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

Consolidated Financial Statements and Supplementary Information as of and for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report

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

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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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 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 30, 2021 expressed an unmodified opinion on the Company's internal control over financial reporting.

Deloitte & Touche LLP

March 30, 2021

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

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2020 AND 2019
(Amounts in thousands of US Dollars, except share amounts)

	2020	2019
Assets		
Investments		
Fixed maturity and equity securities	$ 26,969,178	$ 25,770,316
(includes $26,288,355 and $25,033,802 at fair value at December 31, 2020 and 2019, respectively)		
Commercial mortgage loans at fair value	1,361,056	1,403,955
Policy loans	332,011	341,880
Funds withheld at interest	5,225,711	5,082,225
(includes $5,075,672 and $4,871,204 at fair value at December 31, 2020 and 2019, respectively)		
Other invested assets	1,639,073	976,455
(includes $1,005,804 and $590,763 at fair value at December 31, 2020 and 2019, respectively)		
Short term investments	876	1,661
Total investments	35,527,905	33,576,492
Cash and cash equivalents	543,099	470,110
Accrued investment income	215,896	221,269
Premiums receivable	79,929	74,288
Reinsurance recoverable	21,628,359	19,301,245
Other reinsurance receivables	70,489	82,615
Net deferred acquisition costs	446,325	414,575
Value of in-force business acquired	240,159	285,610
Net deferred income taxes	73,201	252,580
Other assets	313,330	180,329
Separate account assets	29,404	31,937
Total assets	$ 59,168,096	$ 54,891,050

(Continued)

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

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2020 AND 2019
(Amounts in thousands of US Dollars, except share amounts)

	2020	2019
Liabilities and shareholder's equity		
Liabilities:		
Reserves for future policy benefits	$ 16,212,081	$ 16,266,779
Interest sensitive contract liabilities	16,714,275	16,151,869
Other reinsurance liabilities	263,106	124,085
Funds held under reinsurance treaties	22,619,024	19,190,438
Long-term debt	250,000	250,000
Other debt	680,823	736,514
Other liabilities	634,384	661,082
Separate account liabilities	29,404	31,937
Total liabilities	57,403,097	53,412,704
Shareholder's equity:		
Class A common shares—$0.01 par value; 500 shares authorized, issued and outstanding at December 31, 2020 and 2019	-	-
Class B common shares—$0.01 par value 500 shares authorized, issued and outstanding at December 31, 2020 and 2019	-	-
Additional paid-in capital	134,807	134,807
Retained earnings and accumulated other comprehensive income	1,630,192	1,343,539
Total shareholder’s equity	1,764,999	1,478,346
Total liabilities and shareholder's equity	$ 59,168,096	$ 54,891,050

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Amounts in thousands of US Dollars)

	2020	2019
Revenues		
Net premiums	$ 320,063	$ 341,908
Policy fees and charges	497,365	449,379
Inuring third-party reinsurance commissions	24,068	25,976
Investment earnings—net	660,949	672,531
Net change in unrealized gains (losses) on investments classified as trading and other	1,763,216	2,271,937
Change in value of derivatives and embedded derivatives—net	(1,298,051)	(1,370,456)
Total revenues	1,967,610	2,391,275
Benefits and expenses		
Claims and policy benefits—net of reinsurance ceded	906,833	891,439
Interest credited to interest sensitive contract liabilities	231,516	200,940
Acquisition costs and other insurance expenses	69,467	57,088
Operating expenses	248,209	253,673
Interest expense	17,264	17,419
Total benefits and expenses	1,473,289	1,420,559
Net income (loss) and comprehensive income (loss) before income taxes and net earnings of equity method investee	494,321	970,716
Income tax expense (benefit)	51,963	206,139
Net income (loss) and comprehensive income (loss) before net earnings of equity method investee	442,358	764,577
Share of net earnings of equity method investee	19,295	34,062
Net income (loss) and comprehensive income (loss)	$ 461,653	$ 798,639

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, 2020 AND 2019
(Amounts in thousands of US Dollars)

	2020	2019
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 at beginning of year	1,343,539	544,900
Dividends to shareholders	(175,000)	-
Net income (loss) and comprehensive income (loss)	461,653	798,639
Balance at end of year	1,630,192	1,343,539
Total shareholder's equity	$ 1,764,999	$ 1,478,346

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, 2020 AND 2019
(Amounts in thousands of US Dollars)

	2020	2019
Cash flows from operating activities		
Net income (loss) and comprehensive income (loss)	$ 461,653	$ 798,639
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	15,321	16,646
Investment related realized (gains) losses—net	(159,821)	(93,711)
Investment related unrealized (gains) losses—net	(1,765,054)	(2,274,389)
Earnings of equity method investee	(44,969)	(46,609)
Mark-to-market on embedded derivative	1,297,652	1,393,676
Amortization and other adjustments to deferred acquisition costs	2,721	15,918
Amortization and other adjustments to value of business acquired	25,455	34,943
Interest credited to interest sensitive contracts	446,297	419,783
Other reserve changes of interest sensitive contract liabilities	(133,370)	(60,395)
Cash and cash equivalents from closed block reinsurance	610,527	(9,662)
Cash and cash equivalents from reinsurance ceded to affiliates	(50,000)	-
Change in assets and liabilities:		
Fixed maturity and equity securities	368,285	897,159
Accrued investment income	5,429	7,038
Deferred income taxes	114,203	157,593
Premiums receivable	(3,602)	(20)
Reinsurance recoverable	(140,745)	(27,119)
Other reinsurance receivables	12,126	(82,615)
Funds withheld at interest	(76,549)	(317,013)
Deferred acquisition costs	(34,471)	(68,885)
Value of in-force business acquired	19,996	10,686
Other assets	(133,001)	265,814
Reserves for future policy benefits	(263,842)	(483,533)
Funds held under reinsurance treaties	(25,457)	181,991
Other reinsurance liabilities	90,444	(44,123)
Other liabilities	(8,406)	(59,313)
Net cash flows from (used in) operating activities	630,822	632,499

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Amounts in thousands of US Dollars)

	2020	2019
Cash flows from investing activities		
Sales, maturities and repayments of:		
Commercial mortgage loans	$ 111,795	$ 118,126
Limited partnership interests	80,630	46,973
Equity method investment in affiliate	22,156	-
Other invested assets	46,512	9,407
Purchases of:		
Commercial mortgage loans	(44,500)	(449,799)
Limited partnership interests	(305,394)	(238,514)
Other invested assets	(152,053)	(213,205)
Change in policy loans	12,057	16,830
Change in short-term investments	792	3,963
Net cash flows from (used in) investing activities	(228,005)	(706,219)
Cash flows from financing activities		
Dividend to shareholder	(175,000)	-
Deposits into interest sensitive contracts	121,711	526,553
Redemption and benefit payments on interest sensitive contracts	(276,539)	(580,152)
Net cash flows from (used in) financing activities	(329,828)	(53,599)
Increase (decrease) in cash and cash equivalents	72,989	(127,319)
Cash and cash equivalents—Beginning of the year	470,110	597,429
Cash and cash equivalents—End of the year	$ 543,099	$ 470,110
Supplemental disclosure of cash flow information:		
Cash received (paid) during the period for—income taxes	$ 22,825	$ (37,689)

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. (WRL), a Nova Scotia company. WRL is the ultimate parent in the holding company structure. In addition to WRAC, subsidiaries of the Company include the following:

- Wilton Re Finance LLC (WRFL), a wholly owned subsidiary of Wilton Re US Holdings.
- Wilton Re Services, Inc. (Wilton Re Services or WRSI), a wholly owned subsidiary of Wilton Re US Holdings, incorporated in Delaware.
- Wilton Reassurance Life Company of New York (WRNY), a wholly owned New York domiciled life insurance subsidiary of WRAC.
- Texas Life Insurance Company (TLIC), a wholly owned Texas domiciled life insurance subsidiary of WRAC.
- Wilcac Life Insurance Company (WCAC), a wholly owned Illinois life insurance subsidiary of WRAC. Effective December 31, 2020, Wilco Life Insurance Company (WLCO), previously a wholly owned Indiana life insurance subsidiary of WRAC, was merged with and into WCAC.
- Redding Reassurance Company 3 LLC (RRE3), a wholly owned Missouri special purpose financial captive insurance subsidiary of WRAC.

In April 2018, the Company acquired a 4.1% interest in, 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. All significant intercompany balances 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, 2020 and 2019, the fair value of these embedded derivatives, and the changes in fair value for the years then ended, included:

	2020		2019	
	Fair Value	Change in Fair Value	Fair Value	Change in Fair Value
Funds withheld at interest	$ 158,688	$ 66,937	$ 91,751	$ 89,290
Funds held under reinsurance treaties	(2,521,370)	(1,364,589)	(1,156,781)	(1,482,966)
		$ (1,297,653)		$ (1,393,676)

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, 2020 and 2019, the fair value of these derivatives, and the changes in fair value for the years then ended, included:

	2020		2019	
	Fair Value	Change in Fair Value	Fair Value	Change in Fair Value
Funds withheld at interest	$ 21,590	$ (2,004)	$ 24,950	$ 20,812
Other invested assets	4,533	1,605	2,261	2,408
		$ (399)		$ 23,220

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.

Collateral Loans

Collateral loans are first lien, unconditional obligations for the payment of money and are secured by the pledge of assets. The loans 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, 2020 and 2019, the carrying value of the investment included within other invested assets on the consolidated balance sheet was $73,859 and $76,721, 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, 2020 or 2019.

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, 2020 or 2019.

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, 2020 and 2019, other reinsurance receivables includes reinsurance settlements due of $67,568 and $79,743 and other reinsurance liabilities includes payables of $219,220 and $72,708, respectively. Of those amounts, $47,550 and $60,855 are due from affiliates and $152,378 and $11,703 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. DAC was fully recoverable during 2020 or 2019. 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.

The Company assesses all significant tax positions to determine if a liability for an uncertain tax position is necessary and, if so, the impact on the current or deferred income tax balances. Also, if indicated, the Company recognizes interest or penalties related to income taxes as a component of the income tax provision.

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 or 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. Additionally, the Company performs a premium deficiency test of non-interest sensitive contract reserves to reflect the effect of unrealized gains or losses on fixed maturity securities, with related changes recognized within reserves for future policy benefits in the accompanying the consolidated statements of comprehensive income (loss). If a future loss is anticipated then an adjustment is made at the applicable balance sheet date, as if the securities had been sold at their stated aggregate fair value and the proceeds backing the liabilities reinvested at current yields. Further unrealized appreciation on investments in a low interest rate environment may cause additional future policy benefit liabilities to be recorded through a charge directly to net income. As of December 31, 2020 and 2019, the Company has recorded the following related to premium deficiency reserves:

	2020	2019
Reserves for future policy benefits	$ 345,100	$ -
Reinsurance recoverable—affiliate	345,100	-
Net premium deficiency reserve	$ -	$ -

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

	2020	2019
Traditional life insurance	4.39 %	4.47 %
Payout annuities with life contingencies	2.24	2.20
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, 2020, the fair value of these derivatives were $19,311, a decrease of $589 from December 31, 2019. At December 31, 2019, the fair value of these derivatives were $19,900, an increase of $19,799 from December 31, 2018.

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, 2020 and 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 2020 and 2019, 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 reviews 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 4.42% and 4.22% during 2020 and 2019, 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, 2020

There were no ASUs adopted during the year ended December 31, 2020.

ASUs Issued But Not Adopted as of December 31, 2020

ASU 2016-13 - Financial Instruments - Credit Losses (Topic 326)—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.

ASU 2018-12 - Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts—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.

In November 2020, the FASB granted a one-year date delay for the adoption of ASU 2018-12. The Company plans to adopt 2018-12 on its new effective date of January 1, 2025. 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 the consolidated financial statements and required disclosures, as well as systems, processes and controls.

ASU 2018-17 - Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities—In October 2018, the FASB amended guidance for Variable Interest Entities (VIE) which determines whether a reporting entity is required to consolidate a legal entity. The guidance is effective for fiscal years beginning after December 15, 2020. The Company is currently evaluating the impact of this amendment on its consolidated financial statements.

ASU 2019-01 - Leases (Topic 842): Codification Improvements—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. In June 2020, the FASB granted a one-year date delay for the adoption of 2019-01, which is now effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements.

ASU 2019-12 - Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes—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.

ASU 2020-01 - Investments - Equity Securities (Topic 321), Investments - Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) - Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force)—In January 2020, the FASB issued an accounting standard update which clarifies that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under Topic 323, Investments—Equity Method and Joint Ventures, for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The guidance is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements.

3. CLOSED BLOCK REINSURANCE

2020 Transactions

1. Effective July 1, 2020, WRAC completed an assumption reinsurance transaction whereby it reinsured a closed block of company owned life insurance.
2. Effective December 31, 2020, WRAC reinsured a closed block of XXX term policies on a coinsurance basis. Concurrently, WRAC retroceded the block to WREB, with the retrocession on a 100% coinsurance funds withheld basis.

The initial balance sheet effect of these transactions was as follows:

Assets	Assumed	Ceded	Net
Policy loans	$ 2,188	$ -	$ 2,188
Total investments	2,188	-	2,188
Cash and cash equivalents	606,327	4,200	610,527
Accrued investment income	56	-	56
Premiums receivable	2,039	-	2,039
Reinsurance recoverable	-	197,081	197,081
Net deferred tax assets	(42,633)	57,103	14,470
Total assets	$ 567,977	$ 258,384	$ 826,361
Liabilities			
Reserves for future policy benefits	$ 213,881	$ -	$ 213,881
Interest sensitive contract liabilities	404,306	-	404,306
Other reinsurance liabilities	(7,849)	1,993	(5,856)
Funds held under reinsurance treaties	-	199,288	199,288
Other Liabilities	(42,361)	57,103	14,742
Total liabilities	$ 567,977	$ 258,384	$ 826,361

2019 Transaction

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

During 2020, and pursuant to the contract, the initial transaction was finalized, resulting in no changes to the initial balance sheet that would require an exchange of cash between WCAC and Swiss Re Life & Health America, Inc.

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 for the years ended December 31, 2020 and 2019. The net cash received of $610,527 for the years-ended December 31, 2020, and net cash paid of $9,662 for the year ended December 31, 2019, 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, 2020 and 2019 are as follows:

	2020			
	Amortized Cost	**Unrealized Gain**	**Unrealized Loss**	**Fair Value**
U.S. government and agencies	$ 2,238,104	$ 662,298	$ (1,277)	$ 2,899,125
State and political subdivisions	1,624,380	289,576	(202)	1,913,754
Foreign sovereign	39,680	7,705	(23)	47,362
Corporate securities	12,780,579	2,468,796	(23,219)	15,226,156
Residential mortgage-backed securities	1,126,782	109,002	(2,924)	1,232,860
Commercial mortgage-backed securities	1,106,255	103,543	(14,501)	1,195,297
Asset-backed securities	1,619,204	82,741	(37,595)	1,664,350
Collateralized debt obligations	1,591,673	15,042	(56,918)	1,549,797
Issuer obligations—non-affiliates	680,823	-	-	680,823
Total fixed maturities	22,807,480	3,738,703	(136,659)	26,409,524
Preferred stock	497,856	33,949	(2,958)	528,847
Common stock	30,807	-	-	30,807
Total fixed maturity and equity securities	$ 23,336,143	$ 3,772,652	$ (139,617)	$ 26,969,178

	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

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, 2020 and 2019, are as follows:

	2020					
	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	$ 32,212	$ (1,277)	$ -	$ -	$ 32,212	$ (1,277)
State and political subdivisions	26,201	(202)	-	-	26,201	(202)
Foreign sovereign	1,330	(23)	-	-	1,330	(23)
Corporate securities	236,613	(16,099)	55,163	(7,120)	291,776	(23,219)
Residential mortgage-backed securities	39,074	(350)	24,579	(2,574)	63,653	(2,924)
Commercial mortgage-backed securities	203,754	(12,596)	7,329	(1,905)	211,083	(14,501)
Asset-backed securities	435,016	(33,575)	15,750	(4,020)	450,766	(37,595)
Collateralized debt obligations	448,248	(13,918)	554,938	(43,000)	1,003,186	(56,918)
Total fixed maturities	1,422,448	(78,040)	657,759	(58,619)	2,080,207	(136,659)
Preferred stock	41,549	(1,102)	17,615	(1,856)	59,164	(2,958)
Common stock	-	-	-	-	-	-
Total fixed maturity and equity securities	$ 1,463,997	$ (79,142)	$ 675,374	$ (60,475)	$ 2,139,371	$ (139,617)

	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)

At December 31, 2020, 177 fixed maturity securities with a total unrealized loss of $58,619 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, seven securities had fair values below 70% of book value with a total unrealized loss of $1,894.

At December 31, 2019, 240 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.

Contractual maturities of the Company's fixed maturity securities as of December 31, 2020, 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.

	2020	
	Amortized Cost	Fair Value
One year or less	$ 87,906	$ 88,872
One through five years	921,668	995,105
After five through ten years	1,651,702	1,897,674
After ten through twenty years	6,649,191	7,863,847
After twenty years	8,053,099	9,921,722
Residential mortgage-backed securities	1,126,782	1,232,860
Commercial mortgage-backed securities	1,106,255	1,195,297
Asset-backed securities	1,619,204	1,664,350
Collateralized debt obligations	1,591,673	1,549,797
Total fixed maturity securities	$ 22,807,480	$ 26,409,524

Credit ratings of the Company's fixed maturity securities as of December 31, 2020 and 2019, are shown below. Ratings are assigned by Standard & Poor's Corporation, Moody's Investors Service or Fitch Ratings. The ratings assigned may not be accurate predictors of credit losses.

	2020		2019	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
AAA	$ 4,201,161	$ 5,107,978	$ 5,216,849	$ 5,584,280
AA	2,101,350	2,479,633	2,172,245	2,411,220
A	7,611,021	8,809,230	7,775,807	8,483,238
BBB	7,235,866	8,328,690	7,042,214	7,632,259
BB	1,160,080	1,183,964	876,646	871,697
B	269,855	260,454	96,974	96,755
CCC or lower and unrated	228,147	239,575	209,584	215,120
Total fixed maturities	$ 22,807,480	$ 26,409,524	$ 23,390,319	$ 25,294,569

The Company's largest five exposures by issuer as of December 31, 2020 were Wal-Mart Stores, Inc., The Walt Disney Company, UnitedHealth Group Incorporated, Bank of America Corporation, and MetLife, Inc., each of which comprised less than 1%, and in aggregate comprised 2.3%, of total investments.

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.

At December 31, 2020 and 2019, fixed maturity securities with a fair value of $52,676 and $50,976, respectively, were held on deposit with various state insurance departments in which WRAC, TLIC, WRNY, 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:

	2020	2019
Fixed maturity and equity securities	$ 999,471	$ 1,061,951
Commercial mortgage loans	54,623	47,883
Policy loans	25,044	23,544
Funds withheld at interest	41,946	37,510
Short term investments and cash equivalents	2,296	6,026
Other invested assets	79,382	38,581
Investment income	1,202,762	1,215,495
Investment income ceded on funds withheld	(570,005)	(544,488)
Investment expense	(36,948)	(35,611)
Investment income—net	595,809	635,396
Realized gains on investments	215,861	118,588
Realized losses on investments	(81,434)	(39,973)
Realized gains on funds withheld at interest	16,618	7,708
Realized losses on funds withheld at interest	(1,206)	(3,008)
Realized net (gains)/losses ceded on funds withheld	(84,699)	(46,180)
Investment earnings—net	$ 660,949	$ 672,531

Commercial Mortgage Loans

Commercial mortgage loans (CMLs) represented approximately 3.83% and 4.18% of the Company's investments as of December 31, 2020 and 2019, respectively. The amortized cost, fair value and the related gross unrealized gain (loss) as of December 31, 2020 and 2019, are as follows:

	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
December 31, 2020	$ 1,283,490	$ 79,524	$ (1,958)	$ 1,361,056
December 31, 2019	$ 1,363,623	$ 42,137	$ (1,805)	$ 1,403,955

The unrealized loss and fair values by the duration of the CMLs in a continuous unrealized loss position at December 31, 2020 and 2019, 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, 2020	$ 71,580	$ (1,958)	$ -	$ -	$ 71,580	$ (1,958)
December 31, 2019	$ 102,764	$ (1,651)	$48,983	$ (154)	$ 151,747	$ (1,805)

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, 2020 is shown below. No other state represented more than 5% of the portfolio.

Percentage of Loan Portfolio Fair Value	**2020**
California	16.3 %
New York	11.4
Virginia	8.8
Texas	6.0
Ohio	5.4
Tennessee	5.2
Florida	5.0

The types of properties collateralizing the CMLs as of December 31, 2020 and 2019, are as follows:

Percentage of Loan Portfolio Fair Value	**2020**	**2019**
Multifamily	38.6 %	37.6 %
Retail	18.1	20.8
Office buildings	17.9	18.3
Other commercial	13.5	10.7
Industrial	11.9	12.6
Total	100.0 %	100.0 %

The contractual maturities of the CML portfolio as of December 31, 2020, are as follows:

	Number of Loans	**Fair Value**	**Percent**
2021	10	$ 14,553	1.1 %
2022	8	23,974	1.8
2023	18	211,403	15.5
2024	18	95,536	7.0
2025	22	102,823	7.6
Thereafter	103	912,767	67.0
Total	179	$ 1,361,056	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, 2020 or 2019, 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. A loan can be considered performing and not a credit issue while experiencing a DSC below 1.0 for periods of time due to timing issues with regard to the receipt of income and payment of periodic expenses, such as taxes. The Company does not expect to incur losses on any loans currently experiencing a DSC below 1.0. There were no loans at December 31, 2019, 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, 2020:

	Debt Service Coverage Ratio					
Loan-to-Value Ratios	**Less 1.0**	**1.0 to 1.25**	**1.26 to 1.5**	**1.51 to 1.75**	**Above 1.75**	**Total**
Less than 50%	$	$ 2,410	$ 68,741	$ 236,501	$ 693,932	$ 1,001,584
50% to 60%	27,746	18,144	56,987	26,673	55,043	184,593
60% to 75%	10,002	18,813	10,402	67,043	68,619	174,879
Total	$ 37,748	$ 39,367	$ 136,130	$ 330,217	$ 817,594	$ 1,361,056

Policy Loans

Policy loans comprised approximately 0.9% and 1.0% of the Company's investments as of December 31, 2020 and 2019, 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 premature distributions of policy liabilities, they have the effect of reducing future disintermediation risk. In addition, the Company earns a spread between the interest rate earned on policy loans and the interest rate credited to corresponding liabilities.

5. CONCENTRATION OF CREDIT RISK

As of December 31, 2020, substantially all of the Company's cash, cash equivalent and short-term investments were held in five financial institutions, that the Company considers being of high credit quality.

6. FUNDS WITHHELD AT INTEREST

Funds withheld at interest comprised approximately 14.7% and 15.1% of the Company's total investments as of December 31, 2020 and 2019, 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:

	2020	**2019**
Segregated portfolio of assets—general account	$ 1,323,015	$ 1,325,127
Segregated portfolio of assets—separate account	3,820,310	3,667,604
Non-segregated portfolio of assets	82,386	89,494
Funds withheld at interest—at fair value	$ 5,225,711	$ 5,082,225

The disclosures that follow are for the segregated portfolio—general account only and exclude other invested assets, short-term investments and cash of $98,629 and $135,979 as of December 31, 2020 and 2019, 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, 2020 and 2019, are as follows:

	2020			
	Amortized Cost	**Unrealized Gain**	**Unrealized Loss**	**Fair Value**
U.S. government and agencies	$ 94,149	$ 12,953	$ (292)	$ 106,810
State and political subdivisions	49,886	12,308	-	62,194
Foreign sovereign	1,413	137	-	1,550
Corporate securities	694,253	120,194	(997)	813,450
Residential mortgage-backed securities	106,383	5,689	(118)	111,954
Commercial mortgage-backed securities	55,117	3,856	(258)	58,715
Asset-backed securities	14,815	620	(246)	15,189
Collateralized debt obligations	49,615	380	(167)	49,828
Total fixed maturities	1,065,631	156,137	(2,078)	1,219,690
Preferred stock	4,140	607	(52)	4,695
Common stock	-	1	-	1
Total fixed maturity and equity securities	$ 1,069,771	$ 156,745	$ (2,130)	$ 1,224,386

	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
Collateralized 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

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, 2020 and 2019, are as follows:

	2020					
	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	$ 21,178	$ (292)	$ -	$ -	$ 21,178	$ (292)
Corporate securities	14,457	(675)	1,514	(322)	15,971	(997)
Residential mortgage-backed securities	8,372	(55)	450	(63)	8,822	(118)
Commercial mortgage-backed securities	9,008	(154)	1,554	(104)	10,562	(258)
Asset-backed securities	3,023	(229)	299	(17)	3,322	(246)
Collateralized debt obligations	7,916	(68)	11,679	(99)	19,595	(167)
Total fixed maturities	63,954	(1,473)	15,496	(605)	79,450	(2,078)
Preferred stock	-	-	371	(52)	371	(52)
Total fixed maturity and equity securities	$ 63,954	$ (1,473)	$ 15,867	$ (657)	$ 79,821	$ (2,130)

	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)

At December 31, 2020, 33 fixed maturity investments with a total unrealized loss of $605 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, two security had a fair value below 70% of book value with a total unrealized loss of $28.

At December 31, 2019, 21 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.

The contractual maturities of the segregated portfolio—general account's fixed maturity securities supporting the funds withheld at interest as of December 31, 2020, 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.

	2020	
	Amortized Cost	**Fair Value**
One year or less	$ 50,354	$ 51,166
One through five	147,552	160,570
After five through ten	175,034	194,368
After ten through twenty	245,380	296,649
After twenty	221,381	281,251
Residential mortgage-backed securities	106,383	111,954
Commercial mortgage-backed securities	55,117	58,715
Asset-backed securities	14,815	15,189
Collateralized debt obligations	49,615	49,828
Total fixed maturity securities	$ 1,065,631	$ 1,219,690

7. FUNDS HELD UNDER REINSURANCE TREATIES

As of December 31, 2020, the funds held under reinsurance treaties liability balance of $22,619,024 is comprised of reinsurance ceded to WREB for $22,439,424, with the remaining $179,600 ceded to unaffiliated third parties.

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.

8. REINSURANCE CEDED

For the years-ended December 31, 2020 and 2019, the Company had reinsurance agreements with nonaffiliates. For the year ended December 31, 2019, the Company had retrocession agreements with nonaffiliates. These agreements enabled the Company 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, 2020. 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) filed an initial draft plan in June 2020 and filed an amended draft plan in January 2021. The Rehabilitator is expected/required to file a final Rehabilitation plan in March 2021. As of December 31, 2020 and 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 as of December 31, 2020 and 2019 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, 2020 and 2019, 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 life, universal life, whole life, payout annuities, Company and Bank Owned Life Insurance (COLI | BOLI), long-term care and separate accounts.

Effective October 1, 2020, WRAC retroceded 50% of its closed block long-term care business acquired in 2018 on a coinsurance funds withheld basis to WREB. The initial balance sheet effect of this transaction was as follows:

Assets		**Ceded to Affiliate**
Cash and cash equivalents	$	(50,000)
Reinsurance recoverable		1,989,287
Net deferred tax assets		(79,646)
Total assets	$	1,859,641
Liabilities		
Reserves for future policy benefits	$	(4,737)
Other reinsurance liabilities		54,432
Funds held under reinsurance treaties		1,890,166
Other Liabilities		(80,220)
Total liabilities	$	1,859,641

For the affiliate reinsurance transaction described above, the non-cash assets and liabilities ceded have been excluded from the statement of cash flows for the year ended December 31, 2020. The net cash paid of $50,000 for the year ended December 31, 2020 is included in cash flows from operating activities within the statement of cash flows.

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, 2020 and 2019:

	2020		
Reinsurer	**A. M. Best Rating**	**Amount**	**% of Total**
Affiliate—Wilton Reinsurance Bermuda Limited	A+	$ 21,102,993	97.6 %
Non-affiliate—other reinsurers		525,366	2.4
Total		$ 21,628,359	100 %

	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 %

Included in the total reinsurance recoverable balance were $185,278 and $127,152 of claims recoverable, of which $5,078 and $6,025 were in excess of 90 days past due but were deemed collectible as December 31, 2020 and 2019, respectively.

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

	2020	**2019**
Direct	$ 112,030	$ 122,668
Reinsurance assumed	387,994	417,376
Reinsurance ceded—affiliate	(91,017)	(75,530)
Reinsurance ceded—non-affiliate	(88,944)	(122,606)
Net premiums	$ 320,063	$ 341,908

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

	2020	**2019**
Direct	$ 681,684	$ 623,376
Reinsurance assumed	1,029,726	813,187
Reinsurance ceded—affiliate	(697,655)	(404,375)
Reinsurance ceded—non-affiliate	(106,922)	(140,749)
Claims and policy benefits—net of reinsurance ceded	$ 906,833	$ 891,439

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

	Direct	Assumed	Ceded	Net
December 31, 2020	$62,155,509	$77,104,900	$(41,389,969)	$ 97,870,439
December 31, 2019	$63,011,482	$69,079,405	$(30,636,241)	$101,454,646

9. DEFERRED ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED

The balances and changes in DAC for the years ended December 31, 2020 and 2019, are as follows:

	2020	2019
Beginning of year	$414,575	$361,608
Capitalized	58,180	55,826
Amortized	(2,721)	(15,918)
Recaptures of existing reinsurance treaties	(2,229)	(1,982)
Attributable to realized/unrealized gains and losses	(7,232)	(5,294)
Impact of unlocking	(14,248)	20,335
End of year	$446,325	$414,575

The balances and changes in VOBA for the years ended December 31, 2020 and 2019, are as follows:

	2020	2019
Beginning of year	$285,610	$331,238
Amortized	(25,455)	(34,943)
Attributable to realized/unrealized gains and losses	(17,186)	(19,044)
Impact of unlocking	(2,811)	8,359
End of year	$240,159	$285,610

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

2021	$32,527
2022	28,566
2023	24,662
2024	20,061
2025	16,553

10. INCOME TAXES

At December 31, 2020, the Company had net operating loss and tax credit carryforwards of approximately $11,345 and $7,126, respectively. 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. All of the tax credit carryforward, $7,126, is limited under Sec. 383 and has a partial valuation allowance of $648 as a portion of these are expected to expire unused. The Company has $694 of capital loss carryforwards which will begin to expire in 2023.

On March 27, 2020, President Trump signed into law H.R. 748, the "Coronavirus Aid, Relief, and Economic Security Act," the tax legislation commonly known as the CARES Act. Pursuant to 2303(b)(1) of the CARES Act, a corporation is permitted to carry back losses arising from tax years 2018, 2019 and 2020 to each of the five tax years preceding the taxable year of such loss. As a result of the $361,981 consolidated 2020 carryback, a $121,254 current tax benefit was recognized at 35% related to the carryback to tax years 2015-2017. No benefit is recognized for any recoupment relating to tax losses in tax years 2018 and 2019.

Income tax expense attributable to income from continuing operations for the years ended December 31, 2020 and 2019, is as follows:

	2020	**2019**
Current tax expense (benefit)	$ (127,416)	$ 83,612
Deferred tax expense (benefit)	179,379	122,527
Income tax expense (benefit)	$ 51,963	$ 206,139

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:

	2020	2019
Computed exected tax expense (benefit)	$ 107,859	$ 211,004
Impact of net operating losses carried back	(45,238)	974
Equity method investment in subsidiary adjustment	(6,569)	-
Other	(4,089)	(5,839)
Income tax expense (benefit)	$ 51,963	$ 206,139

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities at December 31, 2020 and 2019, are presented in the following table:

	2020	2019
Deferred income tax assets:		
Differences between tax and financial reporting amounts concerning certain reinsurance transactions	$ 592,635	$ 912,107
Net operating losses	2,382	4,255
Capital loss carryforwards	146	159
Tax credit carryforwards	7,127	7,190
Nondeductible accruals	57,012	68,586
Deferred acquisition costs/value of business acquired	63,498	108,380
Investments	-	7,481
Other	3,612	3,715
Total deferred tax assets	726,412	1,111,873
Deferred income tax liabilities		
Reserves for future policy benefits	(558,237)	(858,645)
Investments	(94,326)	-
Total deferred tax liabilities	(652,563)	(858,645)
Valuation allowance	(648)	(648)
Net deferred tax asset	73,201	252,580

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 2017–2020 are open and subject to examination by the Internal Revenue Service.

As of December 31, 2020 or 2019, 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, 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, 2020, and 2019, 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 2021 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 a dividend of $7,173 in 2021 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 $11,704 in 2021 without prior regulatory approval.

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 2021 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, 2020 and 2019:

	2020	2019
Wilton Reassurance Company	$ 644,467	$ 843,550
Wilton Reassurance Life Company of New York	81,222	103,177
Texas Life Insurance Company	117,050	125,475
Wilcac Life Insurance Company	210,095	90,928
Wilco Life Insurance Company	-	161,739
Redding Reassurance Company 3 LLC	85,215	86,222

The following table presents statutory net income (loss) for the years ended December 31, 2020 and 2019:

	2020	2019
Wilton Reassurance Company	$ (38,131)	$ 86,363
Wilton Reassurance Life Company of New York	(11,706)	12,912
Texas Life Insurance Company	(4,014)	37,215
Wilcac Life Insurance Company	(10,598)	(21,876)
Wilco Life Insurance Company	-	30,204
Redding Reassurance Company 3 LLC	48,416	28,262

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, 2020 and 2019, included within other liabilities of the accompanying consolidated balance sheets, is the Company's payable of $212,899 and $270,319, respectively, resulting in incurred expenses of $102,339 and $112,131 for the years ended 2020 and 2019, respectively, related to awards vesting in 2019, 2020, 2021, 2022 and 2023. The company paid $159,758 and $0 for the years ended 2020 and 2019, respectively, related to awards vesting in 2019.

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 2020 and 2019 amounted to $5,382 and $4,626, respectively, and $1,175 and $1,319 of this was recorded as other assets at December 31, 2020 and 2019, 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, WCAC 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, 2020 and 2019, the carrying value of the FHLB common stock was $28,948 and $28,948, respectively.

As of December 31, 2020, and 2019, there were no collateralized borrowings from the FHLB. Investments with an estimated fair value of $99,688 and $23,036 at December 31, 2020 and 2019, 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. No interest expense was recognized in 2020 and 2019 related to the borrowings.

At December 31, 2020 and 2019, WCAC pledged collateral sufficient to support Letters of Credit (LOCs)/advances of approximately $74,098 and $0 and WRAC pledged collateral sufficient to support approximately $16,409 and $18,619, respectively.

15. COMMITMENTS AND CONTINGENCIES

Funding of Investments

The Company's commitments to fund investments as of December 31, 2020, are presented in the following table:

	2020	
	Commitment	**Unfunded**
Limited partnerships	$ 1,606,500	$ 1,084,299

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.

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, 2020 and 2019, was $20,302,724 and $18,569,783, 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 recorded a contingency reserve in other liabilities of $27,000 for the years ended December 31, 2020 and 2019. 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 terms of the settlement and class relief was approved by the courts in 2020 and the final payout of $26,950 occurred on February 19, 2021.

16. LONG-TERM AND OTHER DEBT

Long-Term Debt

The Company's long-term debt consists of fixed-to-floating rate senior notes, the balance for which was $250,000 for the years ended December 31, 2020 and 2019.

Liquidity Facilities

WRL obtains LOCs for the benefit of various affiliated and unaffiliated insurance companies from which the Company assumes business. These LOCs 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, 2020 and 2019 was $26,786 and $27,664, respectively. At December 31, 2020 and 2019, there were approximately $19,830 and $20,130, respectively of outstanding bank LOCs issued by the Company under the facility and $0 borrowed under the line of credit.

In October 2020, 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. Except for the applicable interest rate margin, Wells Fargo Facility II has the same financial covenant restrictions and rates as Wells Fargo Facility I. The applicable margin for base rate loans ranges from 0.375% to 1.250%. The applicable margin for LIBOR loans/CDOR Loans ranges from 1.375% to 2.250%. Any amounts borrowed may be repaid at any time without prepayment penalty. At December 31, 2020 and 2019, 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. During 2020 and 2019, interest of $14,688 and $14,688, respectively, was paid and recorded as interest expense on the consolidated statement of comprehensive income (loss).

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.

Other Debt

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. Subsequently, on July 24, 2020, AM Best reaffirmed its 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 other debt 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
January 1, 2019 carrying value	$ 815,863	$ 815,863
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 carrying value	736,514	736,514
Draw—March	5,195	5,195
Paydown—June	(35,873)	(35,873)
Draw—September	739	739
Paydown—December	(25,752)	(25,752)
December 31, 2020 carrying value	$ 680,823	$ 680,823
2020 interest (paid) received	$ (43,473)	$ 43,473
2019 interest (paid) received	$ (46,571)	$ 46,571

17. 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, 2020	**Fair Value**		**Level 1**	**Level 2**	**Level 3**
Invested assets					
U.S. government and agencies	$ 2,899,125		$2,468,967	$ 430,158	$ -
State and political subdivisions	1,913,754		-	1,786,821	126,933
Foreign sovereign	47,362		-	47,362	-
Corporate securities	15,226,156		-	14,566,986	659,170
Residential mortgage-backed securities	1,232,860		-	1,232,859	1
Commercial mortgage-backed securities	1,195,297		-	1,195,297	-
Asset-backed securities	1,664,350		-	1,194,385	469,965
Collateralized debt obligations	1,549,797		-	1,424,192	125,605
Total fixed maturity	25,728,701		2,468,967	21,878,060	1,381,674
Preferred stocks	528,847		-	528,847	-
Common stocks	30,807		-	28,949	1,858
Total fixed maturity and equity securities	26,288,355	1	2,468,967	22,435,856	1,383,532
Commercial mortgage loans	1,361,056		-	-	1,361,056
Other invested assets	1,005,804	2	-	563,374	442,430
Total invested assets	28,655,215		2,468,967	22,999,230	3,187,018
Funds withheld at interest					
U.S. government and agencies	106,810		30,113	76,697	-
State and political subdivisions	62,194		-	62,194	-
Foreign Sovereign	1,550		-	1,550	-
Corporate securities	813,450		-	813,450	-
Residential mortgage-backed securities	111,954		-	111,954	-
Commercial mortgage-backed securities	58,715		-	58,715	-
Asset-backed securities	15,189		-	15,189	-
Collateralized debt obligations	49,828		-	49,828	-
Total fixed maturity	1,219,690		30,113	1,189,577	
Preferred stocks	4,695		-	4,695	-
Common stocks	1		-	1	-
Other invested assets	30,976		-	30,976	-
Funds withheld at interest: Segregated portfolio of assets—General account	1,255,362	3	30,113	1,225,249	-
Funds withheld at interest: Segregated portfolio of assets—Separate account	3,820,310		-	3,820,310	-
Total funds withheld at interest	5,075,672		30,113	5,045,559	-
Other assets					
Separate account assets	29,404		-	29,404	-
Total	$33,760,291		$2,499,080	$28,074,193	$ 3,187,018

[1] Issuer obligations – non-affiliates of $680,823 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 $73,859 and limited partnerships of $559,410.

[3] Cash and short-term investments of $67,653 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 $82,386 are a component of Funds withheld at interest not measured at fair value on a recurring basis.

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.

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.

Other Invested Assets

Surplus debentures

Surplus debentures are similar to corporate securities. The fair values of surplus debentures are primarily based on prices obtained from independent pricing services or may be obtained from independent third-party dealers in the absence of quoted market prices. They are generally classified within Level 2 in the fair value hierarchy.

Collateral loans

Collateral loans are valued at the lesser of par or recovery value. Collateral loans may also have an equity component as part of the funding vehicle structure. Residual cash flows to the equity component are valued using a net present value calculation. The discount rates are internal rates of return that are calibrated to reflect market conditions and company-specific risks.

The collateral loans 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, 2020 and 2019:

	2020			2019		
Invested Assets	**Purchases**	**Transfer Into**	**Transfer Out of**	**Purchases**	**Transfer Into**	**Transfer Out of**
State and political subdivisions	$ 39,262	$ -	$ -	$ 44,000	$ -	$ -
Corporate securities	122,659	9,107	(3,557)	97,227	8,571	(9,006)
Residential mortgage-backed securities	-	-	-	-	1	-
Asset-backed securities	97,999	6,355		67,087	-	(48,709)
Collateralized debt obligations	-	-	(41,356)	42,000	-	-
Common stock	1,858	-	-			
Commercial mortgage loans	44,500	-	-	439,926	-	-
Other invested assets	111,475		-	130,590	-	-
Total invested assets	$ 417,753	$ 15,462	$ (44,913)	$ 820,830	$ 8,572	$(57,715)

18. SUBSEQUENT EVENTS

The Company has evaluated the impact of subsequent events through March 30, 2021, representing the date at which the consolidated financial statements were available to be issued.

In March 2021, the Company entered into a definitive agreement to purchase 100% of the common stock of Allstate Life Insurance Company of New York (ALNY). ALNY is an independent, wholly owned life insurance subsidiary of Allstate Corporation (NYSE: ALL) consisting of closed block interest-sensitive and traditional life insurance and annuities. The transaction is pending regulatory approval and is expected to close in the second half of 2021.

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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, 2020, 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, 2020, 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, 2020 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 30, 2021 expressed an unmodified opinion on those financial statements.

Deloitte & Touche LLP

March 30, 2021

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, 2020, 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, 2020, 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 30, 2021

SUPPLEMENTARY INFORMATION

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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, 2020 and 2019 and the supplementary consolidating statements 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 Wilton Re U.S. Holdings, Inc. and subsidiaries' 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 30, 2021

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

CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2020
(Amounts in thousands of US dollars)

	WRUS	WRSI WRFL	WRAC	WRNY	TLIC	WCAC	RRE3	Eliminations	WRUS Consolidated
Assets									
Fixed maturity and equity securities (includes $26,288,355 at fair value)	$ 18,293	$ 50,000	$17,907,228	$ 788,736	$1,221,305	$5,300,606	$1,733,010	$ (50,000)	$ 26,969,178
Commercial mortgage loans at fair value	-	-	955,769	16,012	82,908	306,367	-	-	1,361,056
Policy loans	-	-	84,023	11,947	46,935	131,281	57,825	-	332,011
Funds withheld at interest (includes $5,075,672 at fair value)	-	-	5,223,622	-	-	2,089	21,590	(21,590)	5,225,711
Short term investments	-	-	799	-	77	-	-	-	876
Other invested assets (includes $1,005,804 at fair value)	373,859	-	982,523	86,955	164,178	329,206	2,352	(300,000)	1,639,073
Total investments	392,152	50,000	25,153,964	903,650	1,515,403	6,069,549	1,814,777	(371,590)	35,527,905
Cash and cash equivalents	13,752	10,065	343,210	15,886	52,769	95,753	11,664	-	543,099
Accrued investment income	37	-	140,784	5,454	8,155	49,824	11,642	-	215,896
Premiums receivable	-	-	74,241	1,819	707	2,880	24,260	(23,978)	79,929
Reinsurance recoverable	-	-	20,613,667	332,233	9,847	2,062,026	-	(1,389,414)	21,628,359
Other reinsurance receivables	-	-	28,444	8,120	6	48,323	-	(14,404)	70,489
Net deferred acquisition costs	-	-	32,183	-	414,174	(32)	-	-	446,325
Value of in-force business acquired	-	-	96,725	24,482	13,015	-	105,937	-	240,159
Net deferred income taxes	-	1,410	-	-	44,508	194,579	-	(167,296)	73,201
Other assets	1,614,285	325,175	534,792	881	1,312	4,711	2,163	(2,169,989)	313,330
Separate account assets	-	-	-	849	-	28,555	-	-	29,404
Total assets	$2,020,226	$386,650	$47,018,010	$1,293,374	$2,059,896	$8,556,168	$1,970,443	$(4,136,671)	$ 59,168,096
Liabilities and shareholder's equity									
Reserves for future policy benefits	$ -	$ -	$12,780,002	$ 90,380	$ 282,213	$3,161,825	$ 333,247	$ (435,586)	$ 16,212,081
Interest sensitive contract liabilities	-	-	11,876,925	900,284	1,556,548	2,652,910	688,136	(960,528)	16,714,275
Other reinsurance liabilities	-	-	268,883	2,480	12,866	10,408	6,849	(38,381)	263,105
Funds held under reinsurance treaties	-	-	20,536,330	7,094	-	2,097,190	-	(21,590)	22,619,024
Net deferred tax liabilities	3,972	-	2,689	21,686	-	-	137,543	(165,890)	-
Long-term debt	250,000	350,000	-	-	-	-	-	(350,000)	250,000
Other debt	-	-	-	-	-	-	680,823	-	680,823
Subordinated affiliate debt	-	-	300,000	-	-	-	-	(300,000)	-
Other liabilities	1,254	31,320	383,400	17,282	16,316	203,653	11,180	(30,021)	634,384
Separate account liabilities	-	-	-	849	-	28,555	-	-	29,404
Total liabilities	255,226	381,320	46,148,229	1,040,055	1,867,943	8,154,541	1,857,778	(2,301,996)	57,403,096
Shareholder’s equity:									
Class A common shares	-	-	1,000	2,503	1,854	4,365	-	(9,722)	-
Class B common shares	-	-	-	-	-	-	-	-	-
Additional paid-in capital	134,807	42,325	-	91,451	-	122,429	6,796	(263,001)	134,807
Retained earnings and accumulated	-	-	-	-	-	-	-	-	-
other comprehensive income	1,630,193	(36,995)	868,781	159,365	190,099	274,833	105,869	(1,561,952)	1,630,193
Total shareholder’s equity	1,765,000	5,330	869,781	253,319	191,953	401,627	112,665	(1,834,675)	1,765,000
Total liabilities and shareholder's equity	$2,020,226	$386,650	$47,018,010	$1,293,374	$2,059,896	$8,556,168	$1,970,443	$(4,136,671)	$ 59,168,096

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 STATEMENT OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2020
(Amounts in thousands of US dollars)

	WRUS	WRSI WRFL	WRAC	WRNY	TLIC	WCAC	RRE3	Eliminations	WRUS Consolidated
Revenues									
Net premiums	$ -	$ -	$ 232,809	$ 2,630	$ 31,550	$ 1,703	$ 51,371	$ -	$ 320,063
Policy fees and charges	-	-	98,505	8,575	183,748	174,156	32,381	-	497,365
Inuring third-party reinsurance commissions	-	-	14,805	306	-	-	8,957	-	24,068
Investment earnings—net	20,941	20,611	292,550	48,440	75,583	169,698	53,689	(20,563)	660,949
Net change in unrealized gains (losses) on investments									-
classified as trading and other	185	-	1,437,837	15,879	37,390	200,792	71,133	-	1,763,216
Change in value of derivatives and embedded derivatives—net	-	-	(1,209,115)	-	-	(86,932)	(2,004)	-	(1,298,051)
Total revenues	21,126	20,611	867,391	75,830	328,271	459,417	215,527	(20,563)	1,967,610
Benefits and expenses									
Claims and policy benefits—net of reinsurance ceded	-	-	334,837	12,912	252,054	239,694	74,036	(6,700)	906,833
Interest credited to interest sensitive contract liabilities	-	-	64,610	26,523	27,402	77,763	35,218	-	231,516
Acquisition costs and other insurance expenses	-	-	14,107	1,282	30,778	(6,189)	29,501	(12)	69,467
Operating expenses	1,863	1,748	150,771	11,603	32,286	44,208	5,718	12	248,209
Interest expense	14,688	20,965	-	-	-	-	2,174	(20,563)	17,264
Total benefits and expenses	16,551	22,713	564,325	52,320	342,520	355,476	146,647	(27,263)	1,473,289
Net income (loss) and comprehensive income (loss) before income taxes and net earnings of equity method investee	4,575	(2,102)	303,066	23,510	(14,249)	103,941	68,880	6,700	494,321
Income tax expense (benefit)	(1,519)	1,029	15,574	4,657	(3,476)	20,046	14,245	1,407	51,963
Net income (loss) and comprehensive income (loss) before net earnings of equity method investee and equity in net income (loss) of subsidiaries	6,094	(3,131)	287,492	18,853	(10,773)	83,895	54,635	5,293	442,358
Share of net earnings of equity method investee	19,295	-	-	-	-	-	-	-	19,295
Net income (loss) and comprehensive income (loss) before equity in net income (loss) of subsidiaries	25,389	(3,131)	287,492	18,853	(10,773)	83,895	54,635	5,293	461,653
Equity in net income (loss) of subsidiaries	430,971	-	-	-	-	-	-	(430,971)	-
Net income (loss) and comprehensive income (loss)	$ 456,360	$ (3,131)	$ 287,492	$ 18,853	$ (10,773)	$ 83,895	$ 54,635	$ (425,678)	$ 461,653

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 and net earnings of equity method investee	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