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

Consolidated Financial Statements and Supplementary Information as of and for the Years Ended December 31, 2022 and 2021, and Independent Auditor's Report

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

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Wilton Re U.S. Holdings, Inc.:

Opinion

We have audited the consolidated financial statements of Wilton Re U.S. Holdings, Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income (loss), changes in shareholder's equity, and cash flows for the years 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, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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.

Deloitte & Touche LLP

March 31, 2023

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

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2022 AND 2021
(Amounts in thousands of US dollars, except share amounts)

	2022	2021
Assets		
Investments:		
Fixed maturity and equity securities (includes $22,323,756 and $30,223,966 at fair value at December 31, 2022 and 2021, respectively)	$ 22,900,465	$ 30,847,759
Commercial mortgage loans at fair value	1,345,048	1,703,644
Policy loans	334,594	349,920
Funds withheld at interest (includes $4,401,933 and $5,187,115 at fair value at December 31, 2022 and 2021, respectively)	4,510,832	5,324,718
Other invested assets (includes $1,303,885 and $1,356,432 at fair value at December 31, 2022 and 2021, respectively)	2,976,064	2,711,562
Short term investments	10,106	3,395
Total investments	32,077,109	40,940,998
Cash and cash equivalents	675,882	701,203
Accrued investment income	262,623	255,323
Premiums receivable	68,295	79,137
Reinsurance recoverable	20,953,774	21,987,213
Other reinsurance receivables	42,347	172,042
Net deferred acquisition costs	604,113	495,365
Value of in-force business acquired	254,519	194,833
Net deferred income taxes	926,019	285,337
Other assets	462,297	361,631
Separate account assets	245,911	342,369
Total assets	$ 56,572,889	$ 65,815,451

(Continued)

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

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2022 AND 2021
(Amounts in thousands of US dollars, except share amounts)

	2022	2021
Liabilities and shareholder's equity		
Liabilities:		
Reserves for future policy benefits	$ 19,704,184	$ 20,120,286
Interest sensitive contract liabilities	18,198,936	19,268,135
Other reinsurance liabilities	85,322	101,262
Funds held under reinsurance treaties	17,224,103	22,392,959
Long-term debt	250,000	500,000
Other debt	576,710	623,793
Other liabilities	665,404	551,857
Separate account liabilities	245,911	342,369
Total liabilities	56,950,570	63,900,661
Shareholder's equity:		
Class A common shares—$0.01 par value; 500 shares authorized, issued and outstanding at December 31, 2022 and 2021	-	-
Class B common shares—$0.01 par value 500 shares authorized, issued and outstanding at December 31, 2022 and 2021	-	-
Additional paid-in capital	134,807	134,807
Retained earnings (deficit)	(512,488)	1,779,983
Total shareholder's equity	(377,681)	1,914,790
Total liabilities and shareholder's equity	$ 56,572,889	$ 65,815,451

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

(Concluded)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in thousands of US dollars)

	2022	2021
Revenues		
Net premiums	$ 262,031	$ 240,558
Policy fees and charges	510,452	479,163
Inuring third-party reinsurance commissions	18,892	24,614
Investment earnings—net	530,920	761,012
Net change in unrealized gains (losses) on investments classified as trading and other	(6,815,126)	(614,638)
Change in value of derivatives and embedded derivatives—net	3,738,425	562,814
Total revenues	(1,754,406)	1,453,523
Benefits and expenses		
Claims and policy benefits—net of reinsurance ceded	650,566	767,939
Interest credited to interest sensitive contract liabilities	248,005	262,585
Acquisition costs and other insurance expenses	(93,120)	36,184
Operating expenses	197,106	177,299
Interest expense	23,384	19,409
Total benefits and expenses	1,025,941	1,263,416
Net income (loss) and comprehensive income (loss) before income taxes and net earnings of equity method investee	(2,780,347)	190,107
Income tax expense (benefit)	(598,439)	34,749
Net income (loss) and comprehensive income (loss) before net earnings of equity method investee	(2,181,908)	155,358
Share of net earnings (loss) of equity method investee	(110,563)	(5,567)
Net income (loss) and comprehensive income (loss)	$ (2,292,471)	$ 149,791

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in thousands of US dollars)

	2022	2021
Common shares (class A)		
Balance at beginning and end of year	$ -	$ -
Common shares (class B)		
Balance at beginning and end of year	-	-
Additional paid-in capital		
Balance at beginning and end of year	134,807	134,807
Retained earnings (deficit)		
Balance at beginning of year	1,779,983	1,630,192
Net income (loss) and comprehensive income (loss)	(2,292,471)	149,791
Balance at end of year	(512,488)	1,779,983
Total shareholder's equity	$ (377,681)	$ 1,914,790

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in thousands of US dollars)

	2022	2021
Cash flows from operating activities		
Net income (loss) and comprehensive income (loss)	$ (2,292,471)	$ 149,791
Adjustments to reconcile net income (loss) and comprehensive income (loss) to net cash from (used in) operating activities:		
Amortization of net investment premium, discounts and other	(49,078)	(2,643)
Investment related realized (gains) losses—net	324,689	(232,483)
Investment related unrealized (gains) losses—net	6,878,074	819,879
Losses (earnings) of equity method investments	138,399	(191,722)
Mark-to-market on embedded derivative	(3,907,044)	(584,525)
Amortization and other adjustments to deferred acquisition costs	2,841	4,231
Amortization and other adjustments to value of business acquired	(3,360)	47,287
Interest credited to interest sensitive contracts	454,006	482,400
Other reserve changes of interest sensitive contract liabilities	(1,422,071)	(268,089)
Cash and cash equivalents from closed block reinsurance	-	204,533
Cash and cash equivalents from reinsurance ceded to affiliates	2,081	-
Change in assets and liabilities:		
Fixed maturity and equity securities	985,763	1,285,162
Accrued investment income	(7,300)	8,324
Deferred income taxes	(574,753)	30,596
Premiums receivable	10,842	2,589
Reinsurance recoverable	1,033,439	94,709
Other reinsurance receivables	129,695	(98,564)
Funds withheld at interest	566,166	(101,233)
Deferred acquisition costs	(111,591)	(53,271)
Value of in-force business acquired	(56,326)	(18,448)
Other assets	(100,666)	(42,931)
Reserves for future policy benefits	(482,032)	(486,935)
Funds held under reinsurance treaties	(1,014,089)	97,886
Other reinsurance liabilities	(15,940)	(164,918)
Other liabilities	187,960	(487,328)
Net cash flows from (used in) operating activities	677,234	494,297

(Continued)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in thousands of US dollars)

	2022	2021
Cash flows from investing activities		
Sales, maturities and repayments of:		
Commercial mortgage loans	$ 317,866	$ 158,809
Limited partnership interests	101,252	179,918
Equity method investment in affiliate	5,082	13,009
Other invested assets	27,563	138,790
Purchases of:		
Commercial mortgage loans	(166,552)	(28,368)
Limited partnership interests	(501,555)	(401,208)
Other invested assets	(141,588)	(549,516)
Change in policy loans	15,326	17,611
Change in short-term investments	(6,732)	715
Net cash flows from (used in) investing activities	(349,338)	(470,240)
Cash flows from financing activities		
Repayment of long-term debt	(250,000)	-
Proceeds from long-term debt	-	250,000
Deposits into interest sensitive contracts	643,903	566,617
Redemption and benefit payments on interest sensitive contracts	(747,120)	(682,570)
Net cash flows from (used in) financing activities	(353,217)	134,047
Increase (decrease) in cash and cash equivalents	(25,321)	158,104
Cash and cash equivalents—Beginning of the year	701,203	543,099
Cash and cash equivalents—End of the year	$ 675,882	$ 701,203
Supplemental disclosure of cash flow information:		
Cash received (paid) during the year for—income taxes	$ (106,941)	$ 8,659

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

(Concluded)

1. ORGANIZATION

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

- Wilton Re Finance LLC (WRFL), a wholly owned subsidiary of Wilton Re US Holdings.
- Wilton Re Services, Inc. (Wilton Re Services or WRSI), a wholly owned subsidiary of Wilton Re US Holdings, incorporated in Delaware.
- Wilton Reassurance Life Company of New York (WRNY), a wholly owned New York domiciled life insurance subsidiary of WRAC.
- Texas Life Insurance Company (TLIC), a wholly owned Texas domiciled life insurance subsidiary of WRAC.
- Wilcac Life Insurance Company (WCAC), a wholly owned Illinois 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 April 2018, the Company acquired a 4.1% interest in, and became a 25% voting shareholder of, Wilton Reinsurance Bermuda Limited (WREB), an affiliate incorporated under the laws of Bermuda as a long-term insurer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation and Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and include the accounts of Wilton Re US Holdings and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

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

Investments and Investment Earnings

Fixed Maturity and Equity Securities

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

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

Commercial Mortgage Loans

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

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

A mortgage loan is considered to be impaired when, based on the current information and events, the Company does not have a reasonable expectation that it will be able to collect all amounts due according to the contractual terms of the mortgage agreement. Although all available and applicable 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 reinsurance agreements (funds withheld). For agreements written on a modified coinsurance basis and agreements written on a coinsurance funds withheld basis, assets generally equal to the statutory reserves, net of reinsurance, are withheld and legally owned by the ceding company. Investment income on funds withheld includes the interest income earned on these assets and the portion due the assuming company is defined by the treaty terms.

The Company accounts for the embedded derivatives in modified coinsurance and funds withheld contracts as total return swaps. Accordingly, the value of the derivative is equal to the unrealized gain or loss on the assets underlying the funds withheld portfolio associated with each agreement. The Company's funds withheld are recorded at fair value with the changes in the fair value of the embedded derivative reflected in the change in value of derivatives and embedded derivatives, net, in the statements of comprehensive income (loss). At December 31, 2022 and 2021, the fair value of these embedded derivatives, and the changes in fair value for the years then ended, included:

	2022		2021	
	Fair Value	**Change in Fair Value**	**Fair Value**	**Change in Fair Value**
Funds withheld at interest	$ (121,180)	$ (241,644)	$ 113,464	$ (45,224)
Funds held under reinsurance treaties	2,258,324	4,149,945	(1,891,621)	629,749
		$ 3,908,301		$ 584,525

Derivative Financial Instruments

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 sheets at fair value.

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 equally between the two swaps. These derivative instruments are recognized within other liabilities in the accompanying consolidated balance sheets at fair value. As of December 31, 2022 and 2021 the Company had posted cash collateral related to the swaps of $169,381 and $22,850 respectively. The change in fair value is recognized in the change in value of derivatives and embedded derivatives, net, in the statements of comprehensive income (loss). At December 31, 2022 and 2021, the fair value of these derivatives, and the changes in fair value for the years then ended, included:

	2022		2021	
	Fair Value	Change in Fair Value	Fair Value	Change in Fair Value
Funds withheld at interest	$ 6,638	$ (14,173)	$ 21,452	$ (332)
Other invested assets	4,068	(9,265)	9,465	142
Other liabilities	(174,023)	(146,438)	(24,759)	(21,521)
		$ (169,876)		$ (21,711)

Short Term Investments

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

Other Invested Assets

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

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

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

Collateral Loans—Collateral loans are first lien, unconditional obligations for the payment of money and are secured by the pledge of assets. The loans are carried at fair value.

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.

Equity Method Investment in Affiliate—With the ability to exercise significant influence over WREB, this investment is accounted for under the equity method. At December 31, 2022, the carrying value of the investment included within other liabilities on the consolidated balance sheets was $60,360. At December 31, 2021, the carrying value of the investment included within other invested assets on the consolidated balance sheets was $55,283. Income (loss) from the investment is presented in share of net earnings (loss) of equity method investee in the consolidated statements of comprehensive income (loss).

Cash and Cash Equivalents

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

Premiums Receivable

Premiums receivable are recognized when due from the policyholder or other party and adjusted for lapsed policies. Under the legal right of offset provision in the reinsurance treaties, the Company can withhold payments for allowances and claims for unpaid premiums. Based on a review of these factors and historical experience, the Company does not believe a provision for doubtful accounts was necessary as of December 31, 2022 or 2021.

Reinsurance Recoverable

Reinsurance recoverables include an estimate of the amount of policy and claim reserves that are ceded under the terms of reinsurance agreements, including claims incurred but not reported (IBNR). Reinsurers and the respective amounts recoverable are regularly evaluated and a provision for uncollectible reinsurance is recorded if needed. No allowances for uncollectible reinsurance were recorded as of December 31, 2022 or 2021.

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, 2022 and 2021, other reinsurance receivables include reinsurance settlements due of $39,432 and $167,811 and other reinsurance liabilities include payables of $43,427 and $57,638, respectively. Of those amounts, $51,454 and $164,183 are due from affiliates and $37,191 and $51,767 are due to affiliates, respectively.

Deferred Acquisition Costs (DAC)

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

The Company performs periodic tests to determine that DAC remains recoverable, and if financial performance deteriorates to the point where a premium deficiency exists, a charge to current operations would be recorded. DAC was fully recoverable during 2022 and 2021. Deferred costs related to traditional life insurance contracts, all of which relate to long duration contracts, are amortized generally over the premium-paying period, in proportion to the ratio of individual period premium revenues to total anticipated premium revenues over the amortization period. Such anticipated premium revenues are estimated using the same assumptions used for computing liabilities for future policy benefits. DAC related to interest sensitive insurance products, such as universal life and annuities, are recognized as expense over the term of the policies in proportion to estimated gross profits (EGPs), arising principally from surrender charges, investment margins including unrealized gains (losses) on investments classified as trading and mortality and expense margins, over the amortization period. EGPs are updated periodically with actual gross profits, and the assumptions underlying future EGPs are evaluated for reasonableness. Adjustments to EGPs require that amortization rates be revised retroactively to the date of the contract issuance (“unlocking”).

Income Taxes

The income tax provision is calculated under the asset and liability method. Deferred tax assets and liabilities result from temporary differences between the carrying amounts of assets and liabilities recorded in the consolidated financial statements and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax rates would be recognized in the consolidated statements of comprehensive income (loss) in the period in which the tax rate change is enacted. A valuation allowance for a portion or all of deferred tax assets is recorded as a reduction to deferred tax assets when it is more likely than not that such portion or all of such deferred tax assets will not be realized.

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

Separate Accounts

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

The Company considers all separate account assets assumed 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 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 statements 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 US 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. As of December 31, 2022 and 2021, the Company determined that a premium deficiency reserve was not required.

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

	2022	**2021**
Traditional life insurance	3.56 %	3.88 %
Payout annuities with life contingencies	2.33	2.17
Accident and health, including long-term care	3.50	3.50

Interest Sensitive Contract Liabilities

Liabilities for interest sensitive insurance products such as universal life and deferred annuities are established based on account values before applicable surrender charges. Liabilities for payout annuities without life contingencies are recorded at the present value of future benefits. Certain universal life products contain features that link interest credited to an equity index. These features create embedded derivatives that are not clearly and closely related to the host insurance contract. The embedded derivatives carried at fair value with changes in the fair value are recognized within interest credited to interest sensitive contract liabilities in the accompanying consolidated statements of comprehensive income (loss). At December 31, 2022, the fair value of these embedded derivatives were $2,772, a decrease of $15,485 from December 31, 2021. At December 31, 2021, the fair value of these embedded derivatives were $18,257, a decrease of $1,054 from December 31, 2020.

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, 2022 and 2021, the Company has passed PFBL testing with no projected losses for all years, and therefore, has not recorded an additional liability related to benefits provided in the future.

Claim Reserves

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

Long-term care claim reserves are established for continuing benefit payments are calculated using assumptions of anticipated mortality and claim continuance rates that are based on established industry tables adjusted for the ceding company's historical experience. Long-term care claims reserves are discounted at 3.50% for 2022 and 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 sheets. Fees earned on these contracts are reflected as policy fees and charges, as opposed to premiums, on the consolidated statements of comprehensive income (loss).

For annuity and interest-sensitive life contracts, premiums collected are not reported as revenues, but as deposits to interest sensitive contract liabilities. The Company recognizes revenues for these products over time in the form of investment income, policy charges for the cost of insurance, policy administration fees, and surrender fees that have been assessed against policy account balances during the period. Policy benefits and claims that are charged to expense include claims incurred in the period in excess of related policy account balances and interest credited to policy account balances. The weighted average interest-crediting rates for interest-sensitive products was 4.05% and 4.37% during 2022 and 2021, respectively.

Closed Block Reinsurance

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

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

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

New Accounting Pronouncements

Changes to the accounting principles are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB Accounting Standards Codification. Accounting standard updates not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Company's consolidated financial statements.

ASUs Adopted During the Year Ended December 31, 2022

ASU 2019-01—Leases (Topic 842): Codification Improvements—In January 2019, the FASB issued an accounting standard update based on the principle that entities should recognize assets and liabilities arising from leases, that does not significantly change the lessees' recognition, measurement and presentation of expenses and cash flows from the previous accounting standard. Leases are classified as finance or operating. The new standard's primary change is the requirement for entities to recognize a lease liability for payments and a right of use asset representing the right to use the leased asset during the term of operating lease arrangements. Lessees are permitted to make an accounting policy election to not recognize the asset and liability for leases with a term of twelve months or less. Lessors' accounting is largely unchanged from the previous accounting standard. This standard was effective for the Company beginning January 1, 2022. The Company completed the adoption of this new standard in 2022 and the impact to its consolidated financial statements was immaterial.

ASU 2019-12—Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes—In December 2019, the FASB amended the guidance on simplifying the accounting for income taxes. The amendment eliminates the need for an organization to analyze whether the following apply in a given period (1) exception to the incremental approach for intraperiod tax allocation (2) exceptions to accounting for basis differences when there are ownership changes in foreign investments and (3) exceptions in interim period income tax accounting for year-to-date losses that exceed anticipated losses. The accounting standard update is also designed to improve financial statement preparers' application of income tax-related guidance and simplify GAAP for (1) franchise taxes that are partially based on income, (2) transactions with a government that result in a step-up in the tax basis of goodwill, (3) separate financial statements of legal entities that are not subject to tax, and (4) enacted changes in tax laws in interim periods. The guidance is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption of the amendments is permitted. This standard was effective for the Company beginning January 1, 2022. The Company completed the adoption of this new standard in 2022 and the impact on its consolidated financial statements was immaterial.

ASU 2020-01—Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force)—In January 2020, the FASB issued an accounting standard update which clarifies that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under Topic 323, Investments—Equity Method and Joint Ventures, for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The guidance is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. This standard was effective for the Company beginning January 1, 2022. The Company completed the adoption of this new standard in 2022 and the impact on its consolidated financial statements was immaterial.

ASUs Issued But Not Adopted as of December 31, 2022

ASU 2016-13—Financial Instruments—Credit Losses (Topic 326)—In June 2016, the FASB issued an accounting standard update which amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, the update eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available for sale debt securities, credit losses should be measured in a manner similar to current GAAP; however, the update will require that credit losses to be presented as an allowance rather than as a write-down. The guidance is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements and the impact is expected to be immaterial.

ASU 2018-12—Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts—In August 2018, the FASB issued an accounting standard update with the objective of making targeted improvements to the existing recognition, measurement, presentation, and disclosure requirements for long-duration contracts issued by an insurance entity. The standard prescribes significant and comprehensive changes to recognition, measurement, presentation and disclosure as summarized below:

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

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

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

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

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

In November 2020, the FASB granted a one-year date delay for the adoption of ASU 2018-12. The Company plans to adopt ASU 2018-12 on its effective date of January 1, 2025.

The Company continues to assess the impact of the standard on its reported consolidated financial statements and required disclosures. The adoption of this standard is expected to have a significant impact on the consolidated financial statements and required disclosures, as well as changes to systems, processes and controls. The Company has created a governance framework and is managing a detailed implementation plan to support timely application of the guidance. The Company is currently developing and will continue to refine key accounting policy decisions, technology solutions and internal controls until the implementation is complete.

3. CLOSED BLOCK REINSURANCE

Effective September 30, 2021, WRAC acquired a block of business in run off through a stock purchase transaction with Allstate Life Insurance Company (ALIC), Allstate Insurance Company (AIC), Allstate Financial Insurance Holdings Corporation (AFIHC), and Allstate Insurance Holdings, LLC (AIH) to acquire the Allstate Life Insurance Company of New York (ALICNY), a wholly owned subsidiary of ALIC domiciled in New York, and Intramerica Life Insurance Company (Intramerica), a wholly owned subsidiary of AFIHC domiciled in New York. After receiving all regulatory approvals, effective November 1, 2021, ALICNY and Intramerica merged with and into WRNY, with WRNY being the surviving company to the merger.

During 2022, and pursuant to the stock purchase agreements outlined above, the transaction consideration was finalized, resulting in a final net settlement with a payment of cash to ALIC of $2,081.

The initial balance sheet effect of the transaction was as follows:

Assets		
Fixed maturity and equity securities	$	5,893,533
Short-term investments		4,004
Commercial mortgage loans		491,665
Policy Loans		35,520
Other invested assets		180,913
Total investments		6,605,635
Cash and cash equivalents		204,533
Accrued investment income		47,751
Premiums receivable		1,797
Reinsurance recoverable		453,564
Other reinsurance receivables		2,990
Net deferred tax assets		242,732
Other assets		5,371
Separate account assets		308,213
Total assets	$	7,872,586
Liabilities		
Reserves for future policy benefits	$	4,395,140
Interest sensitive contract liabilities		2,455,501
Other reinsurance liabilities		3,076
Funds held under reinsurance treaties		262,800
Other Liabilities		447,856
Separate account liabilities		308,213
Total liabilities	$	7,872,586

4. INVESTMENTS

Fixed Maturity and Equity Securities

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

	2022			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
U.S. government and agencies	$ 2,699,217	$ 1,282	$ (700,284)	$ 2,000,215
State and political subdivisions	1,869,005	24,342	(226,193)	1,667,154
Foreign sovereign	35,050	-	(4,415)	30,635
Corporate securities	15,636,999	30,981	(2,089,111)	13,578,869
Residential mortgage-backed securities	774,485	2,085	(111,765)	664,805
Commercial mortgage-backed securities	1,011,584	699	(137,412)	874,871
Asset-backed securities	1,439,528	2,435	(171,490)	1,270,473
Collateralized debt obligations	1,728,492	623	(223,703)	1,505,412
Issuer obligations—non-affiliates	576,710	-	-	576,710
Total fixed maturities	25,771,070	62,447	(3,664,373)	22,169,144
Preferred stock	798,662	1,200	(130,591)	669,271
Common stock	62,648	59	(657)	62,050
Total fixed maturity and equity securities	$ 26,632,380	$ 63,706	$ (3,795,621)	$ 22,900,465

	2021			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
U.S. government and agencies	$ 3,221,283	$ 485,561	$ (7,809)	$ 3,699,035
State and political subdivisions	2,017,833	240,970	(3,112)	2,255,691
Foreign sovereign	75,003	5,824	(336)	80,491
Corporate securities	16,333,709	1,891,573	(50,398)	18,174,884
Residential mortgage-backed securities	905,478	67,646	(3,289)	969,835
Commercial mortgage-backed securities	981,711	66,681	(10,156)	1,038,236
Asset-backed securities	1,407,919	65,006	(28,690)	1,444,235
Collateralized debt obligations	1,682,719	16,771	(21,036)	1,678,454
Issuer obligations—non-affiliates	623,793	-	-	623,793
Total fixed maturities	27,249,448	2,840,032	(124,826)	29,964,654
Preferred stock	796,465	34,810	(2,738)	828,537
Common stock	54,054	514	-	54,568
Total fixed maturity and equity securities	$ 28,099,967	$ 2,875,356	$ (127,564)	$ 30,847,759

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

	2022					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. government and agencies	$ 1,909,127	$ (676,941)	$ 65,331	$ (23,343)	$ 1,974,458	$ (700,284)
State and political subdivisions	1,123,268	(165,649)	303,342	(60,544)	1,426,610	(226,193)
Foreign sovereign	26,453	(3,550)	4,182	(865)	30,635	(4,415)
Corporate securities	11,483,245	(1,765,327)	1,416,027	(323,784)	12,899,272	(2,089,111)
Residential mortgage-backed securities	528,842	(92,776)	80,006	(18,989)	608,848	(111,765)
Commercial mortgage-backed securities	761,025	(107,923)	99,901	(29,489)	860,926	(137,412)
Asset-backed securities	952,332	(112,572)	254,191	(58,918)	1,206,523	(171,490)
Collateralized debt obligations	726,492	(95,614)	768,697	(128,089)	1,495,189	(223,703)
Total fixed maturities	17,510,784	(3,020,352)	2,991,677	(644,021)	20,502,461	(3,664,373)
Preferred stock	575,641	(112,092)	48,351	(18,499)	623,992	(130,591)
Common stock	29,295	(657)	-	-	29,295	(657)
Total fixed maturity and equity securities	$ 18,115,720	$ (3,133,101)	$ 3,040,028	$ (662,520)	$ 21,155,748	$(3,795,621)

	2021					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. government and agencies	$ 598,219	$ (4,747)	$ 29,227	$ (3,062)	$ 627,446	$ (7,809)
State and political subdivisions	442,146	(2,832)	1,549	(280)	443,695	(3,112)
Foreign sovereign	31,381	(241)	1,259	(95)	32,640	(336)
Corporate securities	3,365,381	(44,808)	63,646	(5,590)	3,429,027	(50,398)
Residential mortgage-backed securities	148,227	(2,569)	11,769	(720)	159,996	(3,289)
Commercial mortgage-backed securities	132,893	(2,456)	25,685	(7,700)	158,578	(10,156)
Asset-backed securities	336,714	(11,726)	126,557	(16,964)	463,271	(28,690)
Collateralized debt obligations	686,004	(5,818)	296,430	(15,218)	982,434	(21,036)
Total fixed maturities	5,740,965	(75,197)	556,122	(49,629)	6,297,087	(124,826)
Preferred stock	80,959	(1,486)	13,273	(1,252)	94,232	(2,738)
Total fixed maturity and equity securities	$ 5,821,924	$ (76,683)	$ 569,395	$ (50,881)	$ 6,391,319	$ (127,564)

At December 31, 2022, 1,219 fixed maturity securities with a total unrealized loss of $644,021 had been in an unrealized loss position for 12 months or more. Of those securities in an unrealized loss position for 12 months or more, 132 securities had fair values below 70% of book value with a total unrealized loss of $139,783.

At December 31, 2021, 163 fixed maturity securities with a total unrealized loss of $49,629 had been in an unrealized loss position for 12 months or more. Of those securities in an unrealized loss position for 12 months or more, nine securities had fair values below 70% of book value with a total unrealized loss of $4,845.

Contractual maturities of the Company's fixed maturity securities as of December 31, 2022, 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	$ 180,591	$ 177,901
One through five years	1,662,285	1,554,895
After five through ten years	2,741,300	2,431,465
After ten through twenty years	6,906,104	6,125,586
After twenty years	9,326,701	7,563,736
Residential mortgage-backed securities	774,485	664,805
Commercial mortgage-backed securities	1,011,584	874,871
Asset-backed securities	1,439,528	1,270,473
Collateralized debt obligations	1,728,492	1,505,412
Total fixed maturity securities	$ 25,771,070	$ 22,169,144

Credit ratings of the Company's fixed maturity securities as of December 31, 2022 and 2021, 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.

	2022		2021	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
AAA	$ 4,184,484	$ 3,289,086	$ 4,966,626	$ 5,594,217
AA	2,380,757	2,096,804	2,656,406	2,958,510
A	8,518,313	7,500,609	8,880,297	9,730,307
BBB	8,624,199	7,509,025	8,600,604	9,486,585
BB	1,678,740	1,441,731	1,681,439	1,724,326
B	247,071	207,028	293,193	291,256
CCC or lower and unrated	137,506	124,861	170,883	179,453
Total fixed maturities	$ 25,771,070	$ 22,169,144	$ 27,249,448	$ 29,964,654

The Company's largest five exposures by issuer as of December 31, 2022, were Berkshire Hathaway Inc., Glam Milhsg Fee LLC, Prudential Financial, Inc, Morgan Stanley, and TCFC PC LEASECO each of which comprised less than 0.5%, and in aggregate comprised 1.9%, of total investments.

The Company's largest five exposures by issuer as of December 31, 2021, were The Walt Disney Company, Wal-Mart Stores, Inc., Sempra, UnitedHealth Group Incorporated, Berkshire Hathaway Inc., each of which comprised less than 1%, and in aggregate comprised 2.0%, of total investments.

At December 31, 2022 and 2021, fixed maturity securities with a fair value of $41,892 and $57,474, respectively, were held on deposit with various state insurance departments in which WRAC, TLIC, WRNY, and WCAC are licensed to operate to provide security and to meet regulatory requirements.

Investment Earnings—Net

Major sources of investment earnings are as follows:

	2022	2021
Fixed maturity and equity securities	$ 1,243,893	$ 1,043,048
Commercial mortgage loans	58,161	50,570
Policy loans	24,893	24,222
Funds withheld at interest	39,952	39,849
Short term investments and cash equivalents	7,593	520
Other invested assets	147,230	121,610
Investment income	1,521,722	1,279,819
Investment income ceded on funds withheld	(677,324)	(629,573)
Investment expense	(41,408)	(41,394)
Investment income—net	802,990	608,852
Realized gains on investments	79,389	275,082
Realized losses on investments	(385,016)	(37,185)
Realized gains on funds withheld at interest	4,586	23,654
Realized losses on funds withheld at interest	(9,973)	(830)
Realized net (gains) losses ceded on funds withheld	38,944	(108,561)
Investment earnings—net	$ 530,920	$ 761,012

Commercial Mortgage Loans

Commercial mortgage loans (CMLs) represented approximately 4.19% and 4.14% of the Company's investments as of December 31, 2022 and 2021, respectively. 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, 2022	$ 1,471,331	$ 810	$ (127,093)	$ 1,345,048
December 31, 2021	$ 1,635,907	$ 68,870	$ (1,133)	$ 1,703,644

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, 2022	$ 1,273,170	$ (119,003)	$46,220	$(8,090)	$ 1,319,390	$ (127,093)
December 31, 2021	$ 34,435	$ (1,013)	$19,724	$ (120)	$ 54,159	$ (1,133)

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

Percentage of Loan Portfolio Fair Value	2022	2021
California	18.9 %	17.8 %
New York	11.1	8.6
Virginia	7.4	6.8
New Jersey	6.7	6.5
Texas	5.4	8.6
Tennessee	4.9	5.0

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

Percentage of Loan Portfolio Fair Value	2022	2021
Multifamily	38.2 %	37.7 %
Retail	17.6	18.4
Office buildings	15.8	21.2
Other commercial	15.7	10.7
Industrial	12.7	12.0
Total	100.0 %	100.0 %

The contractual maturities of the CML portfolio as of December 31, 2022, are as follows:

	Number of Loans	Fair Value	Percent
2023	10	$ 86,754	6.5 %
2024	15	64,048	4.8
2025	53	322,630	24.0
2026	12	81,065	6.0
2027	7	19,311	1.4
Thereafter	107	771,240	57.3
Total	204	$ 1,345,048	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, 2022 or 2021, with an LTV ratio greater than 75%. The DSC ratio, based upon the most recently received financial statements, is expressed as a percentage of the amount of estimated cash flows from the property available to the borrower to meet principal and interest payment obligations. A DSC ratio of less than 1.0 indicates that property's operations do not generate sufficient cash flows to cover the debt payments. A loan can be considered performing and not a credit issue while experiencing a DSC below 1.0 for periods of time due to timing issues with regard to the receipt of income and payment of periodic expenses, such as taxes. The Company does not expect to incur losses on any loans currently experiencing a DSC below 1.0.

The following table reflects the distribution of the Company's CMLs across these two risk and quality measures as of December 31, 2022:

	Debt Service Coverage Ratio					
Loan-to-Value Ratios	**Less 1.0**	**1.0 to 1.25**	**1.26 to 1.5**	**1.51 to 1.75**	**Above 1.75**	**Total**
Less than 50%	$ 5,680	$ 30,618	$ 71,194	$ 55,485	$ 592,525	$ 755,502
50% to 60%	-	10,194	45,672	184,481	104,271	344,618
60% to 75%	-	36,093	18,837	78,762	111,236	244,928
Total	$ 5,680	$ 76,905	$ 135,703	$ 318,728	$ 808,032	$ 1,345,048

Policy Loans

Policy loans comprised approximately 1.0% of the Company's investments as of December 31, 2022 and 2021. These policy loans present minimal credit risk because the amount of the loan cannot exceed the obligation due the ceding company or the insured upon the death of the insured or surrender of the underlying policy. The provisions of the underlying policies determine the policy loan interest rates. Because policy loans represent premature distributions of policy liabilities, they have the effect of reducing future disintermediation risk. In addition, the Company earns a spread between the interest rate earned on policy loans and the interest rate credited to corresponding liabilities.

5. CONCENTRATION OF CREDIT RISK

As of December 31, 2022 and 2021, substantially all of the Company's cash, cash equivalent and short-term investments were held in six and five, respectively, financial institutions that the Company considers being of high credit quality.

6. FUNDS WITHHELD AT INTEREST

Funds withheld at interest comprised approximately 14.0% and 13.0% of the Company's total investments as of December 31, 2022 and 2021, respectively. The risk of loss to the Company due to the insolvency of a ceding company is mitigated by the Company's contractual right to offset amounts it owes the ceding company for claims or allowances with amounts owed to the Company from the ceding company. Interest generally accrues on these assets based upon the investment earnings on the underlying investments. The Company is subject to the investment performance on the funds withheld assets in a fashion similar to its invested assets.

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

	2022	**2021**
Segregated portfolio of assets—general account	$ 1,025,426	$ 1,269,938
Segregated portfolio of assets—separate account	3,430,213	3,974,912
Non-segregated portfolio of assets	55,193	79,868
Funds withheld at interest—at fair value	$ 4,510,832	$ 5,324,718

The disclosures that follow are for the segregated portfolio—general account only and exclude other invested assets, short-term investments and cash of $77,035 and $88,281 as of December 31, 2022 and 2021, respectively. The segregated portfolio—separate account is supported by assets with specific underlying investment objectives and are in accounts legally segregated from the single ceding company for which the policyholder has assumed substantially all the risk and reward. The non-segregated portfolio is supported by a proportionate share of the assets held by the ceding company.

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

	2022			
	Amortized Cost	**Unrealized Gain**	**Unrealized Loss**	**Fair Value**
U.S. government and agencies	$ 90,427	$ -	$ (19,332)	$ 71,095
State and political subdivisions	45,339	1,234	(2,593)	43,980
Foreign sovereign	2,680	-	(656)	2,024
Corporate securities	743,607	4,355	(87,286)	660,676
Residential mortgage-backed securities	76,256	46	(8,869)	67,433
Commercial mortgage-backed securities	51,917	1	(7,245)	44,673
Asset-backed securities	29,565	18	(4,421)	25,162
Collateralized debt obligations	29,617	1	(1,705)	27,913
Total fixed maturities	1,069,408	5,655	(132,107)	942,956
Preferred stock	5,723	253	(547)	5,429
Common stock	-	6	-	6
Total fixed maturity and equity securities	$ 1,075,131	$ 5,914	$ (132,654)	$ 948,391

	2021			
	Amortized Cost	**Unrealized Gain**	**Unrealized Loss**	**Fair Value**
U.S. government and agencies	$ 90,443	$ 7,671	$ (1,813)	$ 96,301
State and political subdivisions	48,136	10,724	(73)	58,787
Foreign sovereign	2,926	85	(63)	2,948
Corporate securities	743,883	90,534	(3,131)	831,286
Residential mortgage-backed securities	72,846	3,071	(476)	75,441
Commercial mortgage-backed securities	54,528	2,019	(392)	56,155
Asset-backed securities	25,572	351	(259)	25,664
Collateralized debt obligations	29,084	166	(43)	29,207
Total fixed maturities	1,067,418	114,621	(6,250)	1,175,789
Preferred stock	5,219	654	(9)	5,864
Common stock	-	4	-	4
Total fixed maturity and equity securities	$ 1,072,637	$ 115,279	$ (6,259)	$ 1,181,657

The unrealized loss and fair values by investment category and by duration of the fixed maturity securities in a continuous unrealized loss position of the segregated portfolio—general account assets supporting the funds withheld at interest at December 31, 2022 and 2021, are as follows:

	2022					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. government and agencies	$ 41,163	$ (5,321)	$ 29,682	$ (14,011)	$ 70,845	$ (19,332)
State and political subdivisions	21,924	(1,981)	2,469	(612)	24,393	(2,593)
Foreign sovereign	1,566	(400)	458	(256)	2,024	(656)
Corporate securities	509,151	(65,132)	87,510	(22,154)	596,661	(87,286)
Residential mortgage-backed securities	49,053	(5,010)	13,824	(3,859)	62,877	(8,869)
Commercial mortgage-backed securities	34,969	(5,240)	8,956	(2,005)	43,925	(7,245)
Asset-backed securities	13,903	(2,227)	10,991	(2,194)	24,894	(4,421)
Collateralized debt obligations	15,284	(806)	12,390	(899)	27,674	(1,705)
Total fixed maturities	687,013	(86,117)	166,280	(45,990)	853,293	(132,107)
Preferred stock	3,383	(522)	125	(25)	3,508	(547)
Total fixed maturity and equity securities	$ 690,396	$ (86,639)	$ 166,405	$ (46,015)	$ 856,801	$ (132,654)

	2021					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. government and agencies	$ 27,114	$ (795)	$ 14,771	$ (1,018)	$ 41,885	$ (1,813)
State and political subdivisions	3,012	(73)	-	-	3,012	(73)
Foreign sovereign	902	(63)	-	-	902	(63)
Corporate securities	123,846	(2,876)	3,007	(255)	126,853	(3,131)
Residential mortgage-backed securities	21,703	(374)	977	(102)	22,680	(476)
Commercial mortgage-backed securities	10,796	(174)	1,974	(218)	12,770	(392)
Asset-backed securities	16,638	(219)	1,124	(40)	17,762	(259)
Collateralized debt obligations	15,181	(43)	394	-	15,575	(43)
Total fixed maturities	219,192	(4,617)	22,247	(1,633)	241,439	(6,250)
Preferred stock	142	(9)	-	-	142	(9)
Total fixed maturity and equity securities	$ 219,334	$(4,626)	$ 22,247	$ (1,633)	$ 241,581	$ (6,259)

At December 31, 2022, 288 fixed maturity investments with a total unrealized loss of $45,990 had been in an unrealized loss position for 12 months or more. Of those securities in an unrealized loss position for 12 months or more, sixty six securities had a fair value below 70% of book value with a total unrealized loss of $18,836.

At December 31, 2021, 34 fixed maturity investments with a total unrealized loss of $1,633 had been in an unrealized loss position for 12 months or more. Of those securities in an unrealized loss position for 12 months or more, one security had a fair value below 70% of book value with a total unrealized loss of $12.

The contractual maturities of the segregated portfolio—general account's fixed maturity securities supporting the funds withheld at interest as of December 31, 2022, 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	$ 29,480	$ 29,531
One through five	166,883	158,577
After five through ten	212,857	187,234
After ten through twenty	282,151	247,516
After twenty	190,682	154,917
Residential mortgage-backed securities	76,256	67,433
Commercial mortgage-backed securities	51,917	44,673
Asset-backed securities	29,565	25,162
Collateralized debt obligations	29,617	27,913
Total fixed maturity securities	$ 1,069,408	$ 942,956

7. FUNDS HELD UNDER REINSURANCE TREATIES

As of December 31, 2022, the funds held under reinsurance treaties liability balance of $17,224,103 is comprised of reinsurance ceded to WREB for $16,895,804, with the remaining $328,299 ceded to unaffiliated third parties.

As of December 31, 2021, the funds held under reinsurance treaties liability balance of $22,392,959 is comprised of reinsurance ceded to WREB for $21,960,952, with the remaining $432,007 ceded to unaffiliated third parties.

8. REINSURANCE CEDED

For the years-ended December 31, 2022 and 2021, 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.

In March 2019, Scottish Re was placed into receivership and litigation over the Scottish Re rehabilitation is continuing as of December 31, 2020. The Company continues to monitor the progress of the rehabilitation through legal counsel and the American Council of Life Insurers. In March 2021, the Delaware Insurance Commissioner (the Rehabilitator) filed a draft Amended Rehabilitation Plan. In June 2022, the Rehabilitator filed a motion seeking approval for a Modified Plan, along with a number of financial disclosure documents, including a liquidation analysis. While there are significant changes proposed in the Modified Plan (as compared to the Amended Rehabilitation Plan), much of the economic substance (including not paying claims in full) of the Amended Rehabilitation Plan are included in the Modified Plan. The court provided a framework to be followed by the Rehabilitator to seek formal approval for the Rehabilitation Plan. At present, it is estimated that a hearing on the Rehabilitation Plan will be later in 2023 or early 2024. As of December 31, 2022 and 2021, the Company has approximately $32,000 and $34,000 of GAAP reserves ceded associated with its exposure to Scottish Re. The Company believes that a loss is probable given that Scottish Re is in receivership and has reported assets that are less than liabilities, and therefore, the Company has recorded a contingent liability of $15,000 as of December 31, 2022 and 2021 within other liabilities of the consolidated balance sheets.

Reinsurance and retrocession treaties do not relieve the Company from its obligations to counterparties. Failure of reinsurers or retrocessionaires to honor their obligations could result in losses to the Company. Consequently, allowances for uncollectible amounts would be established. At December 31, 2022 and 2021, no allowances were deemed necessary.

The Company's subsidiaries have a number of retrocessional agreements with WREB covering various blocks of business and products including term life, universal life, whole life, payout annuities, Company and Bank Owned Life Insurance (COLI | BOLI), long-term care and separate accounts.

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, 2022 and 2021:

	2022		
Reinsurer	**A. M. Best Rating**	**Amount**	**% of Total**
Affiliate—Wilton Reinsurance Bermuda Limited	A+	$ 20,041,253	95.6 %
Non-affiliate—other reinsurers		912,521	4.4
Total		$ 20,953,774	100.0 %

	2021		
Reinsurer	**A. M. Best Rating**	**Amount**	**% of Total**
Affiliate—Wilton Reinsurance Bermuda Limited	A+	$ 20,916,177	95.1 %
Non-affiliate—other reinsurers		1,071,036	4.9
Total		$ 21,987,213	100.0 %

Included in the total reinsurance recoverable balance were $164,070 and $167,352 of claims recoverable, of which $6,816 and $5,795 were in excess of 90 days past due but were deemed collectible as December 31, 2022 and 2021, respectively.

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

	2022	**2021**
Direct	$ 179,373	$ 123,526
Reinsurance assumed	327,472	359,062
Reinsurance ceded—affiliate	(139,243)	(154,288)
Reinsurance ceded—non-affiliate	(105,571)	(87,742)
Net premiums	$ 262,031	$ 240,558

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

	2022	2021
Direct	$ 496,344	$ 615,625
Reinsurance assumed	741,400	643,248
Reinsurance ceded—affiliate	(448,527)	(414,560)
Reinsurance ceded—non-affiliate	(138,651)	(76,374)
Claims and policy benefits—net of reinsurance ceded	$ 650,566	$ 767,939

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

	Direct	Assumed	Ceded	Net
December 31, 2022	$ 97,860,461	$ 67,836,595	$ (42,853,067)	$ 122,843,989
December 31, 2021	101,392,099	72,885,873	(47,212,360)	127,065,612

9. DEFERRED ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED

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

	2022	2021
Beginning of year	$ 495,365	$ 446,325
Capitalized	58,960	54,150
Amortized	(2,841)	(4,231)
Attributable to realized/unrealized gains and losses	32,333	(49)
Impact of unlocking	20,296	(830)
End of year	$ 604,113	$ 495,365

The balances and changes in VOBA for the years ended December 31, 2022 and 2021, are as follows:

	2022	2021
Beginning of year	$ 194,833	$ 240,159
Amortized	3,360	(47,287)
Attributable to realized/unrealized gains and losses	52,682	8,178
Impact of unlocking	3,644	(6,217)
End of year	$ 254,519	$ 194,833

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

2023	$ 26,481
2024	22,440
2025	19,107
2026	17,919
2027	16,933

10. INCOME TAXES

At December 31, 2022, the Company had net operating loss and tax credit carryforwards of approximately $19,970 and $4,906 respectively. The Company expects to utilize all of these net operating losses. All of the tax credit carryforward is limited under Sec. 383 of the Internal Revenue Code and has a valuation allowance of $648, at December 31, 2022, and 2021, as a portion of these are expected to expire unused. An additional valuation allowance of $398, applicable to 2022 only, reflects realized losses not expected to be recognized in the foreseeable future. In addition, the Company has $12,441 of capital losses eligible for carryforward which will begin to expire in 2023.

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

	2022	2021
Current tax expense (benefit)	$ (23,686)	$ 4,153
Deferred tax expense (benefit)	(574,753)	30,596
Income tax expense (benefit)	$ (598,439)	$ 34,749

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

	2022	2021
Computed expected tax expense (benefit)	$ (607,091)	$ 38,753
Equity method investment in affiliate adjustment	13,112	617
Other	(4,460)	(4,621)
Income tax expense (benefit)	$ (598,439)	$ 34,749

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:

	2022	2021
Deferred income tax assets:		
Differences between tax and financial reporting amounts concerning certain reinsurance transactions	$ 670,074	$ 660,942
Net operating losses	4,194	7,015
Capital loss carryforwards	2,613	146
Tax credit carryforwards	4,907	7,175
Nondeductible accruals	33,550	24,343
Deferred acquisition costs/value of business acquired	-	46,144
Investments	419,750	-
Other	4,462	5,016
Total deferred tax assets	1,139,550	750,781
Deferred income tax liabilities:		
Reserves for future policy benefits	(152,036)	(204,842)
Deferred acquisition costs/value of business acquired	(60,448)	
Investments	-	(259,954)
Total deferred tax liabilities	(212,484)	(464,796)
Valuation allowance	(1,047)	(648)
Net deferred tax asset	$ 926,019	$ 285,337

The Company is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2019.

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 book income. The Company has determined that it does not expect to be liable for CAMT in 2023.

As of December 31, 2022 or 2021, the Company had no unrecognized tax benefits.

11. STATUTORY REQUIREMENTS AND DIVIDEND RESTRICTIONS

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

WRAC, WRNY, TLIC, WCAC, and RRE3 file financial statements prepared in accordance with statutory accounting practices prescribed or permitted by insurance regulators in the United States. The National Association of Insurance Commissioners (NAIC) prescribes risk-based capital (RBC) requirements for the

United States domiciled life and health insurance companies. As of December 31, 2022 and 2021, all of the Company's insurance and reinsurance subsidiaries exceeded all minimum RBC requirements.

WRAC is subject to statutory regulations of the State of Minnesota. Under these regulations, the maximum amount of dividends which can be paid by a company to shareholders in any twelve-month period without prior approval of the Minnesota Department of Commerce is restricted to the greater of 10% of surplus or net income less realized gains of the preceding year. In addition, any dividends must be paid from positive unassigned surplus. WRAC can pay dividends of $126,024 in 2023 without prior regulatory approval.

WRNY is subject to statutory regulations of the state of New York. Under these regulations, the maximum amount of dividends which can be paid by a company to shareholders in any twelve-month period without prior approval of the New York Department of Financial Services is restricted to the greater of 10% of surplus to policyholders as of the immediately preceding calendar year or net income less realized gains of the preceding year, which may be further limited. WRNY can pay dividends of $8,536 in 2023 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 $80,825 in 2023 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 $15,948 in 2023 without prior regulatory approval.

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

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

	2022	**2021**
Wilton Reassurance Company	$ 1,363,628	$ 1,372,686
Wilton Reassurance Life Company of New York	289,433	327,616
Texas Life Insurance Company	180,521	114,515
Wilcac Life Insurance Company	248,817	238,650
Redding Reassurance Company 3 LLC	63,619	73,681

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

	2022	2021
Wilton Reassurance Company	$ 414,046	$ 256,856
Wilton Reassurance Life Company of New York	42,695	(931,231)
Texas Life Insurance Company	80,825	18,991
Wilcac Life Insurance Company	57,765	3,949
Redding Reassurance Company 3 LLC	46,701	51,067

12. LONG-TERM INCENTIVE PLAN

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

Initiated in 2014, the plan's expense is recognized ratably over the requisite performance period as a component of operating expenses. At December 31, 2022 and 2021, included within other liabilities of the accompanying consolidated balance sheets, is the Company's payable of $105,909 and $131,661, respectively, resulting in incurred expenses of $23,093 and $39,029 for the years ended 2022 and 2021, respectively, related to awards vesting in 2021, 2022, 2023, 2024, and 2025. The Company paid $48,845 and $120,268 for the years ended 2022 and 2021, respectively.

13. RELATED PARTY TRANSACTIONS

Services

Wilton Re Services provides, among others, certain accounting, actuarial and administrative services to affiliates of the Company. Services charged to affiliates during 2022 and 2021 amounted to $14,860 and $12,230, respectively, and $3,479 and $3,670 of this was recorded as other assets at December 31, 2022 and 2021, respectively. Services charged to affiliates are generally paid quarterly.

14. FUNDING AGREEMENTS

As a member of the Federal Home Loan Bank of Des Moines (FHLB), WRAC has the ability to borrow on a collateralized basis from the FHLB. As a condition of membership in the FHLB, a company is required to hold certain minimum amounts of FHLB common stock, and additional amounts based on the amount of the borrowings. At December 31, 2022 and 2021, the carrying value of the FHLB common stock was $10,000.

As of December 31, 2022 and 2021, there were no collateralized borrowings from the FHLB. Investments with an estimated fair value of $0 and $13,774 at December 31, 2022 and 2021, respectively, were maintained in a custodial account for the benefit of the FHLB. All such investments are classified as fixed maturities, trading, in the accompanying Consolidated Balance Sheets. No interest expense was recognized in 2022 and 2021 related to the borrowings.

At December 31, 2022 and 2021, WRAC pledged collateral sufficient to support Letters of Credit (LOCs)/advances of approximately $0 and $12,533, respectively.

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. On February 24, 2022, FHLBI initiated a partial stock redemption in the amount of $3,299.

At December 31, 2022 and 2021, WCAC had no pledged collateral and no support Letters of Credit (LOCs)/advances with FHLBI.

15. COMMITMENTS AND CONTINGENCIES

Funding of Investments

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

	2022		2021	
	Commitment	Unfunded	Commitment	Unfunded
Limited partnerships	$ 2,478,748	$ 906,508	$ 2,172,554	$ 1,059,219

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

Collateral Arrangements

Certain of the Company's operating subsidiaries are required under applicable law, as a result of specific contractual undertakings, or both, to maintain amounts in trust or similar collateral arrangements to secure performance of such subsidiaries' performance of specified policy or contract liabilities. These arrangements include, among others, trusts maintained in connection with indemnity reinsurance or similar arrangements or to support specified blocks of payout annuity obligations and deposits mandated in connection with certain borrowing arrangements. While the terms of these arrangements vary, the Company's operating subsidiaries generally retain investment management responsibility for these collateral assets subject, in certain cases, to compliance with agreed investment guidelines. The aggregate market value of investments maintained by the Company's operating subsidiaries pursuant to these arrangements as of December 31, 2022 and 2021, was $14,515,024 and $19,569,308, respectively.

Legal Proceedings

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

16. LONG-TERM AND OTHER DEBT

Long-Term Debt

The Company's long-term debt for the years ended December 31 are as follows:

	2022	2021
Liquidity facilities	$ -	$ 250,000
Fixed-to-Floating Rate Senior Notes	250,000	250,000
Long-term debt	$ 250,000	$ 500,000

Liquidity Facilities

WRL obtains LOCs for the benefit of various affiliated and unaffiliated insurance companies from which the Company assumes business. These LOCs represent guarantees of performance under the reinsurance agreements and allow ceding companies to take statutory reserve credits.

In September 2021, WRL, along with the Company, extended its existing five-year $500,000 senior revolving credit facility (Wells Fargo Facility I) by 3 years, with new expiry in 2026 with a syndicate of lenders. The facility includes a $100,000 letter of credit sublimit. The facility also requires WRL's combined leverage ratio not to be greater than 0.35 to 1.00 and that WRL maintain a minimum adjusted consolidated tangible net worth. Borrowings under the Wells Fargo Facility I bear interest, at the applicable borrower's option, at either a base rate or a LIBOR rate (or following a LIBOR replacement event, a SOFR rate) (or, in the case of borrowings denominated in Canadian Dollars, at the Canadian Dollar Offered Rate or "CDOR"), in each case, plus an applicable margin that is determined according to a sliding scale based upon the majority of the financial strength rating of WRAC, WREB, and ivari, an affiliated Canadian life insurance company. The applicable margin for base rate loans ranges from 0.125% to 0.75%. The applicable margin for LIBOR loans/CDOR Loans/SOFR Loans ranges from 1.125% to 1.75%. Any amounts borrowed may be repaid at any time without prepayment penalty.

LOCs issued under the Wells Fargo Facility I may be collateralized by qualifying cash and securities (liquid collateral). The market value of the collateral held by the Company at December 31, 2022 and 2021, was $25,693 and $26,682, respectively. At December 31, 2022 and 2021, there were approximately $19,751 and $19,930, respectively, of outstanding bank LOCs issued by the Company under the facility and $0 borrowed under the line of credit.

In April 2021, the Company borrowed $250,000 under the Wells Fargo Facility I. The interest rate for the $250,000 borrowing was LIBOR plus an applicable margin of 1.25**%** and floats on a monthly basis. During 2022, interest of $6,464 was paid and recorded as interest expense on the consolidated statements of comprehensive income (loss). In May 2022, WRUS made a partial paydown of principal of $25,000 and in December 2022, WRUS paid the remaining $225,000 of principal under Wells Fargo Facility I.

In September 2022, WRL, along with the Company, renewed its 364-day $500,000 senior revolving credit facility (Wells Fargo Facility II), which was first added in October 2017 and has been renewed every year since it was first added, with a syndicate of lenders. Except for the applicable interest rate margin, Wells Fargo Facility II has the same financial covenant restrictions and rates as Wells Fargo Facility I. The applicable margin for base rate loans ranges from 0.125% to 0.75%. The applicable margin for LIBOR loans/CDOR Loans/SOFR Loans ranges from 1.125% to 1.75%. Any amounts borrowed may be repaid at any time without prepayment penalty. At December 31, 2022 and 2021, the Company had $100,000 borrowed under the facility.

Fixed-to-Floating Rate Senior Notes

In April 2013, WRFL consummated the sale of a $300,000 144A notes offering (of which $50,000 has been purchased by WRSI and are eliminated in consolidation). The notes are unconditionally guaranteed on a senior, unsecured basis jointly and severally by WRL and the Company. The notes are 5.875% fixed-to-floating rate senior notes due 2033. The notes pay fixed interest semi-annually in arrears on March 30 and September 30 until March 30, 2023, at a rate of 5.875% subject to interest rate adjustments as further described below. The floating interest will be paid quarterly in arrears commencing June 30, 2023, until maturity on March 30, 2033, at an interest rate equal to three-month LIBOR plus 3.829% subject to an interest rate adjustment as further described below. During 2022 and 2021, interest of $14,688 was paid and recorded as interest expense on the consolidated statements of comprehensive income (loss).

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

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

Other Debt

RRE3 Surplus Note—Weston2038 LLC Credit-Linked Note

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

Concurrently with the issuance of the CLN, Weston entered into a risk transfer agreement with Hannover pursuant to which, in exchange for a fee, Hannover will provide liquidity to Weston for any redemption/monetization of the CLN. As of July 27, 2018, AM Best assigned a Long-Term Issue Credit Rating of "a" to the CLN. Subsequently, on July 21, 2021, AM Best reaffirmed its Long-Term Issue Credit Rating of "a" to the CLN. Upon request by WRAC for payment under the CLN, the CLN will be drawn down in the amount of such request and Hannover will back such request through operation of the risk transfer agreement. In connection with each draw, the outstanding principal balance of the Surplus Note and the

CLN will be reduced by the amount of the draw and a 6.00% Funded Surplus Note in the same amount of the draw will be issued to Hannover.

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

	Surplus Note	**Credit-Linked Note**
January 1, 2021 carrying value	$ 680,823	$ 680,823
Paydown—March	(8,501)	(8,501)
Paydown—June	(18,366)	(18,366)
Paydown—September	(10,626)	(10,626)
Paydown—December	(19,537)	(19,537)
December 31, 2021 carrying value	623,793	623,793
Paydown—March	(4,791)	(4,791)
Paydown—June	(8,914)	(8,914)
Paydown—September	(22,437)	(22,437)
Paydown—December	(10,941)	(10,941)
December 31, 2022 carrying value	$ 576,710	$ 576,710
2021 interest (incurred) earned	$ (39,749)	$ 39,749
2022 interest (incurred) earned	$ (36,602)	$ 36,602

17. FAIR VALUE

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

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

Level 1 Unadjusted quoted prices for identical assets or liabilities in an active market.

The types of financial investments included in Level 1 are listed equities, mutual funds, money market funds, US Treasury Securities and non-interest-bearing cash.

Level 2 Pricing inputs other than quoted prices in active markets which are either directly or indirectly observable as of the reporting date, and fair value determined through the use of models or other valuation methods. Such inputs may include benchmarking prices for similar assets in active, liquid markets, quoted prices in markets that are not active and observable yields and spreads in the market. Level 2 valuations may be obtained from independent sources for identical or comparable assets or through the use of valuation methodologies using observable market-corroborated inputs. Prices from third-party pricing services are validated through analytical reviews.

The types of financial instruments included in Level 2 include publicly traded issues such as US and foreign corporate securities, and residential and commercial mortgage backed securities, among others.

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

The types of financial investments included in Level 3 primarily include private placements, certain asset-backed and mortgage-backed securities, commercial mortgage loans, collateral loans and LLC or limited partnership interests that are not accounted for on an equity basis.

Recurring Fair Value Measurements

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

December 31, 2022	Fair Value		Level 1	Level 2	Level 3
Invested assets:					
U.S. government and agencies	$ 2,000,216		$ 1,596,487	$ 403,729	$ -
State and political subdivisions	1,667,154		-	1,580,017	87,137
Foreign sovereign	30,635		-	30,635	-
Corporate securities	13,578,869		-	12,674,364	904,505
Residential mortgage-backed securities	664,805		-	664,804	1
Commercial mortgage-backed securities	874,871		-	874,871	-
Asset-backed securities	1,270,473		-	924,527	345,946
Collateralized debt obligations	1,505,412		-	1,505,412	-
Total fixed maturity	21,592,435		1,596,487	18,658,359	1,337,589
Preferred stock	669,271		-	605,294	63,977
Common stock	62,050		-	25,649	36,401
Total fixed maturity and equity securities	22,323,756	1	1,596,487	19,289,302	1,437,967
Commercial mortgage loans	1,345,048		-	-	1,345,048
Other invested assets	1,303,885	2	-	531,326	772,559
Total invested assets	24,972,689		1,596,487	19,820,628	3,555,574
Funds withheld at interest:					
U.S. government and agencies	71,095		15,168	55,927	-
State and political subdivisions	43,980		-	43,980	-
Foreign Sovereign	2,024		-	2,024	-
Corporate securities	660,676		-	660,676	-
Residential mortgage-backed securities	67,433		-	67,433	-
Commercial mortgage-backed securities	44,673		-	44,673	-
Asset-backed securities	25,162		-	25,162	-
Collateralized debt obligations	27,913		-	27,913	-
Total fixed maturity	942,956		15,168	927,788	-
Preferred stock	5,429		-	5,429	-
Common stock	6		-	-	6
Other invested assets	23,329		-	23,329	-
Funds withheld at interest—segregated portfolio of assets—general account	971,720	3	15,168	956,546	6
Funds withheld at interest—segregated portfolio of assets—separate account	3,430,213		-	3,430,213	-
Total funds withheld at interest	4,401,933	4	15,168	4,386,759	6
Other assets—separate account assets	245,911		236,276	9,635	-
Total	$ 29,620,533		$ 1,847,931	$ 24,217,022	$ 3,555,580
Financial liabilities:					
Other Liabilities - purchase options and interest rate swaps	$ 174,023	5	$ -	$ 174,023	$ -

[1] Issuer obligations—non-affiliates of $576,710 are a component of Total fixed maturities not measured at fair value on a recurring basis.

[2] Components of Other invested assets not measured at fair value on a recurring basis are limited partnerships of $1,672,179.

[3] Cash and short-term investments of $53,703 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 $55,193 are a component of Funds withheld at interest not measured at fair value on a recurring basis.

[5] Negative equity method investment in affiiates of $60,360 is a component of Other Liabilities not measured at fair value on a recurring basis.

December 31, 2021	Fair Value		Level 1	Level 2	Level 3
Invested assets:					
U.S. government and agencies	$ 3,699,035		$3,356,754	$ 342,281	$ -
State and political subdivisions	2,255,691		-	2,144,145	111,546
Foreign sovereign	80,491		-	80,491	-
Corporate securities	18,174,884		-	17,429,667	745,217
Residential mortgage-backed securities	969,835		-	969,834	1
Commercial mortgage-backed securities	1,038,236		-	1,033,251	4,985
Asset-backed securities	1,444,235		-	1,041,377	402,858
Collateralized debt obligations	1,678,454		-	1,640,355	38,099
Total fixed maturity	29,340,861		3,356,754	24,681,401	1,302,706
Preferred stock	828,537		-	777,287	51,250
Common stock	54,568		-	28,948	25,620
Total fixed maturity and equity securities	30,223,966	1	3,356,754	25,487,636	1,379,576
Commercial mortgage loans	1,703,644		-	-	1,703,644
Other invested assets	1,356,432	2	-	680,704	675,728
Total invested assets	33,284,042		3,356,754	26,168,340	3,758,948
Funds withheld at interest:					
U.S. government and agencies	96,301		23,893	72,408	-
State and political subdivisions	58,787		-	58,787	-
Foreign Sovereign	2,948		-	2,948	-
Corporate securities	831,286		-	831,286	-
Residential mortgage-backed securities	75,441		-	75,441	-
Commercial mortgage-backed securities	56,155		-	56,155	-
Asset-backed securities	25,664		-	25,664	-
Collateralized debt obligations	29,207		-	29,207	-
Total fixed maturity	1,175,789		23,893	1,151,896	-
Preferred stock	5,864		-	5,864	-
Common stock	4		-	-	4
Other invested assets	30,546		-	30,546	-
Funds withheld at interest—segregated portfolio of assets—general account	1,212,203	3	23,893	1,188,306	4
Funds withheld at interest—segregated portfolio of assets—separate account	3,974,912		-	3,974,912	-
Total funds withheld at interest	5,187,115	4	23,893	5,163,218	4
Other assets—separate account assets	342,369		316,291	26,078	-
Total	$38,813,526		$3,696,938	$31,357,636	$3,758,952

[1] Issuer obligations—non-affiliates of $623,793 are a component of Total fixed maturities not measured at fair value on a recurring basis.

[2] Components of Other invested assets not measured at fair value on a recurring basis are equity method investment in affiliate of $55,283 and limited partnerships of $1,299,847.

[3] Cash and short-term investments of $57,735 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 $79,868 are a component of Funds withheld at interest not measured at fair value on a recurring basis.

Fixed Maturity and Equity Securities

Publicly traded fixed maturity securities included in fixed maturity and equity securities and funds withheld at interest are valued based on quoted market prices or broker prices. Private placement securities included in fixed maturity and equity securities and funds withheld at interest are valued based on the credit quality and duration of marketable securities deemed comparable by the Company's investment advisor, which may be of another issuer. In some cases, discounted cash flow analysis may be used.

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

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

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

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

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

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

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

This category consists of residential mortgage-backed securities, commercial mortgage-backed securities, and other asset-backed securities, such as credit card and automobile receivables, home equity loans, manufactured housing bonds and collateralized debt obligations. Level 2 securities are priced from information provided by third-party pricing services and independent broker quotes. For mortgage-backed and asset-backed securities, valuation is based primarily on matrix pricing or other similar techniques using standard market inputs including spreads for actively traded securities, spreads off benchmark yields, expected prepayment speeds and volumes, current and forecasted loss severity, credit rating, weighted average coupon, weighted average maturity, average delinquency rates, geographic region, debt-service coverage ratios and issuance-specific information including, but not limited to: collateral type, payment terms of the underlying assets, payment priority within the tranche, structure of the security, deal performance, vintage of loans and insurance guarantees.

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

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

Preferred and Common Stock

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

Commercial Mortgage Loans

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

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

Other Invested Assets

Surplus Debentures

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

Collateral Loans

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

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

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.

Funds Withheld

The fair value of embedded derivatives associated with funds withheld reinsurance treaties is determined based upon a total return swap methodology with reference to the fair value of the investments held by the ceding company that support the Company's funds withheld at interest asset. The fair value of the underlying assets is generally based on market observable inputs using market valuation methodologies.

Separate Account Assets

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.

Changes of Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

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:

	2022			2021		
Invested Assets	**Purchases**	**Transfer Into**	**Transfer Out of**	**Purchases**	**Transfer Into**	**Transfer Out of**
State and political subdivisions	$ 316	$ -	$ (5,375)	$ -	$ -	$ -
Corporate securities	549,435	34,066	(50,392)	138,473	26,735	(1,023)
Commercial mortgage-backed securities	-	-	(4,985)	3,298	1,735	-
Asset-backed securities	152,010	28,414	(64,430)	22,033	63,809	(13,794)
Collateralized debt obligations	-	-	-	-	-	-
Preferred stock	2,102	13,678	-	-	50,000	-
Common stock	11,914	-	-	23,248	-	-
Commercial mortgage loans	166,552	-	-	294,718	-	-
Short term	10,112	-	-	995	-	-
Other invested assets	107,173	10,766	-	183,182	-	-
Total invested assets	$999,614	$ 86,924	$(125,182)	$665,947	$142,279	$(14,817)

18. SUBSEQUENT EVENTS

The Company has evaluated the impact of subsequent events through March 31, 2023, representing the date at which the consolidated financial statements were available to be issued. The following event occurred subsequent to December 31, 2022:

Fixed to floating rate senior notes

The Company paid off the $250,000 on its fixed to floating rate senior notes on March 30, 2023 at par using the net proceeds it receives from a three year term loan to borrow $250,000, which closed on March 28, 2023. To hedge the Company's exposure to floating rate interest under the new three year term loan, the Company executed a forward-starting swap agreement on March 20, 2023.

Bank Industry

On March 10, 2023, the FDIC took over Silicon Valley Bank after the bank experienced substantial run on deposits, and two days later, Signature Bank was forced to close. On March 19, 2023, the Swiss regulators arranged for UBS to purchase Credit Suisse at distressed levels without a shareholder vote. The Company is in the process of assessing the direct and indirect exposure to the banking sector and has already exited some positions to minimize exposure. To date, our realized losses related to sales or write-downs of impacted securities is immaterial, and we will continue to monitor our exposure to depository institutions. Additional turmoil in this sector could have a material adverse (direct or indirect) effect on global, national and local economies, as well as the Company. The extent to which the current state of the banking sector impacts the Company's results will depend on future developments.

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SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITOR’S REPORT ON SUPPLEMENTARY INFORMATION

The Board of Directors of
Wilton Re U.S. Holdings, Inc.:

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary consolidating balance sheets as of December 31, 2022 and 2021 and the supplementary consolidating statements of comprehensive income (loss) for the years then ended are presented for the purpose of additional analysis and are not a required part of the financial statements. This supplementary information is the responsibility of Wilton Re U.S. Holdings, Inc. and subsidiaries’ management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion such information is fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte & Touche LLP

March 31, 2023

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

CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2022
(Amounts in thousands of US dollars)

	WRUS	WRSI WRFL	WRAC	WRNY	TLIC	WCAC	RRE3	Eliminations	WRUS Consolidated
Assets									
Fixed maturity and equity securities	$ -	$ 50,000	$ 11,934,053	$ 5,019,023	$ 1,067,143	$ 3,554,481	$ 1,325,765	$ (50,000)	$ 22,900,465
Commercial mortgage loans at fair value	-	-	657,037	389,372	62,828	235,811	-	-	1,345,048
Policy loans	-	-	89,145	27,903	47,475	115,969	54,102	-	334,594
Funds withheld at interest	-	-	7,921,593	-	-	1,800	6,638	(3,419,199)	4,510,832
Other invested assets	300,000	-	1,481,208	443,322	344,370	707,164	-	(300,000)	2,976,064
Short term investments	-	-	7,581	-	-	2,525	-	-	10,106
Total investments	300,000	50,000	22,090,617	5,879,620	1,521,816	4,617,750	1,386,505	(3,769,199)	32,077,109
Cash and cash equivalents	17,441	30,690	274,816	120,238	44,392	179,430	8,875	-	675,882
Accrued investment income	-	-	141,373	54,490	10,784	44,693	11,283	-	262,623
Premiums receivable	-	-	61,248	4,352	863	2,279	23,383	(23,830)	68,295
Reinsurance recoverable	-	-	19,548,939	5,550,015	9,395	1,912,961	-	(6,067,536)	20,953,774
Other reinsurance receivables	-	-	40,801	2,379	-	52,229	-	(53,062)	42,347
Net deferred acquisition costs	-	-	25,392	-	578,721	-	-	-	604,113
Value of in-force business acquired	-	-	106,746	25,688	12,431	-	109,654	-	254,519
Net deferred income taxes	7,559	227	640,230	11,157	104,734	237,241	-	(75,129)	926,019
Other assets	231,262	324,640	999,449	19,322	2,890	14,193	2,070	(1,131,529)	462,297
Separate account assets	-	-	-	234,914	-	10,997	-	-	245,911
Total assets	$ 556,262	$ 405,557	$ 43,929,611	$ 11,902,175	$ 2,286,026	$ 7,071,773	$ 1,541,770	$ (11,120,285)	$ 56,572,889

(Continued)

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

CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2022
(Amounts in thousands of US dollars)

Liabilities and shareholder's equity	WRUS	WRSI WRFL	WRAC	WRNY	TLIC	WCAC	RRE3	Eliminations	WRUS Consolidated
Reserves for future policy benefits	$ -	$ -	$ 16,121,582	$ 4,675,302	$ 286,727	$ 2,916,294	$ 294,583	$ (4,590,304)	$ 19,704,184
Interest sensitive contract liabilities	-	-	11,829,329	2,972,089	1,911,057	2,309,400	660,624	(1,483,563)	18,198,936
Other reinsurance liabilities	-	-	94,601	35,799	14,516	9,373	7,925	(76,892)	85,322
Funds held under reinsurance treaties	-	-	15,387,113	3,616,855	-	1,639,334	-	(3,419,199)	17,224,103
Net deferred tax liabilities	-	-	-	-	-	-	73,800	(73,800)	-
Long-term debt	250,000	350,000	-	-	-	-	-	(350,000)	250,000
Other debt	-	-	-	-	-	-	576,710	-	576,710
Subordinated affiliate debt	-	-	300,000	-	-	-	-	(300,000)	-
Other liabilities	683,943	49,867	445,544	61,410	23,807	60,502	3,381	(663,049)	665,404
Separate account liabilities	-	-	-	234,914	-	10,997	-	-	245,911
Total liabilities	933,943	399,867	44,178,169	11,596,369	2,236,107	6,945,900	1,617,023	(10,956,807)	56,950,570
Shareholder's equity:									
Class A common shares	-	-	2,500	2,502	1,854	4,366	-	(11,222)	-
Class B common shares	-	-	-	-	-	-	-	-	-
Additional paid-in capital	134,807	48,325	175,787	424,034	-	122,429	9,457	(780,032)	134,807
Retained earnings (deficit)	(512,488)	(42,635)	(426,845)	(120,730)	48,065	(922)	(84,710)	627,776	(512,488)
Total shareholder's equity	(377,681)	5,690	(248,558)	305,806	49,919	125,873	(75,253)	(163,478)	(377,681)
Total liabilities and shareholder's equity	$ 556,262	$ 405,557	$ 43,929,611	$ 11,902,175	$ 2,286,026	$ 7,071,773	$ 1,541,770	$ (11,120,285)	$ 56,572,889

(Concluded)

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

CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2021
(Amounts in thousands of US dollars)

	WRUS	WRSI WRFL	WRAC	WRNY	TLIC	WCAC	RRE3	Eliminations	WRUS Consolidated
Assets									
Fixed maturity and equity securities	$ 15,043	$ 50,000	$16,572,866	$ 6,517,619	$1,240,621	$4,877,691	$1,623,919	$ (50,000)	$30,847,759
Commercial mortgage loans at fair value	-	-	867,769	474,612	81,719	279,544	-	-	1,703,644
Policy loans	-	-	94,493	29,383	46,894	123,429	55,721	-	349,920
Funds withheld at interest	-	-	9,652,184	-	-	2,089	21,453	(4,351,008)	5,324,718
Other invested assets	355,283	-	1,381,294	400,192	293,968	579,165	1,660	(300,000)	2,711,562
Short term investments	-	2,400	-	995	-	-	-	-	3,395
Total investments	370,326	52,400	28,568,606	7,422,801	1,663,202	5,861,918	1,702,753	(4,701,008)	40,940,998
Cash and cash equivalents	24,922	9,035	297,230	180,980	45,195	138,190	5,651	-	701,203
Accrued investment income	30	-	137,710	51,075	8,401	46,562	11,545	-	255,323
Premiums receivable	-	-	70,852	4,483	728	2,915	28,163	(28,004)	79,137
Reinsurance recoverable	-	-	20,429,798	5,821,662	10,365	2,005,936	-	(6,280,548)	21,987,213
Other reinsurance receivables	-	-	108,820	2,733	9	166,361	-	(105,881)	172,042
Net deferred acquisition costs	-	-	28,452	-	466,913	-	-	-	495,365
Value of in-force business acquired	-	-	81,672	7,015	11,852	-	94,294	-	194,833
Net deferred income taxes	-	218	334,028	-	44,723	170,726	-	(264,358)	285,337
Other assets	2,023,474	332,018	847,673	8,658	4,188	3,559	1,829	(2,859,768)	361,631
Separate account assets	-	-	-	317,146	-	25,223	-	-	342,369
Total assets	$2,418,752	$393,671	$50,904,841	$ 13,816,553	$2,255,576	$8,421,390	$1,844,235	$ (14,239,567)	$65,815,451

(Continued)

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

CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2021
(Amounts in thousands of US dollars)

Liabilities and shareholder's equity	WRUS	WRSI WRFL	WRAC	WRNY	TLIC	WCAC	RRE3	Eliminations	WRUS Consolidated
Reserves for future policy benefits	$ -	$ -	$ 16,473,900	$ 4,595,341	$ 289,061	$ 3,043,382	$ 314,774	$ (4,596,172)	$ 20,120,286
Interest sensitive contract liabilities	-	-	12,720,075	3,293,918	1,722,612	2,530,422	692,003	(1,690,895)	19,268,135
Other reinsurance liabilities	-	-	100,960	100,074	12,975	11,387	9,751	(133,885)	101,262
Funds held under reinsurance treaties	-	-	19,928,835	4,604,995	-	2,210,137	-	(4,351,008)	22,392,959
Net deferred tax liabilities	2,801	-	-	137,600	-	-	122,588	(262,989)	-
Long-term debt	500,000	350,000	-	-	-	-	-	(350,000)	500,000
Other debt	-	-	-	-	-	-	623,793	-	623,793
Subordinated affiliate debt	-	-	300,000	-	-	-	-	(300,000)	-
Other liabilities	1,161	35,283	181,292	72,526	17,022	144,409	4,107	96,057	551,857
Separate account liabilities	-	-	-	317,146	-	25,223	-	-	342,369
Total liabilities	503,962	385,283	49,705,062	13,121,600	2,041,670	7,964,960	1,767,016	(11,588,892)	63,900,661
Shareholder's equity:									
Class A common shares	-	-	2,500	2,502	1,854	4,366	-	(11,222)	-
Class B common shares	-	-	-	-	-	-	-	-	-
Additional paid-in capital	134,807	48,325	248,500	501,980	-	122,429	3,092	(924,326)	134,807
Retained earnings (deficit)	1,779,983	(39,937)	948,779	190,471	212,052	329,635	74,127	(1,715,127)	1,779,983
Total shareholder's equity	1,914,790	8,388	1,199,779	694,953	213,906	456,430	77,219	(2,650,675)	1,914,790
Total liabilities and shareholder's equity	$ 2,418,752	$ 393,671	$ 50,904,841	$ 13,816,553	$ 2,255,576	$ 8,421,390	$ 1,844,235	$ (14,239,567)	$ 65,815,451

(Concluded)

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

CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2022
(Amounts in thousands of US dollars)

	WRUS	WRSI WRFL	WRAC	WRNY	TLIC	WCAC	RRE3	Eliminations	WRUS Consolidated
Revenues									
Net premiums	$ -	$ -	$ 158,479	$ 29,946	$ 26,928	$ 4,928	$ 41,750	$ -	$ 262,031
Policy fees and charges	-	-	138,915	47,525	139,602	157,375	27,035	-	510,452
Inuring third-party reinsurance commissions	-	-	15,278	238	-	-	3,376	-	18,892
Investment earnings—net	19,757	20,631	175,390	66,974	87,079	148,641	33,011	(20,563)	530,920
Net change in unrealized gains (losses) on investments classified as trading and other	179	-	(4,255,125)	(1,157,868)	(273,302)	(903,384)	(225,626)	-	(6,815,126)
Change in value of derivatives and embedded derivatives—net	-	-	2,637,711	730,882	-	384,005	(14,173)	-	3,738,425
Total revenues	19,936	20,631	(1,129,352)	(282,303)	(19,693)	(208,435)	(134,627)	(20,563)	(1,754,406)
BENEFITS AND EXPENSES									
Claims and policy benefits—net of reinsurance ceded	-	-	294,678	27,335	168,628	105,875	53,862	188	650,566
Interest credited to interest sensitive contract liabilities	-	-	54,880	70,607	30,906	73,936	17,676	-	248,005
Acquisition costs and other insurance expenses	-	-	(5,810)	(23,498)	(48,455)	(3,840)	(11,501)	(16)	(93,120)
Operating expenses	419	441	79,775	37,693	37,726	36,273	4,764	15	197,106
Interest expense	21,151	20,966	-	-	-	-	1,830	(20,563)	23,384
Total benefits and expenses	21,570	21,407	423,523	112,137	188,805	212,244	66,631	(20,376)	1,025,941
Net income (loss) and comprehensive income (loss) before income taxes and net earnings of equity method investee	(1,634)	(776)	(1,552,875)	(394,440)	(208,498)	(420,679)	(201,258)	(187)	(2,780,347)
Income tax expense (benefit)	(10,493)	1,925	(329,539)	(83,240)	(44,510)	(90,122)	(42,421)	(39)	(598,439)
Net income (loss) and comprehensive income (loss) before net earnings of equity method investee and equity in net income (loss) of subsidiaries	8,859	(2,701)	(1,223,336)	(311,200)	(163,988)	(330,557)	(158,837)	(148)	(2,181,908)
Share of net earnings of equity method investee	(110,563)	-	-	-	-	-	-	-	(110,563)
Net income (loss) and comprehensive income (loss) before equity in net income (loss) of subsidiaries	(101,704)	(2,701)	(1,223,336)	(311,200)	(163,988)	(330,557)	(158,837)	(148)	(2,292,471)
Equity in net income (loss) of subsidiaries	(2,190,767)	-	-	-	-	-	-	2,190,767	-
Net income (loss) and comprehensive income (loss)	$ (2,292,471)	$ (2,701)	$ (1,223,336)	$ (311,200)	$ (163,988)	$ (330,557)	$ (158,837)	$ 2,190,619	$ (2,292,471)

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

CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2021
(Amounts in thousands of US dollars)

	WRUS	WRSI WRFL	WRAC	WRNY	TLIC	WCAC	RRE3	Eliminations	WRUS Consolidated
Revenues									
Net premiums	$ -	$ -	$ 158,420	$ 10,258	$ 29,534	$ 1,813	$ 40,533	$ -	$ 240,558
Policy fees and charges	-	-	111,389	18,527	155,448	165,082	28,717	-	479,163
Inuring third-party reinsurance commissions	-	-	16,220	311	-	-	8,083	-	24,614
Investment earnings—net	20,813	20,582	349,280	83,151	76,605	176,678	54,466	(20,563)	761,012
Net change in unrealized gains (losses) on investments classified as trading and other	(453)	-	(602,014)	(6,936)	36,708	(1,415)	(40,528)	-	(614,638)
Change in value of derivatives and embedded derivatives—net	-	-	518,219	3,444	-	41,483	(332)	-	562,814
Total revenues	20,360	20,582	551,514	108,755	298,295	383,641	90,939	(20,563)	1,453,523
BENEFITS AND EXPENSES									
Claims and policy benefits—net of reinsurance ceded	-	-	266,683	20,228	203,408	206,295	71,144	181	767,939
Interest credited to interest sensitive contract liabilities	-	-	80,967	37,766	28,970	77,742	37,140	-	262,585
Acquisition costs and other insurance expenses	-	-	22,727	(5,722)	7,048	(3,320)	15,468	(17)	36,184
Operating expenses	1,219	395	84,362	18,199	31,889	35,619	5,599	17	177,299
Interest expense	17,019	20,966	-	-	-	-	1,987	(20,563)	19,409
Total benefits and expenses	18,238	21,361	454,739	70,471	271,315	316,336	131,338	(20,382)	1,263,416
Net income (loss) and comprehensive income (loss) before income taxes and net earnings of equity method investee	2,122	(779)	96,775	38,284	26,980	67,305	(40,399)	(181)	190,107
Income tax expense (benefit)	(203)	2,164	16,781	7,178	5,024	12,502	(8,659)	(38)	34,749
Net income (loss) and comprehensive income (loss) before net earnings of equity method investee and equity in net income (loss) of subsidiaries	2,325	(2,943)	79,994	31,106	21,956	54,803	(31,740)	(143)	155,358
Share of net earnings of equity method investee	(5,567)	-	-	-	-	-	-	-	(5,567)
Net income (loss) and comprehensive income (loss) before equity in net income (loss) of subsidiaries	(3,242)	(2,943)	79,994	31,106	21,956	54,803	(31,740)	(143)	149,791
Equity in net income (loss) of subsidiaries	153,033	-	-	-	-	-	-	(153,033)	-
Net income (loss) and comprehensive income (loss)	$149,791	$ (2,943)	$ 79,994	$ 31,106	$ 21,956	$ 54,803	$ (31,740)	$ (153,176)	$ 149,791