Touche LLP, our independent auditors, has issued an audit report on the effectiveness of the Company's internal controls over financial reporting.

Michael E. Fleitz
President and Chief Executive Officer
Wilton Re U.S. Holdings, Inc.

Steven D. Lash
Senior Vice President and Chief Financial Officer
Wilton Re U.S. Holdings, Inc.

March 27, 2020

SUPPLEMENTARY INFORMATION

Deloitte.

Deloitte & Touche LLP
30 Rockefeller Plaza
New York, New York 10112-0015
USA

Tel: + 1 212 492 4000
www.deloitte.com

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
Wilton Re U.S. Holdings, Inc. and subsidiaries:

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating balance sheets as of December 31, 2019 and 2018 and the supplementary consolidating statement of comprehensive income (loss) for the years then ended are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. This supplementary information is the responsibility of the Company's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion such information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Deloitte & Touche LLP

March 27, 2020

WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2019
(Amounts in thousands of US dollars)

	WRUS	WRSI WRFL	WRAC	WRNY	TLIC	WLCO	WCAC	RRE3	Eliminations	WRUS Consolidated
Assets										
Fixed maturity and equity securities (includes $24,558,055 at fair value)	$ 8,461	$ 50,000	$16,719,802	$ 823,484	$1,175,407	$2,457,417	$2,845,541	$1,740,204	$ (50,000)	$25,770,316
Commercial mortgage loans at fair value	-	-	1,010,332	13,156	79,134	129,301	172,032	-	-	1,403,955
Policy loans	-	-	87,456	12,488	47,046	108,530	32,560	53,800	-	341,880
Funds withheld at interest (includes $4,871,204 at fair value)	-	-	5,080,136	-	-	-	2,089	-	-	5,082,225
Short term investments	-	-	-	-	-	-	1,661	-	-	1,661
Other invested assets (includes $590,763 at fair value)	376,721	-	566,983	49,199	77,458	123,831	82,263	-	(300,000)	976,455
Total investments	385,182	50,000	23,464,709	898,327	1,379,045	2,819,079	3,136,146	1,794,004	(350,000)	33,576,492
Cash and cash equivalents	9,819	16,978	275,693	13,790	31,328	59,405	58,154	4,943	-	470,110
Accrued investment income	40	-	142,909	5,964	8,663	25,504	26,625	11,564	-	221,269
Premiums receivable	-	-	66,217	1,355	936	2,166	3,092	19,638	(19,116)	74,288
Reinsurance recoverable	-	-	18,119,838	351,607	11,261	308,887	1,839,629	-	(1,329,977)	19,301,245
Other reinsurance receivables	-	-	26,882	80	21	735	60,816	-	(5,919)	82,615
Net deferred acquisition costs	-	-	35,588	-	379,025	(38)		-	-	414,575
Value of in-force business acquired	-	-	111,792	27,556	15,259	-		131,003	-	285,610
Net deferred income taxes	-	2,600	155,369	-	30,488	150,671	70,429	-	(156,977)	252,580
Other assets	1,166,784	313,488	420,609	713	1,335	1,566	438	26,379	(1,750,983)	180,329
Separate account assets	-	-		685	-	-	31,252	-	-	31,937
Total assets	$ 1,561,825	$383,066	$42,819,606	$1,300,077	$1,857,361	$3,367,975	$5,226,581	$1,987,531	$(3,612,972)	$54,891,050
Liabilities and Shareholder's Equity										
Reserves for future policy benefits	$ -	$ -	$12,634,440	$ 96,815	$ 266,038	$ 559,696	$2,707,841	$ 349,096	$ (347,147)	$16,266,779
Interest sensitive contract liabilities	-	-	11,368,072	920,885	1,359,737	2,370,620	414,276	701,109	(982,830)	16,151,869
Other reinsurance liabilities	-	-	111,245	1,455	12,600	10,168	7,648	6,003	(25,034)	124,085
Funds held under reinsurance treaties	-	-	17,179,763	10,248	-	142,226	1,858,201	-	-	19,190,438
Net deferred tax liabilities	6,755	-	-	17,644	-	-	-	132,577	(156,976)	
Long-term debt	250,000	350,000	-	-	-	-	-	-	(350,000)	250,000
Surplus notes	-	-	-	-	-	-	-	736,514	-	736,514
Subordinated affiliate debt	-	-	300,000	-	-	-	-	-	(300,000)	
Other liabilities	(173,276)	37,104	643,794	17,879	16,261	80,593	94,305	13,482	(69,060)	661,082
Separate account liabilities	-	-	-	685	-	-	31,252	-	-	31,937
Total liabilities	83,479	387,104	42,237,314	1,065,611	1,654,636	3,163,303	5,113,523	1,938,781	(2,231,047)	53,412,704
Shareholder's equity:										
Class A common shares	-	-	1,000	2,503	1,854	4,178	4,365	-	(13,900)	-
Class B common shares	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	134,807	29,825	-	91,451	-	67,164	51,087	(2,483)	(237,044)	134,807
Retained earnings and accumulated other comprehensive income	1,343,539	(33,863)	581,292	140,512	200,871	133,330	57,606	51,233	(1,130,981)	1,343,539
Total shareholder's equity	1,478,346	(4,038)	582,292	234,466	202,725	204,672	113,058	48,750	(1,381,925)	1,478,346
Total liabilities and shareholder's equity	$ 1,561,825	$383,066	$42,819,606	$1,300,077	$1,857,361	$3,367,975	$5,226,581	$1,987,531	$(3,612,972)	$54,891,050

WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2018
(Amounts in thousands of US dollars)

	WRUS	WRSI WRFL	WRAC	WRNY	TLIC	WLCO	WCAC	RRE3	Eliminations	WRUS Consolidated
Assets										
Fixed maturity and equity securities (includes $22,950,356 at fair value)	$ 10,075	$ 50,000	$15,305,280	$ 799,266	$1,092,722	$2,541,457	$2,260,857	$1,756,563	$ (50,000)	$23,766,220
Commercial mortgage loans at fair value	-	-	1,001,362	-	-	26,804	11,786	-	-	1,039,952
Policy loans	-	-	92,906	13,020	45,282	122,076	-	51,618	-	324,902
Funds withheld at interest (includes $4,570,067 at fair value)	-	-	4,673,833	-	-	-	2,089	-	-	4,675,922
Short term investments	-	-	-	3,970	-	-	-	-	-	3,970
Other invested assets (includes $366,938 at fair value)	342,659	-	331,479	20,770	30,633	54,002	34,938	-	(300,000)	514,481
Total investments	352,734	50,000	21,404,860	837,026	1,168,637	2,744,339	2,309,670	1,808,181	(350,000)	30,325,447
Cash and cash equivalents	5,680	15,417	284,899	32,513	54,000	85,250	109,833	9,837	-	597,429
Accrued investment income	45	-	148,680	5,872	8,900	26,036	22,801	12,160	-	224,494
Premiums receivable	-	-	67,877	1,481	1,409	2,347	(1)	18,624	(18,106)	73,631
Reinsurance recoverable	-	-	18,061,355	351,467	8,650	315,437	2,473,397	-	(1,342,721)	19,867,585
Net deferred acquisition costs	-	-	42,165	-	319,492	(49)	-	-	-	361,608
Value of in-force business acquired	-	-	132,780	29,670	16,106	-	-	152,682	-	331,238
Net deferred income taxes	2,262	1,473	248,389	-	29,529	181,944	39,040	-	(127,530)	375,107
Other assets	570,010	314,927	729,857	1,550	4,325	3,191	412	(30,323)	(1,147,807)	446,142
Separate account assets	-	-	-	615	-	-	33,312	-	-	33,927
Total assets	$930,731	$381,817	$41,120,862	$1,260,194	$1,611,048	$3,358,495	$4,988,464	$1,971,161	$(2,986,164)	$52,636,608
Liabilities and shareholder's equity										
Reserves for future policy benefits	$ -	$ -	$13,048,389	$ 102,750	$ 252,376	$ 567,370	$2,864,845	$ 366,921	$ (359,679)	$16,842,972
Interest sensitive contract liabilities	-	-	11,121,174	926,401	1,185,317	2,460,623	248,144	705,635	(984,156)	15,663,138
Other reinsurance liabilities	-	-	94,321	1,725	12,057	11,396	58,751	(999)	(16,992)	160,259
Funds held under reinsurance treaties	-	-	15,690,673	10,362	-	142,214	1,682,232	-	-	17,525,481
Net deferred tax liabilities	-	-	-	10,043	-	-	-	117,487	(127,530)	-
Long-term debt	250,000	350,000	-	-	-	-	-	-	(350,000)	250,000
Surplus notes	-	-	-	-	-	-	-	815,864	-	815,864
Subordinated affiliate debt	-	-	300,000	-	-	-	-	-	(300,000)	-
Other liabilities	1,023	31,472	523,742	10,868	15,368	78,549	27,181	1,359	(24,302)	665,260
Separate account liabilities	-	-	-	615	-	-	33,312	-	-	33,927
Total liabilities	251,023	381,472	40,778,299	1,062,764	1,465,118	3,260,152	4,914,465	2,006,267	(2,162,659)	51,956,901
Shareholder's equity:										
Class A common shares	-	-	1,000	2,503	1,854	4,178	4,366	-	(13,901)	-
Class B common shares	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	134,807	26,929	-	101,456	-	92,164	51,087	-	(271,636)	134,807
Retained earnings and accumulated other comprehensive income	544,901	(26,584)	341,563	93,471	144,076	2,001	18,546	(35,106)	(537,968)	544,900
Total shareholder's equity	679,708	345	342,563	197,430	145,930	98,343	73,999	(35,106)	(823,505)	679,707
Total liabilities and shareholder's equity	$930,731	$381,817	$41,120,862	$1,260,194	$1,611,048	$3,358,495	$4,988,464	$1,971,161	$(2,986,164)	$52,636,608

WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in thousands of US dollars)

	WRUS	WRSI WRFL	WRAC	WRNY	TLIC	WLCO	WCAC	RRE3	Eliminations	WRUS Consolidated
REVENUES:										
Net premiums	$ -	$ -	$ 266,434	$ 2,622	$ 32,867	$ (26,381)	$ 7,472	$ 58,894	$ -	$ 341,908
Policy fees and charges	-	-	98,644	8,746	134,367	172,635	3,039	31,948	-	449,379
Inuring third-party reinsurance commissions	-	-	18,238	340	-	-	-	7,398	-	25,976
Investment earnings—net	20,958	20,706	333,296	47,568	72,496	132,012	25,117	40,941	(20,563)	672,531
Net change in unrealized gains (losses) on investments classified as trading and other	149	-	1,731,741	45,910	65,526	176,118	161,376	91,117	-	2,271,937
Change in value of derivatives and embedded derivatives—net	-	-	(1,264,054)	-	-	(4,681)	(127,830)	26,109	-	(1,370,456)
Total revenues	21,107	20,706	1,184,299	105,186	305,256	449,703	69,174	256,407	(20,563)	2,391,275
BENEFITS AND EXPENSES:										
Claims and policy benefits—net of reinsurance ceded	-	-	408,647	8,261	185,349	187,778	11,285	90,119	-	891,439
Interest credited to interest sensitive contract liabilities	-	-	58,298	24,989	26,131	66,481	2,686	22,355	-	200,940
Acquisition costs and other insurance expenses	-	-	32,058	1,865	(2,718)	2,065	(2,834)	26,664	(12)	57,088
Operating expenses	1,723	7,198	165,046	10,921	25,046	28,264	9,469	5,994	12	253,673
Interest expense	14,688	20,965	-	-	-	-	-	2,329	(20,563)	17,419
Total benefits and expenses	16,411	28,163	664,049	46,036	233,808	284,588	20,606	147,461	(20,563)	1,420,559
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) BEFORE INCOME TAXES, NET EARNINGS OF EQUITY METHOD INVESTEE AND EQUITY IN NET INCOME (LOSS) OF SUBSIDIARIES	4,696	(7,457)	520,250	59,150	71,448	165,115	48,568	108,946	-	970,716
INCOME TAX EXPENSE (BENEFIT)	8,133	(179)	105,522	12,110	14,654	33,784	9,508	22,607	-	206,139
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) BEFORE NET EARNINGS OF EQUITY METHOD INVESTEE AND EQUITY IN NET INCOME (LOSS) OF SUBSIDIARIES	(3,437)	(7,278)	414,728	47,040	56,794	131,331	39,060	86,339	-	764,577
SHARE OF NET EARNINGS OF EQUITY METHOD INVESTEE	34,062	-	-	-	-	-	-	-	-	34,062
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) BEFORE EQUITY IN NET INCOME (LOSS) OF SUBSIDIARIES	30,625	(7,278)	414,728	47,040	56,794	131,331	39,060	86,339	-	798,639
EQUITY IN NET INCOME (LOSS) OF SUBSIDIARIES	768,014	-	-	-	-	-	-	-	(768,014)	-
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	$ 798,639	$ (7,278)	$ 414,728	$ 47,040	$ 56,794	$ 131,331	$ 39,060	$ 86,339	$ (768,014)	$ 798,639

WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in thousands of US dollars)

	WRUS	WRSI WRFL	WRAC	WRNY	TLIC	WLCO	WCAC	RRE3 RRE2	Eliminations	WRUS Consolidated
REVENUES:										
Net premiums	$ -	$ -	$ 185,614	$ 3,346	$ 33,323	$ (27,172)	$ (496)	$ 74,306	$ -	$ 268,921
Policy fees and charges	-	-	104,377	9,036	115,819	186,335	-	42,654	-	458,221
Inuring third-party reinsurance commissions	-	-	16,920	553	-	-	-	16,768	-	34,241
Investment earnings—net	20,338	20,639	185,036	41,203	57,056	108,768	22,184	40,647	(78,378)	417,493
Net change in unrealized gains (losses) on investments classified as trading and other	79	-	(877,968)	(41,266)	(61,763)	(115,724)	(114,098)	(71,529)	-	(1,282,269)
Change in value of derivatives and embedded derivatives—net	-	-	701,341	-	-	2,541	88,199	(17,015)	-	775,066
Total revenues	20,417	20,639	315,320	12,872	144,435	154,748	(4,211)	85,831	(78,378)	671,673
BENEFITS AND EXPENSES:										
Claims and policy benefits—net of reinsurance ceded	-	-	211,171	10,197	77,609	98,999	25,460	85,747	-	509,183
Interest credited to interest sensitive contract liabilities	-	-	61,632	25,527	26,492	72,659	(1,381)	43,161	-	228,090
Acquisition costs and other insurance expenses	-	-	(95,703)	(1,676)	(14,531)	(6)	(2,570)	79,423	(18)	(35,081)
Operating expenses	1,578	5,333	134,453	7,485	26,751	22,401	7,224	7,625	18	212,868
Interest expense	14,688	20,964	-	-	-	-	-	1,069	(20,563)	16,158
Total benefits and expenses	16,266	26,297	311,553	41,533	116,321	194,053	28,733	217,025	(20,563)	931,218
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) BEFORE INCOME TAXES, NET EARNINGS OF EQUITY METHOD INVESTEE AND EQUITY IN NET INCOME (LOSS) OF SUBSIDIARIES	4,151	(5,658)	3,767	(28,661)	28,114	(39,305)	(32,944)	(131,194)	(57,815)	(259,545)
INCOME TAX EXPENSE (BENEFIT)	2,656	403	(62,518)	(6,170)	5,804	(8,206)	(6,956)	(31,193)	-	(106,180)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) BEFORE NET EARNINGS OF EQUITY METHOD INVESTEE AND EQUITY IN NET INCOME (LOSS) OF SUBSIDIARIES	1,495	(6,061)	66,285	(22,491)	22,310	(31,099)	(25,988)	(100,001)	(57,815)	(153,365)
SHARE OF NET EARNINGS OF EQUITY METHOD INVESTEE	8,759	-	-	-	-	-	-	-	-	8,759
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) BEFORE EQUITY IN NET INCOME (LOSS) OF SUBSIDIARIES	10,254	(6,061)	66,285	(22,491)	22,310	(31,099)	(25,988)	(100,001)	(57,815)	(144,606)
EQUITY IN NET INCOME (LOSS) OF SUBSIDIARIES	(97,045)	-	-	-	-	-	-	-	97,045	-
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	$(86,791)	$ (6,061)	$ 66,285	$(22,491)	$ 22,310	$ (31,099)	$ (25,988)	$(100,001)	$ 39,230	$ (144,606)