

Wilton Re Ltd. and Subsidiaries

Consolidated Financial Statements as of and for the
Year Ended December 31, 2023,
and Independent Auditor's Report

WILTON RE LTD. AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Wilton Re Ltd.:

Opinion

We have audited the consolidated financial statements of Wilton Re Ltd. and subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of comprehensive income (loss), changes in shareholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Selathi S. Sene CP

March 31, 2025

WILTON RE LTD. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEET****AS OF DECEMBER 31, 2023****(Amounts in thousands of US dollars, except share amounts)**

	2023
Assets	
Investments:	
Fixed maturity securities available-for-sale, at fair value (amortized cost of \$23,232,836; allowance for credit losses of \$9,887)	\$ 23,779,726
Fixed maturities trading and equity securities, at fair value	830,480
Issuer obligations - non-affiliates held to maturity, at amortized cost	974,251
Commercial mortgage loans, at fair value	1,166,217
Policy loans	360,812
Funds withheld at interest, at fair value	5,219,774
Other invested assets (includes fair value of \$1,482,501)	3,596,553
Total investments	35,927,813
Cash and cash equivalents	1,549,077
Accrued investment income	280,070
Premiums receivable	47,092
Reinsurance recoverable (allowance for credit loss of \$5,320)	848,912
Other reinsurance receivables	9,335
Net deferred acquisition costs	688,470
Value of in-force business acquired, net	1,188,340
Net deferred income taxes	1,526,112
Other assets	483,607
Separate account assets	259,455
Total assets	<u>\$ 42,808,283</u>
Liabilities and shareholders' equity	
Liabilities:	
Reserves for future policy benefits	\$ 19,210,222
Interest sensitive contract liabilities	21,582,293
Other reinsurance liabilities	43,882
Funds held under reinsurance treaties	341,879
Long-term debt	580,000
Other debt	1,374,880
Other liabilities (includes \$193,516 at fair value)	516,651
Separate account liabilities	259,455
Total liabilities	<u>43,909,262</u>
Shareholders' equity:	
No par value common shares (\$0 par value; unlimited number of shares authorized; 204,194,000 shares issued and outstanding)	—
Treasury stock, at cost - 335,000 shares	(5,998)
Additional paid-in capital	122,019
Accumulated other comprehensive income	390,225
Retained deficit	(1,607,225)
Total shareholders' deficit	<u>(1,100,979)</u>
Total liabilities and shareholders' equity	<u>\$ 42,808,283</u>

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

WILTON RE LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2023
(Amounts in thousands of US dollars)**

	2023
Revenues	
Net premiums	\$ 350,962
Policy fees and charges	544,146
Inuring third-party reinsurance commissions	17,634
Investment earnings—net	1,794,238
Net change in unrealized gains (losses) on investments classified as other than available-for-sale	68,336
Change in value of derivatives and embedded derivatives - net	37,322
Total revenues	<u>2,812,638</u>
Benefits and expenses	
Claims and policy benefits - net of reinsurance ceded	1,109,215
Interest credited to interest sensitive contract liabilities	623,257
Acquisition and other insurance expenses	139,418
Operating expenses	251,036
Interest expense	70,675
Total benefits and expenses	<u>2,193,601</u>
Net income before income taxes and net earnings of equity method investee	619,037
Income tax expense	135,591
Net income before net earnings of equity method investee	483,446
Share of net earnings of equity method investee	474
Net income	<u>\$ 483,920</u>
Other comprehensive income, net of tax	
Net unrealized investment gains	390,225
Total other comprehensive income, net of tax	<u>\$ 390,225</u>
Total comprehensive income	<u><u>\$ 874,145</u></u>

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

WILTON RE LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023
(Amounts in thousands of US dollars)**

	2023
No Par Value Common Shares	
Balance at beginning and end of year	\$ —
Treasury Stock	
Balance at beginning of year	—
Treasury stock acquired during the year	(5,998)
Balance at end of year	<u>(5,998)</u>
Additional Paid-in Capital	
Balance at beginning and end of year	122,019
Accumulated Other Comprehensive Income	
Balance at beginning of year	—
Total other comprehensive income(loss)	390,225
Balance at end of year	<u>390,225</u>
Retained (Deficit) Earnings	
Balance at beginning of year	(1,842,935)
Cumulative adjustment for adoption of credit loss accounting standard	(23,579)
Dividends to shareholders	(224,631)
Net Income	483,920
Balance at end of year	<u>(1,607,225)</u>
Total shareholders' equity	<u><u>\$ (1,100,979)</u></u>

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

WILTON RE LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

(Amounts in thousands of US dollars)

	2023
Cash flows from operating activities	
Net income	\$ 483,920
Adjustments to reconcile net income to net cash from operating activities	
Amortization of net investment premium, discounts and other	(262,500)
Investment related realized losses - net	59,310
Investment related unrealized gains - net	(68,644)
Earnings of equity method investee	(474)
Mark-to-market on embedded derivatives	(47,569)
Amortization and other adjustments to other debt costs	590
Amortization and other adjustments to deferred acquisition costs	1,556
Amortization and other adjustments to value of business acquired	63,442
Interest credited to interest sensitive contracts	640,944
Other reserve changes of interest sensitive contract liabilities	(381,916)
Cash and cash equivalents from closed block reinsurance	271,109
Change in assets and liabilities:	
Fixed maturity securities trading and equity securities	382,393
Accrued investment income	(2,173)
Deferred income taxes	110,000
Premiums receivable	22,053
Reinsurance recoverable	63,609
Other reinsurance receivables	1,197
Funds withheld at interest	(198,726)
Deferred acquisition costs	(61,228)
Value of in-force business acquired	16,643
Other assets	6,005
Reserve for future policy benefits	(860,567)
Funds held under reinsurance treaties	(3,837)
Other reinsurance liabilities	(12,569)
Other liabilities	(12,700)
Net cash flows from operating activities	<u>\$ 209,868</u>

WILTON RE LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(Amounts in thousands of US dollars)****Cash flows from investing activities**

Sales, maturities and repayments of:

Fixed maturity securities available-for-sale	\$	1,438,407
Commercial mortgage loans		190,148
Limited partnership interests		231,366
Equity method investments		4,000
Other invested assets		13,151

Purchases of:

Fixed maturity securities available-for-sale	(757,116)
Commercial mortgage loans	(948)
Limited partnership interests	(492,454)
Other invested assets	(152,896)

Proj Fox proceeds from sale	267,538
Premiums paid on life settlement contracts	(19,302)
Net proceeds from maturity of life settlement contracts	48,399
Change in policy loans	2,233
Change in short-term investments	10,152

Net cash flows from investing activities	<u>782,678</u>
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Cash flows from financing activities:

Proceeds from long-term debt	250,000
Treasury stock acquired in connection with share repurchases	(5,998)
Dividends to shareholders on common stock	(224,631)
Paydown of secured borrowing	(4,743)
Paydown of long term debt	(330,000)
Deposits into interest sensitive contracts	951,399
Redemption and benefit payments on interest sensitive contracts	(942,070)

Net cash flows used in financing activities	<u>(306,043)</u>
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Increase cash and cash equivalents	686,503
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Cash and cash equivalents - beginning of year	862,574
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Cash and cash equivalents - end of year	<u><u>\$ 1,549,077</u></u>
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Supplemental disclosure of cash flow information:

Interest paid	\$	22,368
Cash paid during the year for income taxes	\$	4,768

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

WILTON RE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR END DECEMBER 31, 2023

(Amounts in thousands of US dollars, except share amounts)

1. ORGANIZATION

Wilton Re Ltd. (WRL or the Company) is the ultimate parent in the Wilton Re holding company structure.

WRL and its subsidiaries, principally provide life insurance and reinsurance for acquired blocks of life insurance and annuity contracts. The Company conducts its operations through subsidiaries incorporated in Bermuda and the United States of America.

Significant subsidiaries of WRL include the following:

- Wilton Re US Holdings, Inc. (Wilton Re US Holdings), is incorporated in Delaware and is a wholly owned subsidiary of Wilton Re U.S. Holdings Trust, established under the laws of Ontario, Canada, which is itself a wholly owned subsidiary of the Company. Wilton Re US Holdings conducts its operations principally through its subsidiary, Wilton Reassurance Company (WRAC), a Minnesota domiciled life insurer.
- Wilton Reinsurance Bermuda Limited (WREB), a subsidiary of WRL (96%) and Wilton Re US Holdings (4%), is incorporated under the laws of Bermuda as a long-term insurer.
- Mills Creek LLC (Mills Creek), a subsidiary of WREB, is a Delaware limited liability company.

WREB sold 25% of its investment in Mills Creek during 2019 to SPC Opps Fund Holdings II, L.P., a Delaware limited partnership. WREB recorded the proceeds from the sale as a secured borrowing, included within other liabilities of the consolidated balance sheet. The balance of the secured borrowing is \$30,626 at December 31, 2023.

- Wilton Re Overseas Limited (WROL), a wholly owned subsidiary of WRL incorporated under the laws of Bermuda as a long-term insurer.
- Wilton Re Services, Inc. (Wilton Re Services), 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 domiciled life insurance subsidiary of WRAC.
- Redding Reassurance Company 3 LLC (RRE3), a wholly owned Missouri special purpose financial captive insurance subsidiary of WRAC.
- In August 2022, the Company entered into a definitive agreement to sell 100% of the common stock of Proj Fox Acquisition Inc. and its subsidiaries (Proj Fox) to Sagicor Financial Company Ltd. (TSX:SFC). Proj. Fox was a wholly owned subsidiary of WRL incorporated under the laws of Nova Scotia, Canada. The investment in Proj Fox met the conditions to be classified as held for sale and was written down to its realizable fair value, less selling costs, of \$267,538, with a loss on sale of

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\$936,657 recognized in the statement of comprehensive income (loss) for the year end December 31, 2022. The transaction closed on October 3, 2023. Cash proceeds of \$267,538 were reflected in the statements of cash flows, and the net income of this discontinued operation was immaterial. No additional gain or loss was recognized upon the closing of the transaction.

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 Ltd. and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated 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, reserves for future policy benefits, other policy claims and benefits, income taxes 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:

Transfer of fixed income portfolio from trading to available-for-sale

Effective January 1, 2023, the Company transferred fixed income investments with an approximate fair value of \$24,190,614 from trading to available-for-sale.

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. All fixed maturity securities are classified as either trading or available-for-sale (AFS) with the exception of issuer obligations—non-affiliates which are classified as held-to-maturity. Fixed maturity securities classified as trading and equity securities are recorded at fair value with the change in fair value reported as net change in unrealized gains (losses) on investments classified as other than available-for-sale in the consolidated statement of comprehensive income (loss). Fixed maturity securities classified as AFS are reported at fair value with unrealized gains and losses, less applicable deferred income taxes, reported in other comprehensive income (OCI). 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 consist primarily of interest and the accretion of discount or amortization

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of premium on fixed maturity securities. The amortized cost and effective yield of structured fixed maturity securities are adjusted as necessary to reflect historical prepayment experience and changes in estimated future prepayments. The adjustments to amortized cost are recorded as a charge or credit to investment earnings - net in accordance with the retrospective method. Investment earnings are presented net of investment management, investment accounting and custody expenses on the consolidated statement of comprehensive income (loss). Gains and losses realized on the sale of all investments are determined on the first in-first out method.

Allowance for Credit Losses and Impairments of AFS Fixed Maturity Securities

AFS fixed maturity securities whose fair value is less than their carrying amount are evaluated for potential credit losses.

If the Company intends to sell a security or it is more likely than not that it would be required to sell a security before the recovery of its amortized cost, less any recorded credit loss, it recognizes an impairment loss in investment earnings - net of the difference between amortized cost and fair value.

The Company identifies AFS fixed maturity securities for credit losses by monitoring credit rating and market events that could impact issuers' credit risk including the relevant industry business climate, management changes, litigation, government actions and other similar factors.

Credit impairments and changes in the allowance for credit losses on fixed maturity securities are reflected in net change in unrealized gains (losses) on investments classified as trading and other, while non-credit impairment losses are recognized in OCI.

The Company estimates the amount of the credit loss component of a fixed maturity security impairment as the difference between amortized cost and the present value of the expected cash flows of the security. The Company excludes accrued interest from the amortized cost and the present value of the expected cash flows of the security. The present value is determined using the best estimate cash flows discounted at the current yield used to recognize interest income. The techniques and assumptions for establishing the best estimate cash flows vary depending on the type of security. The asset-backed securities' cash flow estimates are based on security-specific facts and circumstances that may include collateral characteristics, expectations of delinquency and default rates, loss severity and prepayment speeds.

The Company writes off fixed maturity securities when facts and circumstances indicate that outstanding principal and interest is uncollectible.

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 statement 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 is recorded using the constant-yield method. The

WILTON RE LTD. AND SUBSIDIARIES

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(Amounts in thousands of US dollars, except share amounts)

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 statement 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 information is 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 certain 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. Fixed maturity investments associated with funds withheld are classified as trading and interest credited on funds withheld includes the interest income earned on these assets as defined by the treaty terms. The interest credited on funds withheld is a component of investment earnings - net in the consolidated statement of comprehensive income (loss).

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 consolidated statement of comprehensive income (loss). At December 31, 2023, the fair value of these embedded derivatives, and the changes in fair value for the year end, included:

	2023	
	Fair Value	Change in Fair Value
Funds withheld at Interest	\$ (125,869)	\$ 48,279
Funds held under reinsurance treaties	1,201	(710)
Total		<u>\$ 47,569</u>

Derivative Financial Instruments

The Company utilizes a variety of derivative instruments, including swaps and options, primarily to manage or hedge, interest rate risk, credit risk, market volatility and other market risks associated with

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its business. The Company does not invest in derivatives for speculative purposes. It is the Company's policy to enter into derivative contracts primarily with highly rated parties.

The Company's derivatives have not been designated as hedging instruments under ASC 815, Derivatives and Hedging, and are recognized primarily within other liabilities or other invested assets in the accompanying consolidated balance sheets at fair value. Although certain derivatives are subject to master netting arrangements, both fair value and collateral amounts associated with derivative contracts are recognized on a gross basis in the consolidated balance sheets. The change in fair value of is recognized in the change in value of derivatives and embedded derivatives, net, in the consolidated statement of comprehensive income (loss).

Cash flows arising from derivative agreements are classified as investing except in the case of the 2024 Interest Rate Swap - Reinsurance 3, in which case cash flows are classified as financing.

See Note 5 - *Derivative Financial Instruments* for additional detail on the Company's derivative position.

Short-Term Investments

Short-term investments represent investments with maturities at acquisition of greater than three months but less than twelve months, are carried at amortized cost, which approximates fair value.

Other Invested Assets

In addition to the derivatives discussed above, other invested assets include limited partnerships and limited liability corporations (limited partnerships), surplus debentures, collateral loans, residual or equity tranche LLC investments , and life settlement contracts.

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 value of limited partnerships are included in net unrealized gains (losses) on investments classified as trading and other in the consolidated statement of comprehensive income (loss). Income distributions from limited partnerships are included in investment earnings—net in the consolidated statement 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. Surplus debentures are considered fixed maturity securities which are classified as AFS and carried at fair value with unrealized gains and losses, less applicable deferred income taxes, reported in OCI.

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 considered fixed maturity securities which are classified as AFS and

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carried at fair value with unrealized gains and losses , less applicable deferred income taxes, reported in OCI.

Residual or Equity Tranche LLC investments

These investments are generally a subordinated class that receives residual cash flows after all other tranches and obligations of the LLC have been fully paid. The LLCs typically invest in various asset-backed securities, real estate or other collateral and are carried at fair value with the change in fair value reported as net change in unrealized gains (losses) on investments classified as other than available-for-sale in the consolidated statement of comprehensive income (loss).

Life Settlement Contracts—Direct Investment

The Company acquired the ownership and beneficiary rights of underlying life insurance policies through the acquisition of life settlement contracts from the owners of the life insurance contracts. The Company accounts for its investments in life settlement contracts using the fair value method. Under the fair value method, each life settlement contract is carried at its fair value at the end of each reporting period within other invested assets on the consolidated balance sheet. The change in fair value, life insurance proceeds received and periodic maintenance costs, such as premiums, necessary to keep the underlying policy in force, are recorded in the investment earnings—net in the consolidated statement of comprehensive income (loss).

Life Settlement Contracts—Equity Method Investment

The Company owns a 25% economic and voting interest in Leargas Fund I, LLC (the Leargas Fund) a life settlement fund managed by Leargas Capital LLC, a specialized mortality-linked investment manager. With the ability to exercise significant influence over the Leargas Fund, this investment is accounted for under the equity method. The carrying value of the investment included within other invested assets on the consolidated balance sheet is \$40,316 at December 31, 2023. 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

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and historical experience, the Company did not believe an allowance for credit loss was necessary as of December 31, 2023.

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 for expected credit losses.

The Company estimates an allowance for credit losses for all reinsurance recoverables, including those that inure to the Company and are not recognized on the consolidated balance sheet. As such, we perform a quantitative analysis using a probability of loss model approach to estimate expected credit losses for reinsurance recoverables. The credit loss allowance is a general allowance for pools of receivables with similar risk characteristics segmented by credit risk ratings. We assess reinsurance recoverables that do not share similar risk characteristics with the general population on an individual basis to determine a specific credit loss allowance.

The Company's model uses relevant historical loss information in developing our credit loss estimate. We utilized historical credit rating data to form an estimation of probability of default of counterparties by means of a transition matrix that provides the rates of credit migration for credit ratings. Model results may be qualitatively adjusted for current conditions and reasonable and supportable forecasts of future macroeconomic events and conditions if the Company concludes that these forward-looking expectations will have a significantly different impact on losses than is reflected in the historically-based model results over the entire expected life of the general pool of reinsurance exposures.

The Company estimated expected credit losses over the contractual term of the recoverable, which is the period during which we are exposed to the credit risk. Reinsurance recoverables may not have explicit contractual lives, but are tied to the underlying insurance products; as a result, we estimated the contractual life by utilizing actuarial estimates of the timing of payouts related to those underlying products.

Reinsurance recoverables are presented net of the allowance for credit losses and the allowance for credit loss on inuring reinsurance exposures is presented as a standalone liability within other reinsurance liabilities in the consolidated balance sheet. Changes in the allowance for credit losses are reported in Claims and policy benefits, net of reinsurance ceded on the consolidated statement of comprehensive income (loss). Reinsurance recoverables deemed uncollectible are charged against the allowance for credit losses.

Other Reinsurance Receivables and Liabilities

Other reinsurance receivables and liabilities primarily include reinsurance settlements not yet paid, but which generally settle quarterly. At December 31, 2023, other reinsurance receivables include reinsurance settlements due of \$5,802 and other reinsurance liabilities includes reinsurance

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settlements payables of \$4,587. As of December 31, 2023 other reinsurance liabilities also included \$19,613 of allowance for credit losses on inuring reinsurance.

Net 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 2023. 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 and losses on investments classified as trading and available for sale, 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 continued 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 asset and liability method on those operations that are subject to income taxes. Deferred tax assets and liabilities result from temporary differences between the carrying amounts of assets and liabilities recorded in the consolidated financial statements and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax rates would be recognized in the consolidated statement 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 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

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statement 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 on a modified coinsurance basis to be components of funds withheld with the liabilities included as components of reserves for future policy benefits and interest sensitive contract liabilities.

The Company considers all separate account assets ceded on a modified coinsurance basis to be components of funds held under reinsurance treaties with the ceded liabilities included as components of reinsurance recoverable.

Reserves for Future Policy Benefits

The Company's liabilities for direct life 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 consolidated statement of comprehensive income (loss). While the treatment of investments classified as "held to maturity" and "available for sale" in the determination of premium deficiency testing is explicitly addressed in existing U.S. GAAP guidance, the treatment of changes in market rates and related temporary unrealized gains and losses on securities classified as "trading" is not explicitly addressed. Accordingly, the Company has adopted an accounting policy that essentially assumes all the securities classified as trading had been sold at the measurement date at their stated aggregate fair value and the proceeds backing the liabilities are reinvested at current market yields. This treatment can result in a premium deficiency reserve that would be considered locked in which in turn the Company will need to amortize over the remaining life of the underlying business.

At December 31, 2020, the Company recorded a premium deficiency reserve. Due to the low interest rate environment at that time, the Company recognized temporary unrealized gains on its investments

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classified as trading of \$4,072,668 supporting business subject to the premium deficiency assessment, which resulted in a locked in premium deficiency reserve of \$451,400 that is amortized over the life of the business. Had the Company determined its premium deficiency reserves in accordance with the US GAAP guidance applicable to securities classified as “held to maturity”, it would not have recorded premium deficiency reserves as of December 31, 2023. Had the Company determined its premium deficiency reserves in accordance with the US GAAP guidance applicable to securities classified as “available for sale”, it would not have recorded premium deficiency reserves as of December 31, 2023 .

At December 31, 2023, the unamortized premium deficiency reserve recognized by the Company was \$413,934, with a related deferred tax asset of \$86,926. The amortization of the premium deficiency reserve during 2023 was \$12,639. No additional premium deficiency reserves were recorded in 2023.

For the portion of assets held at trading, unrealized appreciation on investments in a low interest rate environment may cause additional premium deficiency reserves to be recorded in the future through a charge directly to net income.

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

	2023
Traditional life insurance	3.68 %
Payout annuities with life contingencies	3.26 %
Accident and health, including long-term care	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 an embedded derivative that is not clearly and closely related to the host insurance contract. The embedded derivative is carried at fair value with changes in the fair value recognized within Interest credited to interest sensitive contract liabilities in the accompanying consolidated statement of comprehensive income (loss). At December 31, 2023, the fair value of these embedded derivatives was \$19,244, an increase of \$16,472 from December 31, 2022.

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, 2023 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.

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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 analyses 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 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 3.5% for all claims incurred prior to January 1, 2021, and 3.0% for claims incurred on or after January 1, 2021.

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 sheet. Fees earned on these contracts are reflected as policy fees and charges, as opposed to premiums, on the consolidated statement of comprehensive income (loss).

For annuity and interest-sensitive life contracts, premiums collected are not reported as revenues, but as deposits to insurance 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 3.79% during 2023.

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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 sheet at the date of acquisition at fair value, except for the reserves for future policy benefits and value of business acquired (VOBA), which are recorded at management's best estimate. Future policy benefit reserves are established based on the present value of benefits and maintenance expense minus the present value of valuation (or net) premiums.

VOBA represents the present value of future profits from the acquired contracts using the discount rate implicit in the pricing of such transactions. In establishing the VOBA, the Company considers costs which vary with and are primarily related to the acquisition to be part of the purchase price. Such costs include initial ceding allowances, advisory and legal fees, investment banking fees, and contractually obligated involuntary severance. Other costs incurred that are not contractually required, such as transition and conversion costs, financing costs, and severance are expensed as period costs. The Company amortizes VOBA in proportion to premiums for traditional life products and in proportion to EGPs for interest sensitive life and annuity contracts. The EGP's and related amortization of VOBA for interest sensitive life and annuity products are updated (unlocked) periodically to reflect revised assumptions for lapses, mortality and investment earnings including unrealized gains (losses) on investments classified as trading and available for sale. 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, 2023

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 fixed maturity 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 fixed maturity securities, credit

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losses should be measured in a manner similar to current GAAP; however, the update required that credit losses 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 completed the adoption of this new standard in 2023 under the modified retrospective method and has determined its adoption impact, solely applicable to reinsurance recoverable, to its consolidated financial statements was \$23,579 that was recognized in the beginning balance of retained earnings.

ASUs Issued But Not Adopted as of December 31, 2023

ASU 2023-09—Income Taxes (Topic 740): Improvements to Income Tax Disclosures - In December 2023, the FASB issued an accounting standard that amends the codification to enhance the transparency and decision usefulness of income tax disclosures. This ASU requires additional disaggregation of the reconciliation between the statutory and effective tax rate for an entity and of income taxes paid, both of which are disclosures required by current GAAP. The amendments improve the transparency of income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction.

The guidance is effective for annual periods beginning after December 15, 2025. Early adoption is 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 the first quarter of 2025, the Company will adopt ASU 2018-12, *Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts (ASU 2018-12)* which is effective January 1, 2025. ASU 2018-12 updates certain requirements for the accounting for long-duration insurance contracts.

- *Cash flow assumptions and measuring liability for future policy benefits*

ASU 2018-12 requires the Company to review its cash flow assumptions at least annually and update, when necessary, with the impact recognized in net income in the period of the change.

Upon adoption, there will be an adjustment to retained earnings as a result of capping the net premium ratio at 100% and eliminating negative reserves on certain issue year cohorts.

- *Discount rate*

The discount rate assumption is prescribed by ASU 2018-12 as an upper-medium (low credit risk) fixed-income yield and is required to be updated every quarter. The change in the liability as a result of updating the discount rate assumption is recognized in OCI.

Upon adoption, there will be an adjustment to accumulated other comprehensive income (AOCI) as a result of remeasuring in force contract liabilities using current upper-medium grade

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fixed income instrument yields. The adjustment will largely reflect the difference between discount rates locked-in at contract inception versus current discount rates at transition.

- *Deferred policy acquisition costs and similar balances*

DAC and other capitalized costs such as unearned revenue are amortized on a constant level or straight-line basis over the expected term of the contracts.

Upon adoption, the Company expects an adjustment to AOCI for the removal of cumulative adjustments to DAC associated with unrealized gains and losses previously recorded in AOCI.

- *Market risk benefits*

Market risk benefits, which are contracts or contract features that provide protection to the policyholder from capital market risk and expose the Company to other-than-nominal capital market risk, are measured at fair value. The periodic change in fair value is recognized in net income with the exception of the periodic change in fair value related to the instrument-specific credit risk, which is recognized in OCI.

Upon adoption, the Company expects an impact to (1) AOCI for the cumulative effect of changes in the instrument-specific credit risk between contract issue date and transition date and (2) retained earnings for the difference between fair value and carrying value at the transition date, excluding the changes in the instrument-specific credit risk.

The Company has elected to transition to the new guidance under the full retrospective approach with an election date of January 1, 2017. The following summarizes the estimated impact the adoption will have on previously reported amounts:

- *Stockholders' equity as of January 1, 2024 (the transition date):* The Company estimates the adoption of the new guidance will decrease reported retained earnings by approximately \$1,100, net of tax, and increase AOCI by approximately \$1,068,000, net of tax, as of the transition date of January 1, 2024.
- *Stockholders' equity as of December 31, 2024:* The Company estimates the adoption of the new guidance will decrease reported retained earnings by approximately \$58,000, net of tax, and increase AOCI by approximately \$1,571,000, net of tax, as of December 31, 2024.

The above estimates assume an effective tax rate of 21%. The Company has substantially completed the necessary updates to its valuation models and other systems to implement the standard. The actual impact of adoption, including the actual tax rates, will be finalized upon completion of the Company's disclosure and controls procedures regarding the adoption of the new guidance. Therefore, the Company's estimates are subject to change.

3. CLOSED BLOCK REINSURANCE

Effective July 1, 2023, WRAC entered into a reinsurance agreement (TLife Reinsurance Agreement) with Transamerica Life Insurance Company (TLife), to assume a block of secondary guarantee universal life insurance on a 100% coinsurance basis. The transaction closed on August 30, 2023. As of July 1, 2023 the

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block was comprised of 13,996 policies. TLife will retain responsibility for the administration of the block.

The Company entered into certain derivatives transactions to protect the block against declining interest rates which are discussed further in Note 5- *Derivative Financial Instruments*. In addition, the Company financed economic reserves from the transaction through RRE3 which is discussed further in Note -15 *Long-term and Other Debt*.

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

Assets

Fixed maturity securities available for sale at fair value	\$	797,541
Issuer obligations - non-affiliates held to maturity at amortized cost		433,229
Policy loans		530
Total investments		1,231,300
Cash and cash equivalents		271,109
Other assets		76,516

Total assets

\$ 1,578,925

Liabilities

Interest sensitive contract liabilities		1,069,180
Other debt		433,229
Net deferred income taxes		76,516

Total liabilities

\$ 1,578,925

The non-cash amounts summarized in the table above represent non-cash transactions that occurred during the year.

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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, as of December 31, are as follows:

			2023		
	Amortized Cost	Unrealized Gain	Unrealized Loss	Allowance for Credit Losses	Fair Value
Fixed maturities:					
Available-for-sale:					
U.S. government and agencies	\$ 2,359,868	\$ 7,632	\$ (66,666)	\$ —	\$ 2,300,834
State and political subdivisions	1,459,262	50,991	(1,482)	—	1,508,771
Foreign sovereign	29,900	27	(765)	—	29,162
Corporate securities	14,667,286	584,904	(41,367)	(5,843)	15,204,980
Residential mortgage-backed securities	837,803	8,491	(20,339)	(1,449)	824,506
Commercial mortgage-backed securities	1,072,769	7,940	(38,879)	(631)	1,041,199
Asset backed securities	1,214,313	29,434	(26,274)	(760)	1,216,713
Collateralized debt obligations	1,591,635	77,028	(13,898)	(1,204)	1,653,561
Other Invested Assets (Surplus debentures and Debt portion of collateral loans) ¹	1,015,396	16,232	(3,463)	—	1,028,165
Total available-for-sale	24,248,232	782,679	(213,133)	(9,887)	24,807,891
Trading:					
U.S. government and agencies	\$ 20,397	\$ (1)	\$ (3,142)	\$ —	\$ 17,254
State and political subdivisions	—	1	—	—	1
Corporate securities	77,220	39	(6,847)	—	70,412
Residential mortgage-backed securities	1,533	1	(234)	—	1,300
Commercial mortgage-backed securities	3,520	(1)	(163)	—	3,356
Asset backed securities	4,945	7	(448)	—	4,504
Collateralized debt obligations	1,660	—	(96)	—	1,564
Other Invested Assets (Surplus debentures and Debt portion of collateral loans) ¹	250	4	—	—	254
Total trading:	109,525	50	(10,930)	—	98,645
Total fixed maturities	24,357,757	782,729	(224,063)	(9,887)	24,906,536
Preferred stock	758,061	4,325	(92,436)	—	669,950
Common stock	63,293	—	(1,154)	—	62,139
Total fixed maturity and equity securities	\$ 25,179,111	\$ 787,054	\$ (317,653)	\$ (9,887)	\$ 25,638,625

¹Included in Other Invested Assets line on the Balance Sheet

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The unrealized loss and fair values by investment category and by the duration of fixed maturity securities for which an allowance for credit loss has not been recorded and equity securities in a continuous unrealized loss position at December 31, are as follows:

	2023					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Fixed maturities:						
Available-for-sale:						
U.S. government and agencies	\$ 1,966,946	\$ (66,666)	\$ —	\$ —	\$ 1,966,946	\$ (66,666)
State and political subdivisions	117,601	(1,482)	—	—	117,601	(1,482)
Foreign sovereign	26,672	(765)	—	—	26,672	(765)
Corporate securities	1,730,213	(41,058)	—	—	1,730,213	(41,058)
Residential mortgage-backed securities	500,124	(17,792)	—	—	500,124	(17,792)
Commercial mortgage-backed securities	579,093	(38,351)	—	—	579,093	(38,351)
Asset-backed securities	425,373	(25,584)	—	—	425,373	(25,584)
Collateralized debt obligations	301,022	(13,898)	—	—	301,022	(13,898)
Other Invested Assets (Surplus debentures and Debt portion of collateral loans) ¹	265,622	(3,463)	—	—	265,622	(3,463)
Total available-for-sale	5,912,666	(209,059)	—	—	5,912,666	(209,059)
Trading:						
U.S. government and agencies	\$ —	\$ —	\$ 17,254	\$ (3,142)	\$ 17,254	\$ (3,142)
State and political subdivisions	—	—	—	—	—	—
Foreign sovereign	—	—	—	—	—	—
Corporate securities	1,495	(4)	66,886	(6,843)	68,381	(6,847)
Residential mortgage-backed securities	—	—	1,298	(234)	1,298	(234)
Commercial mortgage-backed securities	(1)	—	3,107	(163)	3,106	(163)
Asset-backed securities	521	(36)	3,758	(412)	4,279	(448)
Collateralized debt obligations	—	—	1,564	(96)	1,564	(96)
Total trading	2,015	(40)	93,867	(10,890)	95,882	(10,930)
Total fixed maturities	5,914,681	(209,099)	93,867	(10,890)	6,008,548	(219,989)
Preferred stock	70,500	(2,797)	459,303	(89,639)	529,803	(92,436)
Common stock	7,003	(49)	28,847	(1,105)	35,850	(1,154)
Total fixed maturity and equity securities	<u>\$ 5,992,184</u>	<u>\$ (211,945)</u>	<u>\$ 582,017</u>	<u>\$ (101,634)</u>	<u>\$ 6,574,201</u>	<u>\$ (313,579)</u>

¹Included in Other Invested Assets line on the Balance Sheet

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At December 31, 2023, 89 fixed maturity securities, for which an allowance for credit loss had not been recognized, with a total unrealized loss of \$10,890 had been in an unrealized loss position for twelve months or more. Of those securities in an unrealized loss of twelve months or more, 1 security had fair values below 70% of book value with a total unrealized loss of \$78. The Company does not expect to sell, and it is not more likely than not that the Company would be required to sell, the AFS securities displayed above for which it has not recognized an allowance for credit loss, as of the dates indicated. Unrealized losses are primarily driven by changes in risk-free interest rates and credit spreads.

The following tables set for the activity in the allowance for credit losses for fixed maturity AFS securities, as of the date indicated:

	Year Ended December 31, 2023				
	Corporate securities	Residential mortgage-backed securities	Commercial mortgage-backed securities	Asset-backed securities	Collateralized debt obligations
Balance, beginning of period	—	—	—	—	—
Additions to the allowance for credit loss not previously recorded	(5,843)	(1,449)	(631)	(760)	(1,204)
Reductions for securities sold during the period	—	—	—	—	—
Reductions for securities with intent or expectation to sell	—	—	—	—	—
Additions (reductions) on securities with an allowance for credit loss previously recorded	—	—	—	—	—
Balance, end of period	(5,843)	(1,449)	(631)	(760)	(1,204)

Contractual maturities of the Company's fixed maturity securities as of December 31, 2023, 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 prepayment penalties.

	Amortized Cost	Fair Value
One year or less	\$ 145,359	\$ 145,217
One through five years	2,203,532	2,212,402
After five through ten years	2,530,071	2,594,036
After ten through twenty years	6,842,288	7,033,786
After twenty years	8,882,580	9,148,643
Residential mortgage-backed securities	839,336	825,806
Commercial mortgage-backed securities	1,076,289	1,044,555
Asset-backed securities	1,219,258	1,221,217
Collateralized debt obligations	1,593,295	1,655,125
Total fixed maturities	<u>\$ 25,332,008</u>	<u>\$ 25,880,787</u>

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Credit ratings of the Company's fixed maturity securities as of December 31, 2023, 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.

	2023	
	Amortized Cost	Fair Value
AAA	\$ 786,005	\$ 796,811
AA	5,635,153	5,627,667
A	8,820,314	9,047,881
BBB	8,359,790	8,645,601
BB	1,312,616	1,358,507
B	296,953	287,895
CCC or lower and unrated	121,177	116,425
Total fixed maturities	<u>\$ 25,332,008</u>	<u>\$ 25,880,787</u>

The Company's largest five exposures by issuer as of December 31, 2023, were Glam Milhsg Fee LLC, Berkshire Hathaway Inc., Morgan Stanley, Prudential Financial, Inc., and Tcfc Pc Leaseco LP each of which comprised less than 0.7%, and in aggregate comprised 2.1%, of total investments.

At December 31, 2023, fixed maturity securities of \$40,341 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.

WILTON RE LTD. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****AS OF AND FOR THE YEAR END DECEMBER 31, 2023****(Amounts in thousands of US dollars, except share amounts)**

Investment Earnings—Net

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

	2023
Fixed maturity and equity securities	\$ 1,561,349
Commercial mortgage loans	53,829
Policy loans	25,311
Funds withheld at interest	58,704
Short-term investments and cash and cash equivalents	35,545
Life settlement contracts	9,541
Other invested assets	173,557
Investment income	<u>1,917,836</u>
Investment income ceded on funds withheld	(9,930)
Investment expense	(44,020)
Interest on secured borrowing	(1,469)
Investment income—net	<u>1,862,417</u>
Realized gains on fixed maturity securities classified as AFS	27,704
Realized gains on all other investments	11,147
Realized losses on fixed maturity securities classified as AFS	(50,170)
Realized losses on all other investments	(53,107)
Realized gains on funds withheld at interest	6,770
Realized losses on funds withheld at interest	(10,523)
Investment earnings—net	<u>\$ 1,794,238</u>

The proceeds from sales of fixed maturities classified as AFS for the year end December 31, 2023 was \$1,068,490.

WILTON RE LTD. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****AS OF AND FOR THE YEAR END DECEMBER 31, 2023****(Amounts in thousands of US dollars, except share amounts)****Commercial Mortgage Loans (CMLs)**

Commercial mortgage loans (CMLs) represented approximately 3.25% of the Company's investments as of December 31, 2023. The amortized cost, fair value, and the related gross unrealized gain (loss) are as follows:

	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
December 31, 2023	\$ 1,275,937	\$ 89	\$ (109,809)	\$ 1,166,217

The unrealized loss and fair values by the duration of the CMLs in a continuous unrealized loss position 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, 2023	\$ 242	\$ (2)	\$ 1,140,658	\$ (109,807)	\$ 1,140,900	\$ (109,809)

No valuation allowances were recorded in 2023.

The Company's CML portfolio is collateralized by a variety of commercial real estate property types located across the United States. The principal geographic distributions as of December 31 are shown below. No other state represented more than 5% of the portfolio.

Percentage of Loan Portfolio Fair Value	2023
California	17.7 %
New York	12.7
New Jersey	7.5
Texas	5.7
Tennessee	5.5
Utah	5.3
Virginia	4.8

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The types of properties collateralizing the CMLs as of December 31 are as follows:

Percentage of Loan Portfolio Fair Value	2023
Multifamily	29.0 %
Other commercial	26.3
Office buildings	16.8
Retail	16.2
Industrial	11.7
Total	100.0 %

The contractual maturities of the CML portfolio as of December 31, 2023, are as follows:

	Number of Loans	Fair Value	Percent
2024	15	\$ 70,930	6.1 %
2025	42	285,601	24.5
2026	12	74,710	6.4
2027	7	17,573	1.5
2028	9	73,524	6.3
Thereafter	95	643,879	55.2
Total	180	\$ 1,166,217	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, 2023 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 following table reflects the distribution of the Company's CMLs across these two risk and quality measures as of December 31, 2023:

Loan-to-Value Ratios	Debt Service Coverage Ratio					Total
	Less than 1.0	1.0 to 1.25	1.26 to 1.5	1.51 to 1.75	Above 1.75	
Less than 50%	\$ —	\$ 3,030	\$ 48,751	\$ 59,394	\$ 462,871	\$ 574,046
50% to 60%	—	42,055	7,040	206,292	122,529	377,916
60% to 75%	—	35,148	18,773	7,290	119,165	180,376
Above 75%	—	—	—	—	33,879	33,879
Total	\$ —	\$ 80,233	\$ 74,564	\$ 272,976	\$ 738,444	\$ 1,166,217

WILTON RE LTD. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****AS OF AND FOR THE YEAR END DECEMBER 31, 2023****(Amounts in thousands of US dollars, except share amounts)**

Life Settlement Contracts—Direct Investment

The Company uses an actuarial model to estimate the aggregate face amount of life insurance that are expected to settle in each future year and the corresponding fair value. This model projects the likelihood of the insured's death for each inforce policy based upon the estimated mortality rates, which may vary due to the relatively small size of the portfolio of life settlement contracts. The number of life settlement contracts presented in the following table is based upon the average face amount of inforce policies estimated to settle in each future year:

	Number of Contracts	Face Amount of Policies	Fair Value
2024	1	\$ 5,000	\$ 4,435
2025	8	21,250	12,162
2026	31	83,451	47,231
2027	20	68,335	29,083
2028	14	32,411	9,816
Thereafter	26	61,468	15,206
Total	100	\$ 271,915	\$ 117,933

Policy Loans

Policy loans comprised approximately 1.0% of the Company's investments as of December 31, 2023. These policy loans present minimal credit risk because the amount of the loan cannot exceed the obligation due the ceding company or the policyholder 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.

WILTON RE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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5. DERIVATIVE FINANCIAL INSTRUMENTS

Equity Derivatives

The Company hedges certain portions of its exposure to product-related equity market risk by entering into transactions involving the purchase and sale of options. These derivative instruments are recognized within funds withheld at interest and other invested assets in the accompanying consolidated balance sheet at fair value.

Interest Rate Swaps

Interest rate swaps are used by the Company primarily to reduce market risks from changes in interest rates, to alter interest rate exposure arising from mismatches between assets and liabilities (duration mismatches) and to manage the risk of cash flows of liabilities that are variable based on a benchmark rate. With an interest rate swap, the Company agrees with another party to exchange, at specified intervals, the difference between two rates, which can be either fixed-rate or floating-rate interest amounts, tied to an agreed-upon notional principal amount. These transactions are executed pursuant to master agreements that provide for a single net payment or individual gross payments at each due date.

2020 Interest Rate Swap - Credit Facility

In March 2020, the Company entered into an interest rate swap in order to exchange floating for fixed cash flows related to the Company's five-year credit facility with Wells Fargo. These economic hedges are recognized within other assets or other liabilities in the accompanying consolidated balance sheets at fair value. The swap matured in October 2023, with a gain recognized upon maturity of \$483.

2023 Interest Rate Swap - Term Facility : borrowing at WRUS

In March 2023, the Company entered into an interest rate swap with US Bank in order to exchange floating for fixed cash flows related to its Term Facility borrowing at WRUS. The swap has a notional amount of \$250,000 that matures in March 2026, with the Company receiving a floating leg of one-month SOFR and paying a fixed leg of 3.67%. As of December 31, 2023, there was no collateral posted related to this swap.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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2021 Interest Rate Swap

The Company hedges the reinvestment risk from declining interest rates for assets supporting certain products. To hedge this risk, the Company entered into a 30-year cancellable interest rate swap and a 10-year forward starting 30-year cancellable interest rate swap in 2021, in both of which, the Company receives fixed and pays floating. The program totals \$750,000 in notional amount, split between three counterparties (\$550,000 with US Bank and \$100,000 with PNC Bank and Scotiabank respectively). These derivative instruments are recognized within other liabilities in the accompanying consolidated balance sheet at fair value. As of December 31, 2023 the Company had posted cash collateral of \$192,079 related to the swaps.

2023 Interest Rate Swap - Reinsurance 1

The Company hedges the risk of declining interest rates related to the insurance liabilities reinsured from Transamerica Life insurance Company to Wilton Reassurance Company. To hedge this risk, the Company entered into a 30-year cancellable interest rate swap in August of 2023 in which the Company receives fixed and pays floating. The Reinsurance 1 interest rate swap totals \$600,000 in notional amount, split between two counterparties (\$400,000 with Bank of Nova Scotia and \$200,000 with PNC Bank). These derivative instruments are recognized within other liabilities in the accompanying consolidated balance sheet at fair value. As of December 31, 2023 the Company had received \$14,459 in posted cash collateral related to the swaps.

The change in fair value is recognized in the change in value of derivatives and embedded derivatives, net, in the consolidated statement of comprehensive income (loss). At December 31, 2023, the fair value of these derivatives included:

Derivatives not designated as hedging instruments under Subtopic 815-20	Balance Sheet Location	Derivatives Assets	Derivative Liabilities
		2023	2023
		Fair Value	Fair Value
Equity contracts	Other Invested assets	\$ 13,245	\$ —
Equity contracts	Funds held at interest	20,528	—
Interest rate contracts	Other assets	1,589	—
Equity contracts	Other liabilities	—	7,318
Interest rate contracts	Other liabilities	—	186,198
Total Derivatives		\$ 35,362	\$ 193,516

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A summary of the effect of derivatives on the Company's consolidated statement of comprehensive income (loss) for the year end December 31, 2023

Derivatives not designated as hedging instruments under Subtopic 815-20	Location of Unrealized Gain (Loss) Recognized in Income	Amount of Unrealized Gain (Loss) Recognized in Income on Derivatives	
		2023	
Equity contracts	Change in value of derivatives and embedded derivatives - net	\$	15,923
Interest rate contracts	Change in value of derivatives and embedded derivatives - net		(27,424)
Total unrealized gain (loss)		\$	(11,501)

Derivatives not designated as hedging instruments under Subtopic 815-20	Location of Realized Gain (Loss) Recognized in Income	Amount of Realized Gain (Loss) Recognized in Income on Derivatives	
		2023	
Equity Contracts	Investment earnings - net		(1,621)
Total realized gain (loss)		\$	(1,621)

The following table presents the notional amounts and fair value of derivative instruments as of December 31, 2023:

		December 31, 2023		
	Primary Underlying Risk	Notional Amount	Carrying Value / Fair Value	
			Assets	Liabilities
Derivatives not designated as hedging instruments:				
Interest rate swaps	Interest rate	\$ 787,500	\$ —	\$ 186,198
Equity options	Equity	\$ 218,379	13,245	\$ 7,318
Embedded derivatives in:				
Funds withheld arrangements		\$ 754,500	22,117	—
Total derivatives		\$ 1,760,379	\$ 35,362	\$ 193,516

WILTON RE LTD. AND SUBSIDIARIES

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6. CONCENTRATION OF CREDIT RISK

As of December 31, 2023, substantially all of the Company's cash, cash equivalent and short-term investments were held in five and six, respectively, financial institutions that the Company considers being of high credit quality.

7. FUNDS WITHHELD AT INTEREST AND FUNDS HELD UNDER REINSURANCE TREATIES

Funds withheld at Interest

Funds withheld at interest comprised approximately 14.5% of the Company's total investments as of December 31, 2023. 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 sheet are comprised of the following:

	2023
Segregated portfolio assets - general account	\$ 1,429,436
Segregated portfolio assets - separate account	3,717,197
Non-segregated portfolio assets	73,141
Funds withheld at interest	<u>\$ 5,219,774</u>

The disclosures that follow are for the segregated portfolio—general account only and exclude other invested assets, short-term investments, and cash of \$99,087 as of December 31, 2023. 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.

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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 are as follows:

2023	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Fixed maturities:				
U.S. government and agencies	\$ 102,788	\$ 444	\$ (18,667)	\$ 84,565
State and political subdivisions	61,048	1,176	(3,578)	58,646
Foreign sovereign	3,507	—	(779)	2,728
Corporate securities	925,109	9,132	(78,444)	855,797
Residential mortgage-backed securities	136,977	454	(13,187)	124,244
Commercial mortgage-backed securities	108,319	139	(13,834)	94,624
Asset backed securities	56,745	96	(5,556)	51,285
Collateralized debt obligations	49,195	5	(1,390)	47,810
Total fixed maturities	1,443,688	11,446	(135,435)	1,319,699
Preferred stock	10,753	513	(624)	10,642
Common stock	—	8	—	8
Total fixed maturity and equity securities	<u>\$ 1,454,441</u>	<u>\$ 11,967</u>	<u>\$ (136,059)</u>	<u>\$ 1,330,349</u>

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 funds withheld at interest at December 31 are as follows:

	2023					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized	Fair Value	Unrealized	Fair Value	Unrealized
Fixed maturities:						
U.S. government and agencies	\$ 7,996	\$ (378)	\$ 70,180	\$ (18,289)	\$ 78,176	\$ (18,667)
State and political subdivisions	7,684	(292)	30,194	(3,286)	37,878	(3,578)
Foreign sovereign	—	—	2,728	(779)	2,728	(779)
Corporate securities	75,234	(2,432)	624,998	(76,012)	700,232	(78,444)
Residential mortgage-backed	19,217	(362)	85,792	(12,825)	105,009	(13,187)
Commercial mortgage-backed	3,934	(57)	81,367	(13,777)	85,301	(13,834)
Asset-backed securities	443	(5)	46,154	(5,551)	46,597	(5,556)
Collateralized debt obligations	—	—	45,305	(1,390)	45,305	(1,390)
Total fixed maturities	114,508	(3,526)	986,718	(131,909)	1,101,226	(135,435)
Preferred stock	289	(12)	5,824	(612)	6,113	(624)
Common stock	—	—	—	—	—	—
Total fixed maturity and equity	<u>\$ 114,797</u>	<u>\$ (3,538)</u>	<u>\$ 992,542</u>	<u>\$ (132,521)</u>	<u>\$ 1,107,339</u>	<u>\$ (136,059)</u>

At December 31, 2023, 986 fixed maturity investments with a total unrealized loss of \$131,909 had been in an unrealized loss position for twelve months or more. Of those securities in an unrealized loss

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position for twelve months or more, 65 securities had a fair value below 70% of book value with a total unrealized loss of \$22,208.

The contractual maturities of the segregated portfolio—general account's fixed maturity securities supporting funds withheld at interest as of December 31, 2023, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
One year or less	\$ 31,586	\$ 31,297
One through five years	289,909	282,396
After five through ten years	221,626	201,060
After ten through twenty years	334,073	302,710
After twenty years	215,258	184,273
Residential mortgage-backed securities	136,977	124,244
Commercial mortgage-backed securities	108,319	94,624
Asset-backed securities	56,745	51,285
Collateralized debt obligations	49,195	47,810
Total fixed maturities	<u>\$ 1,443,688</u>	<u>\$ 1,319,699</u>

Funds Held under Reinsurance Treaties

The funds held under reinsurance treaties liability balance of \$341,879 as of December 31, 2023, is comprised of reinsurance ceded to unaffiliated third parties.

8. REINSURANCE CEDED

For the year ending December 31, 2023, the Company had reinsurance agreements with nonaffiliates.

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 of business.

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. Expected credit losses recognized in the allowance for credit loss for the period along

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with the changes thereof from the prior period related to reinsurance recoverable balances and inuring reinsurance exposures are:

	<u>2023</u>
Balance, beginning of period	\$ —
Cumulative adjustment for adoption of credit loss accounting standard	26,529
Provision for credit losses	—
Write-offs	(1,596)
Balance, end of period	<u>\$ 24,933</u>

The Company notes that the writeoff shown above represents a portion of the allowance for credit loss that was recognized upon adoption of *ASU 2016-13—Financial Instruments—Credit Losses (Topic 326)* related to Scottish Re. The remaining net assets related to Scottish Re were written down directly to earnings.

Scottish Re

Scottish Re US Inc., a Delaware domiciled life and health reinsurer (Scottish Re), ceased writing new business in 2008. The blocks of reinsurance were managed under the terms of the treaties until continued deterioration of their financial condition forced Scottish Re into receivership in March 2019. On July 6, 2023, the Scottish Re Board of Directors unanimously consented to the entry of a Liquidation Order and waived formal service and hearing on the Motion. The Court issued a Liquidation and Injunction Order on July 18, 2023. Following that order, all reinsurance treaties with Scottish Re were cancelled effective September 30, 2023. As of December 31, 2023, the Company has no GAAP reserves ceded associated with its prior exposure to Scottish Re.

Prior to 2023, the Company expected a probable loss given the prior receivership status and that Scottish Re had reported assets that were less than liabilities, and therefore, the Company recorded a contingent liability of \$15,000 as of December 31, 2022, within other liabilities of the consolidated balance sheet. The Company released that contingent liability as of December 31, 2023.

As a result of the commutation, at September 30, 2023, the Company's reserves for future policy benefits increased \$29,399, value of in-force business acquired increased \$898 and the Company recorded an asset transfer receivable of \$21,275 within other assets of the consolidated balance sheet.

The Company estimates recovery of outstanding receivables from the Liquidator to be 60% of original value so impaired the outstanding paid recoverables of \$33,651 by \$13,460 to \$20,191 and the asset transfer receivable of \$21,275 by \$8,510 to \$12,765. No changes were made to these assumptions during 2023. The Company expects the recovery process to extend into 2025.

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Reinsurance recoverable

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, 2023 :

2023 Reinsurer	A.M. Best Rating	Amount	% of Total
Non-affiliate:			
Reinsurer A	A+	\$ 330,765	39 %
Reinsurer B	A+	111,279	13 %
Reinsurer C	A+	60,173	7 %
Reinsurer D	A	85,211	10 %
Reinsurer E	A	81,057	9 %
Other reinsurers		185,732	22 %
Total		<u>\$ 854,217</u>	<u>100 %</u>

Included in the total reinsurance recoverable balance were \$67,126 of claims recoverable, of which \$1,000 were in excess of 90 days past due, as of December 31, 2023, but were deemed collectible.

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

	2023
Direct	\$ 164,399
Reinsurance assumed	280,876
Reinsurance ceded	(94,313)
Net premiums	<u>\$ 350,962</u>

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

	2023
Direct	\$ 665,346
Reinsurance assumed	498,333
Reinsurance ceded	(54,464)
Claims and policy benefits - net of reinsurance ceded	<u>\$ 1,109,215</u>

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

	Direct	Assumed	Ceded	Net
December 31, 2023	<u>\$ 95,355,252</u>	<u>\$ 75,215,820</u>	<u>\$ (11,736,263)</u>	<u>\$ 158,834,809</u>

WILTON RE LTD. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****AS OF AND FOR THE YEAR END DECEMBER 31, 2023****(Amounts in thousands of US dollars, except share amounts)****9. DEFERRED ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED**

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

	2023
Beginning of year	\$ 632,446
Capitalized	72,086
Amortized	(1,556)
Attributable to realized/unrealized gains and losses	(12,457)
Impact of unlocking	(2,049)
End of year	<u>\$ 688,470</u>

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

	2023
Beginning of year	\$ 1,309,425
Amortized	(63,442)
Attributable to realized / unrealized gains and losses	(64,886)
Impact of unlocking	7,243
End of year	<u>\$ 1,188,340</u>

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

2024	\$ 49,233
2025	46,048
2026	45,954
2027	48,931
2028 and thereafter	48,382

10. INCOME TAXES

WRL is not subject to taxes in Canada on income or realized capital gains. Wilton Re US Holdings, its subsidiaries, and WREB are subject to income taxes imposed by US authorities. WREB became a US taxpayer as of January 1, 2018.

The Corporate Income Tax 2023 was enacted in Bermuda on December 27, 2023. Following a five-year exclusion period, the Company's Bermuda entities expect to be subject to the new tax regime starting from January 1, 2030, at a rate of 15% reduced by creditable foreign taxes. The deferred taxes on the balance sheet have been calculated using the enacted rate for temporary differences that will be reversed once the regime comes into effect. However, a net deferred tax asset of approximately \$606,947 related to transition tax adjustments has been reduced to zero by a valuation allowance to

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reflect that no incremental benefit is expected to be realized because of the availability of credits for US income taxes to offset the Bermuda tax liability.

At December 31, 2023, the Company had US net operating loss and tax credit carryforwards of approximately 542,919, which do not have an expiration date and can be carried forward indefinitely. The Company expects to utilize all the net operating losses. An additional valuation allowance of \$1,753 at December 31, 2023 reflects capital losses generated which is not expected to be utilized in the carrybacks period or the foreseeable future. In addition, the Company has \$12,739 of capital losses eligible for carryforward which will begin to expire in 2026.

Income tax expense attributable to income from operations for the years ended December 31 is as follows:

	2023
Current tax expense (benefit)	\$ 22,642
Deferred tax expense (benefit)	<u>112,949</u>
Income tax expense (benefit)	<u><u>\$ 135,591</u></u>

WILTON RE LTD. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****AS OF AND FOR THE YEAR END DECEMBER 31, 2023****(Amounts in thousands of US dollars, except share amounts)**

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

	2023
Computed expected tax benefit	\$ (66,600)
Foreign loss not subject to U.S. tax	200,772
Withholding on foreign dividend	2,398
Other	(979)
Income tax expense (benefit)	<u>\$ 135,591</u>

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

	2023
Deferred income tax assets:	
Reserves for future policy benefits	\$ 695,568
Net operating losses	115,682
Capital losses carry forward	12,885
Nondeductible accruals	26,281
Investments	839,219
Differences between tax and financial reporting bases concerning certain reinsurance transactions	81,273
Bermuda Economic Transition Adjustment	606,948
Other	4,276
Total deferred tax assets	<u>2,382,132</u>
Deferred income tax liabilities:	
Deferred acquisition costs/value of business acquired	(247,319)
Total deferred tax liabilities	<u>(247,319)</u>
Valuation allowance	(608,701)
Net deferred tax asset	<u>\$ 1,526,112</u>

Under the Canada-US tax treaty, the Company is subject to a 5% withholding tax on certain dividends and no withholding tax on interest received from Wilton Re US Holdings. Any distributions will be subject to 5% withholding tax to the extent there are current or accumulated earnings and profits.

WREB's federal income tax returns for tax years 2020–2023 are open and subject to examination.

The Inflation Reduction Act enacted the Corporate Alternative Minimum Tax (CAMT) on August 16, 2022. For applicable corporations that report over \$1 billion in profits to shareholders, the act includes a 15% CAMT based on net income. As of December 31, 2023 the Company does not meet the average "adjusted financial statement income" threshold for CAMT purposes. As such, the Company is a nonapplicable reporting entity and not subject to CAMT in 2023.

As of December 31, 2023, the Company had no unrecognized tax benefits.

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11. STATUTORY REQUIREMENTS AND DIVIDEND RESTRICTIONS

The Company's insurance and reinsurance subsidiaries are subject to insurance laws and regulations in the jurisdictions 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.

WREB and WROL are subject to insurance laws and regulations of Bermuda. These regulations include restrictions that limit the amount of dividends or other distributions available to shareholders without prior approval of the insurance regulatory authorities. WREB and WROL are to obtain the Bermuda Monetary Authority (BMA) prior approval before paying any dividends based on Statutory Financial modifications approved under Section 6C(1) of the Insurance Act 1978.

Under Bermuda law, the following statutory conditions must all be met prior to a distribution to shareholders:

1. The value of the assets backing the Company's insurance liabilities, as certified by the Company's approved actuary, must be greater than the Company's reserves (also certified) after the distribution (Insurance Act, Section 24);
2. Company must be solvent after payment of the dividend, i.e. the realizable value of its assets must be greater than its liabilities (Companies Act, Section 54);
3. BMA approval is required for dividends exceeding 25% of the Company's statutory capital and surplus, per its previous year's statutory balance sheet (Insurance Act, Section 31B);
4. BMA approval is required for any distribution exceeding 15% of the Company's statutory capital, per its previous year's statutory financial statements (Insurance Act, Section 31C); and,
5. After the distribution, the Company's capital must be above regulatory margins (Insurance Act, Sections 31B and 31C).

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, 2023, all of the Company's United States domiciled 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 can currently pay dividends of \$0 in 2024 without prior regulatory approval, but is subject to change based on any increase in unassigned surplus during 2024.

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 its surplus to policyholders as of the immediately preceding calendar year or net

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income less realized gains of the preceding year, which may be further limited. In addition, dividends must be paid from earned surplus, defined as an amount equal to an insurer's positive unassigned surplus, excluding 85% of the change in net unrealized capital gains or losses less capital gain tax, for the immediately preceding calendar year. WRNY can pay dividends of \$37,783 in 2024 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 \$32,007 in 2024 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 can pay dividends of \$0 in 2024 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.

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

		2023
Wilton Reinsurance Bermuda Limited	\$	1,165,125
Wilton Re Overseas Limited	\$	294,992
Wilton Reassurance Company	\$	1,056,455
Wilton Reassurance Life Company of New York	\$	311,675
Texas Life Insurance Company	\$	201,590
Wilcac Life Insurance Company	\$	224,675
Redding Reassurance Company 3 LLC	\$	151,325

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

		2023
Wilton Reinsurance Bermuda Limited	\$	131,362
Wilton Re Overseas Limited	\$	39,435
Wilton Reassurance Company	\$	464,605
Wilton Reassurance Life Company of New York	\$	51,577
Texas Life Insurance Company	\$	26,967
Wilcac Life Insurance Company	\$	(8,555)
Redding Reassurance Company 3 LLC	\$	(401,809)

12. INCENTIVE PLANS

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 performance indicators apply over a performance period of three or four years, depending on the plan, and consist of financial targets set by the Board of Directors. The Company incurs charges related to these performance awards which include multiple incentive programs; a Long-Term Incentive Program (LTIP) initiated in 2014, as well as an Equity Incentive Program (EIP) and an Equity Participation Plan (EPP) initiated in 2022. These incentive programs vest over varying periods of time between one and four years, after which final unit values are determined based on actual performance.

The program expense is recognized ratably over the requisite performance period as a component of operating expenses. At December 31, 2023 included within other liabilities of the accompanying consolidated balance sheet, is the Company's payable of \$99,498, resulting in incurred expenses of \$42,582 for the year end 2023, related to awards vesting in 2023, 2024, 2025, 2026, and 2027. The Company paid \$60,577 for the year end 2023 .

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13. FUNDING AGREEMENTS

As a member of the Federal Home Loan Bank of Des Moines (FHLBDM), WRAC has the ability to borrow on a collateralized basis from the FHLBDM. As a condition of membership in the FHLBDM, a company is required to hold certain minimum amounts of FHLBDM common stock, and additional amounts based on the amount of the borrowings. At December 31, 2023, the carrying value of the FHLBDM common stock was \$10,000.

At December 31, 2023, WRAC did not have any assets pledged as collateral to support FHLBDM financing.

Due to the change of domicile related to the merger of Wilco Life Insurance Company (WLCO) into WCAC in 2020, WCAC is no longer eligible to be a member of the Federal Home Loan Bank of Indianapolis (FHLBI), to which WLCO was a member, and WCAC no longer has the ability to borrow on a collateralized basis from FHLBI. Companies are required to hold a certain amount of FHLBI common stock as a member in the FHLBI. Since the withdrawal was effective December 31, 2020 and the notification period is five years, the member stock is eligible for redemption on December 31, 2025. The Company expects to redeem \$15,649 by December 31, 2025. On February 24, 2022, FHLBI initiated a partial stock redemption in the amount of \$3,299.

At December 31, 2023, WCAC did not have any assets pledged as collateral to support FHLBI financing.

14. COMMITMENTS AND CONTINGENCIES

Funding of Investments

The Company's commitments to fund investments as of December 31 are presented as follows:

	2023	
	Commitment	Unfunded
Limited Partnerships	\$ 2,479,707	\$ 617,695

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 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, 2023, was \$16,748,061.

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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.

15. LONG-TERM AND OTHER DEBT

Long-Term Debt

The balances of the Company's long-term debt for as of December 31, 2023, are as follows:

	2023
Liquidity facilities	\$ 330,000
Fixed-to-Floating Rate Senior Notes	—
Term Loan	250,000
Long-term debt	<u>\$ 580,000</u>

As discussed in Note 5, the Company has entered into derivative agreements in order to exchange floating for fixed cash flows on certain debt arrangements.

Liquidity Facilities

In September 2021, WRL, along with Wilton Re US Holdings, extended its existing five-year \$500,000 senior revolving credit facility (Wells Fargo Facility I) by 3 years, with a new expiry in 2026 with a syndicate of lenders. The facility includes a \$100,000 letter of credit sublimit. The applicable margin for base rate loans ranged from 0.125% to 0.75%. The applicable margin for LIBOR loans/ CDOR Loans/ SOFR Loans ranged from 1.125% to 1.75%. Any amounts borrowed could be repaid at any time without prepayment penalty. In September 2022, the Wells Fargo Facility I was amended to, among other things, remove the LIBOR rate option for Borrowings thereunder.

In September 2023, WRL, along with its subsidiaries, renewed its 364-day \$500,000 senior revolving credit facility (Wells Fargo Facility II) with a syndicate of lenders. 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 0.125% to 0.75%. The applicable margin for SOFR Loans ranges from 1.125% to 1.75%. The outstanding January 1, 2023, balance of \$75,000 was repaid during 2023 and there was no outstanding borrowing for this facility at December 31, 2023.

During 2023, the Company borrowing under these facilities increased to \$410,000 which was reduced to \$330,000 by December 31, 2023. The Company incurred interest of \$28,364, of which \$28,512 was paid, recorded as interest expense on the consolidated statement of comprehensive income (loss).

The Company obtains letter of credits (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.

LOCs issued under the facilities may be collateralized by qualifying cash and securities (liquid collateral). At December 31, 2023, there were approximately \$38,076, of outstanding bank LOCs issued by the Company under the facilities that were collateralized. The market value of the collateral held by the

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Company at December 31, 2023 was \$48,910. In addition, at December 31, 2023, there were approximately \$220,000 of outstanding bank LOC's issued by the Company under the facilities that were not collateralized.

Fixed-to-Floating Rate Senior Notes

In April 2013, Wilton Re Finance LLC (WRFL) consummated the sale of a \$300,000 144A notes offering (of which \$50,000 had been purchased by WRSI and eliminated in consolidation). The notes were unconditionally guaranteed on a senior, unsecured basis jointly and severally by WRL and Wilton Re US Holdings. The notes were 5.875% fixed-to-floating rate senior notes due 2033. The notes paid fixed interest semi-annually in arrears on March 30 and September 30 until March 30, 2023, at a rate of 5.875%. On March 30, 2023, the Company elected to redeem the Notes in full at 100% of the principal amount using the Term Facility as described below. With the redemption of the notes, WRFL was dissolved on October 11, 2023. During 2023, interest of \$3,672 was paid and recorded as interest expense on the consolidated statement of comprehensive income (loss).

Term Facility

On March 28, 2023, the Company borrowed \$250,000 under a new term facility with a syndicate of banks led by US Bank (Term Facility). These funds were used to redeem the Notes as described above. The interest rate for this borrowing is set at SOFR plus the applicable margin that is determined according to a sliding scale based upon the financial strength ratings of WRAC, WREB and ivari. The applicable margin under the Term Facility ranges from 1.375% to 2.000% until March 28, 2025, and thereafter the applicable margin under the Term Facility ranges from 1.500% to 2.125%.

In October 2023, the Wells Fargo Facility I, Wells Fargo II and the Term facility were all amended to, among other things, (i) remove Proj Fox and its subsidiaries as parties thereunder, (ii) remove the CDOR rate option for Borrowings thereunder, and (iii) revise the ratings that determines the applicable margin thereunder to be based on the financial strength ratings of WRAC and WREB.

Other Debt

The balances of the Company's other debt for the years ended December 31, 2023, are as follows:

	2023
2038 Surplus note	\$ 504,436
2043 Surplus note	469,815
Subordinated notes	400,629
Total other debt	<u>\$ 1,374,880</u>

RRE3 Surplus Notes—Weston 2038 LLC Credit-Linked Note

On July 27, 2018, RRE3 issued \$845,738 of its face amount 6.00% Variable Funding Surplus Notes, final maturity July 1, 2038 (the 2038 Surplus Note) in exchange for an equivalent face amount of 6.00% Variable Funding Credit-Linked Notes, final maturity July 1, 2038 (the 2038 CLN) issued by Weston 2038 LLC, an "orphan" special purpose Delaware limited liability company (Weston 2038) established by RRE3 and Hannover Life Reassurance Company of America (Bermuda), Ltd. (Hannover). The principal amount of the 2038 Surplus Note will always mirror the principal amount of the 2038 CLN; and the

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2038 Surplus Note and the 2038 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 2038 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 2038 CLN, Weston 2038 entered into a risk transfer agreement with Hannover (Block 1 Risk Transfer Agreement) pursuant to which, in exchange for a fee, Hannover will provide liquidity to Weston 2038 for any redemption/monetization of the 2038 CLN. As of July 27, 2018, AM Best assigned a Long-Term Issue Credit Rating of "A" to the 2038 CLN. Subsequently, on July 20, 2022, and June 28, 2023 AM Best reaffirmed its Long-Term Issue Credit Rating of "A" to the 2038 CLN. Upon request by WRAC for payment under the 2038 CLN, the 2038 CLN will be drawn down in the amount of such request and Hannover will back such request through operation of the Block 1 Risk Transfer Agreement. In connection with each draw, the outstanding principal balance of the 2038 Surplus Note and the 2038 CLN will be reduced by the amount of the draw and a 6.00% Funded 2038 Surplus Note in the same amount of the draw will be issued to Hannover.

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The 2038 Surplus Note is classified as other debt and the 2038 CLN is a component of issuer obligations - non-affiliates held-to-maturity on the consolidated balance sheet. Considering the “linked” and illiquid nature of the 2038 CLN and 2038 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 consolidated statement of comprehensive income (loss). Information regarding the two notes are as follows:

	2038 Surplus Note	2038 CLN
January 1, 2023, carrying value	\$ 576,710	\$ 576,710
Decrease - March	(26,743)	(26,743)
Decrease - June	(30,048)	(30,048)
Decrease - September	(15,483)	(15,483)
Decrease - December	—	—
December 31, 2023, carrying value	<u>\$ 504,436</u>	<u>\$ 504,436</u>
2023 interest (incurred) earned	<u>\$ (32,251)</u>	<u>\$ 32,251</u>

RRE3 Surplus Note - Weston 2043 LLC Credit-Linked Note

On August 30, 2023, RRE3 issued approximately \$433,229 of its face amount 6.00% Variable Funding Surplus Notes, final maturity July 1, 2043 (the 2043 Surplus Note) in exchange for an equivalent face amount of 6.00% Variable Funding Credit-Linked Notes, final maturity July 1, 2043 (the 2043 CLN) issued by Weston 2043 LLC, an “orphan” special purpose Delaware limited liability company (Weston 2043) established by RRE3 and Hannover. The principal amount of the 2043 Surplus Note will always mirror the principal amount of the 2043 CLN; and the 2043 Surplus Note and the 2043 CLN will each accrue interest on the outstanding principal amount at 6.00% per annum, which amounts are non cash and will be fully offset pursuant to a netting agreement. The 2043 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 2043 CLN, Weston 2043 entered into a risk transfer agreement with Hannover (Block 2 Risk Transfer Agreement) pursuant to which, in exchange for a fee, Hannover will provide liquidity to Weston 2043 for any redemption/monetization of the 2043 CLN. As of August 30, 2023, AM Best assigned a Long-Term Issue Credit Rating of “A” to the 2043 CLN. Upon request by WRAC for payment under the 2043 CLN, the 2043 CLN will be drawn down in the amount of such request and Hannover will back such request through operation of the Block 2 Risk Transfer Agreement. In connection with each draw, the outstanding principal balance of the 2043 Surplus Note and the 2043 CLN will be reduced by the amount of the draw and a 6.00% Funded Surplus Note II in the same amount of the draw will be issued to Hannover.

The 2043 Surplus Note is classified as other debt and the 2043 CLN is a component of issuer obligations - non-affiliates held-to-maturity on the consolidated balance sheet. Considering the “linked” and illiquid nature of the 2043 CLN and 2043 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

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interest expense, in the consolidated statement of comprehensive income (loss). Information regarding the two notes are as follows:

	2043 Surplus Note	2043 CLN
August 30, 2023, carrying value	\$ 433,229	\$ 433,229
Increase - September	66,907	66,907
Decrease - December	(30,321)	(30,321)
December 31, 2023, carrying value	<u>\$ 469,815</u>	<u>\$ 469,815</u>
2023 interest (incurred) earned	<u>\$ (9,771)</u>	<u>\$ 9,771</u>

Subordinated Notes

In October 2020, the Company consummated the sale of a \$400,000 subordinated perpetual non-cumulative notes offering (the Notes), initially as a private placement offering under regulation 4(a)(2) and will be available for resale under 144A. The Notes are subordinate to all other indebtedness of the Company and pay fixed interest semi-annually in arrears on April 22 and October 22. The interest will be periodically reset based on the then-current 5-Year Treasury Yield plus an applicable margin of 5.266%. The first interest rate reset will occur following the October 22, 2030 interest payment, and every five years thereafter. Due to the perpetual and non-cumulative features of the Notes, they are treated as operating leverage by the rating agencies and therefore excluded from the debt-to-capital ratio as defined in our credit agreements. Due to its legal form, the Notes are classified as a liability within other debt on the consolidated balance sheet. The interest payments are recorded as a component of interest expense on the consolidated statement of comprehensive income (loss). During 2023, interest of \$24,590 was recorded as interest expense on the consolidated statement of comprehensive income (loss).

If a Change of Control Event occurs the Company may redeem the Notes in whole within 120 days following the occurrence of the Change of Control Event. If the Company does not give a notice of redemption to the holders of the Notes within 60 days following the occurrence of the Change of Control Event, then the interest rate per annum on the Notes will increase by 5.00% beginning on the 60th day following such change of control (except to the extent any such interest is cancelled). A "Change of Control Event" is described generally to occur when any nationally recognized statistical rating organization (NRSRO) that rates the Notes, downgrades the Notes from the rating by such NRSRO that was issued on the Settlement Date as a result of a change of control (i.e. the current majority shareholders ceases to beneficially own, or exercise voting rights directly or indirectly, representing at least a majority of the total voting interest in the Company).

16. FAIR VALUE

The Company has categorized its assets and liabilities recorded at fair value, based on the priority of the inputs to the valuation technique, into a three-level hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument.

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Financial assets and liabilities recorded at fair value on the consolidated balance sheet 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, residential and commercial mortgage-backed securities, preferred stocks and common stocks 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 privately placed fixed maturities or equities, equities with limited trading, certain asset-backed and mortgage-backed securities, commercial mortgage loans, collateral loans and the 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:

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December 31, 2023	Fair Value	Level 1	Level 2	Level 3
Invested assets:				
U.S. government and agencies	2,318,088	1,828,660	489,428	—
State and political subdivisions	1,508,772	—	1,486,932	21,840
Foreign sovereign	29,162	—	29,162	—
Corporate securities	15,275,392	—	13,983,069	1,292,323
Residential mortgage-backed securities	825,806	—	825,806	—
Commercial mortgage-backed securities	1,044,555	—	1,044,555	—
Asset backed securities	1,221,217	—	878,971	342,246
Collateralized debt obligations	1,655,125	—	1,655,125	—
Total fixed maturity	23,878,117 ¹	1,828,660	20,393,048	1,656,409
Preferred stock	669,950	—	563,682	106,268
Common stock	62,139	5	25,649	36,485
Total fixed maturity and equity securities	24,610,206	1,828,665	20,982,379	1,799,162
Commercial mortgage loans	1,166,217	—	—	1,166,217
Other invested assets	1,482,501 ²	—	588,004	894,497
Total invested assets	27,258,924	1,828,665	21,570,383	3,859,876
Funds withheld at interest:				
U.S. government and agencies	84,565	22,484	62,081	—
State and political subdivisions	58,646	—	58,646	—
Foreign sovereign	2,728	—	2,728	—
Corporate securities	855,797	—	855,797	—
Residential mortgage-backed securities	124,244	—	124,244	—
Commercial mortgage-backed securities	94,624	—	94,624	—
Asset backed securities	51,285	—	51,285	—
Collateralized debt obligations	47,810	—	47,810	—
Total fixed maturity	1,319,699	22,484	1,297,215	—
Preferred stock	10,642	—	10,642	—
Common stock	8	—	—	8
Other invested assets	30,755	—	30,755	—
Funds withheld at interest: segregated portfolio assets - general account	1,361,104 ³	22,484	1,338,612	8
Funds withheld at interest: segregated portfolio of assets - separate account	3,717,197 ⁴	—	3,717,197	—
Total funds withheld at interest	5,078,301	22,484	5,055,809	8
Other assets - separate account assets	259,455	251,195	8,260	—
Total	32,596,680	2,102,344	26,634,452	3,859,884
Financial liabilities:				
Other liabilities - purchase options and interest rate swaps	\$ 193,516	\$ —	\$ 193,516	\$ —

- 1 Issuer obligations—non-affiliates of \$974,251 are a component of Total fixed maturities not measured at fair value on a recurring basis.

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- 2 Components of Other invested assets not measured at fair value on a recurring basis are life settlement contracts—equity method of \$40,316 and limited partnerships of \$1,955,803.
 - 3 Cash and short-term investments of \$68,332 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 \$73,141 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.

U.S. Government and Agencies, State and Political Subdivisions, Foreign Sovereign and Corporate 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 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 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

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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. Privately placed transactions with little transparency to the market or other equities with limited or inactive trading markets may rely on modeling for market valuation using both observable and unobservable inputs. These are generally classified within Level 3 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.

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Derivatives

Free-standing exchange listed derivatives that are not actively traded are valued based on quoted prices for identical or similar instruments in markets that are active. Over-the-counter derivatives, including foreign currency forward contracts, are valued using models that rely on inputs such as interest rate yield curves, implied volatilities, currency rates and credit spreads that are observable for substantially the full term of the contract.

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.

Residual or Equity Tranche LLC Investments

For the residual or equity tranches, expected 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. These are generally classified within Level 3 of the fair value hierarchy due to the unobservable inputs.

Separate Account Assets

Separate account assets included in Level 1 generally consist of shares of underlying funds that have daily quoted net asset values. Separate account assets included in Level 2 primarily consist of Corporate and Mortgage-backed securities included in Level 2 of the fair value hierarchy.

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.

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Changes of Level 3 Assets 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 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 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. In addition, some prices are determined based on discounted cash flow models.

The Company's policy is to recognize transfers into and out of levels within the fair value hierarchy at the end of the period in which the actual event or change in circumstances that caused the transfer occurs.

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:

Invested Assets	2023		
	Purchases	Transfer	Transfer Out
U.S. Government and Agencies	\$ —	\$ —	\$ —
State and political institutions	—	—	—
Foreign Sovereign	—	—	—
Corporate securities	338,442	50,533	(79,690)
Residential mortgage-backed securities	—	—	(1)
Commercial mortgage-backed securities	—	—	—
Asset-backed securities	14,477	5,346	—
Collateralized debt obligations	—	—	—
Common stock	640	—	—
Preferred stock	40,000	10,598	—
Commercial mortgage loans	948	—	—
Other invested assets	136,748	—	—
Short term	—	—	(2,144)
Total invested assets	<u>\$ 531,255</u>	<u>\$ 66,477</u>	<u>\$ (81,835)</u>

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17. OTHER COMPREHENSIVE INCOME

The following table presents the components of the Company's other comprehensive income (loss) for the year end December 31, 2023:

	2023		
	Before-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Unrealized investment gains (losses):			
Unrealized investment gains (losses) arising during the year ¹	\$ 568,548	\$ (115,445)	\$ 453,102
Less: reclassification adjustment for (gains) losses realized in net income ²	(17,905)	3,636	(14,269)
Unrealized investment gains (losses) net of reclassification adjustments	586,452	(119,081)	467,371
Adjustments for changes in policyholder liabilities	(96,802)	19,656	(77,146)
Other comprehensive income	<u>\$ 489,651</u>	<u>\$ (99,425)</u>	<u>\$ 390,225</u>

¹ Unrealized gains (losses) arising during the period is presented net of a valuation allowance of \$0 for year end December 31, 2023.

² Reclassifications from AOCI into earnings are recognized within investment earnings-net on the statement of comprehensive income (loss).

The balance of and changes in each component of accumulated other comprehensive income (AOCI), net of income taxes, were as follows:

	Unrealized investment gains (losses)
Balance at December 31, 2022	\$ —
Other comprehensive income before reclassifications	474,701
Amounts reclassified from AOCI	14,949
Net other comprehensive income (loss)	(99,425)
Balance at December 31, 2023	<u>\$ 390,225</u>

The following table presents the amount of AOCI reclassifications for the year end December 31, 2023:

	Amount Reclassified from 2023	Affected Line Item on Statement of Comprehensive Income (Loss)
For the year ended December 31:		
Net unrealized investment gains (losses):		
Realized gains (losses) on available-for-sale securities	\$ (6,693)	Investment earnings, net
Credit losses on available-for-sale securities	(8,256)	Investment earnings, net
Total before tax	(14,949)	
Income tax benefit (expense)	3,035	
Net unrealized investment gains, net of tax	<u>\$ (11,914)</u>	

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18. SUBSEQUENT EVENTS

The Company has evaluated the impact of subsequent events through March 31, 2025, representing the date at which the consolidated financial statements were available to be issued. The following events occurred subsequent to December 31, 2023 through March 31, 2025:

Closed Block Reinsurance

Effective October 1, 2024, WRAC and WREB entered into reinsurance agreements (PLAZ Reinsurance Agreements) with Pruco Life Insurance Company (PLAZ), to assume a block of secondary guarantee universal life insurance on a 100% coinsurance basis. The Company entered into certain derivative transactions to protect the block against declining interest rates and the Company financed economic reserves from the transaction through Redding Reassurance Company 4 LLC (RRE4), a new Missouri special purpose financial captive insurance subsidiary of WRAC organized in September 2024. The transaction closed on December 19, 2024.

On December 19, 2024, RRE4 issued \$1,654,000 of its face amount 6.00% Variable Funding Surplus Notes, final maturity October 1, 2044 in exchange for an equivalent face amount of 6.00% Variable Funding Credit-Linked Notes, final maturity October 1, 2044 issued by Weston 2044 LLC, an “orphan” special purpose Delaware limited liability company established by RRE4 and Hannover.

Interest Rate Swap - Term Facility : borrowing at WRL

On February 6, 2025, the Company reduced the notional amount of its 2024 Interest Rate Swap from \$265,000 to \$205,000.

Liquidity Facilities

On January 29, 2024, the Company paid down \$25,000 on its Wells Fargo II Facility.

In September 2024, WRL, along with Wilton Re US Holdings, amended and restated the existing the Wells Fargo Facility I and eliminated the Wells Fargo Facility II and the Term Loan by increasing the aggregate commitment available thereunder from \$500,000 to \$1,100,000 and extending the facility by 1 year, with a new expiry date in 2027 (Wells Fargo Facility III). Under the Wells Fargo Facility III, the full amount of commitment is available for the making of unsecured borrowings and for the issuance of secured and unsecured letters of credit. The Wells Fargo Facility III also requires the Company’s combined leverage ratio not to be greater than 0.375 to 1.00 (which may increase to 0.40 to 1.00 during any two calendar quarters at the Company’s election) and that the Company maintain a minimum adjusted consolidated tangible net worth. Borrowings under the Wells Fargo Facility III bear interest, at the applicable borrower’s option, at either a base rate or a SOFR rate, in each case, plus an applicable margin that is determined according to a sliding scale based upon the financial strength ratings of WRAC and WREB. The applicable margin for base rate loans ranges from 0.125% to 0.75%. The applicable margin for SOFR Loans ranges from 1.125% to 1.75%. Any amounts borrowed may be repaid at any time without prepayment penalty. On and as of September 25, 2024, (i) Wilton Re US Holdings borrowed \$250,000 under the Wells Fargo Facility III and used the proceeds of such borrowing to prepay in full the Term Facility and (ii) all borrowings and letters of credit outstanding under the

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Wells Fargo Facility I or the Well Fargo Facility II became borrowings and letters of credit outstanding under the Wells Fargo Facility III.

On January 24, 2025, the Company drew \$240,000 on its Wells Fargo III Facility.

On February 5, 2025, the Company paid down \$35,000 on its Wells Fargo III Facility.

Term Facility

Effective September 25, 2024, Wilton Re U.S. Holdings elected to prepay the Term Facility in full using the Wells Fargo Facility III as described above.

Letter of Credit

On February 21, 2024, the Company's subsidiary WREB issued a \$70,000 unsecured letter of credit to WCAC, another Company subsidiary, to provide reserve credit for certain 2024 activity.

On February 5, 2025, the Company's subsidiary, WREB, reduced its unsecured letter of credit to WCAC, another Company subsidiary, by \$20,000 to reduce reserve credit for certain 2025 activity.

On March 28, 2025, the Company's subsidiary, WRAC, issued an unsecured letter of credit to WRNY, another Company subsidiary, for \$70,000 to cover reserve credit for certain 2025 activity.

Declared dividends and distributions

On January 4, 2024, the Company's Board of Directors declared a dividend to its shareholders in the amount of \$290,000. The dividend was paid on January 5, 2024.

On January 22, 2025, the Company's Board of Directors declared a distribution to its majority shareholder in the amount of \$500,000, The distribution was paid on January 27, 2025.

Legal Proceedings

In May 2020, a putative class action was filed in the United States District Court for the Northern District of California against the Company claiming the Company has not followed the proper third-party designee, lapse and grace period requirements under California statutes, Sections 10113.71 and 10113.72 noting the Company's grace period procedures are in violation of the express policy provisions. No class has been certified and the Company disputes plaintiffs' allegations of wrongdoing. To avoid the continued legal costs associated with the litigation and after consideration of advice from counsel, the Company and its US insurance affiliates entered into a proposed settlement in principle with plaintiffs on September 20, 2024, to resolve all claims on a class basis. The Company has recorded a contingency reserve of \$21,250 as of December 31, 2024. The class wide proposed settlement must be approved by the court as fair, adequate, and reasonable. The parties are in the process of preparing the appropriate documentation to seek preliminary approval from the court. The Company expects to seek final approval from the court by the end of the fourth quarter of 2025.

Tax

On September 12, 2024, the U.S. Department of Treasury and the Internal Revenue Service published Proposed Regulations providing guidance on the implementation of the CAMT. The Proposed Regulations address various aspects of the tax, including definitions, adjustments to financial statement

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income, and applicable reporting requirements. The Company will continue to monitor regulatory updates and assess their potential effects on our tax obligations. The impact of the alternative minimum tax, if any, will vary from year to year based on the relationship of our GAAP income to our taxable income.

WREB | WROL Merger

Effective September 30, 2024, Wilton Re Overseas Limited (WROL), previously a wholly owned subsidiary of WRL incorporated under the laws of Bermuda as a long-term insurer, was merged with and into WREB.

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