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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of American Fidelity International (Bermuda) Ltd.

We have audited the accompanying condensed general purpose financial statements of American Fidelity International (Bermuda) Ltd. (the "Company"), which comprise the condensed balance sheet as of December 31, 2020, and the related condensed statements of income, and capital and surplus for the year then ended, and the related notes to the condensed general purpose financial statements.

Management's Responsibility for the Condensed General Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these condensed general purpose financial statements in accordance with the financial reporting provisions of The Bermuda Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to Condensed General Purpose Financial Statements (the "Legislation"). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of condensed general purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed general purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the condensed general purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the condensed general purpose financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the condensed general purpose financial statements.

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

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 3 to the condensed general purpose financial statements, the condensed general purpose financial statements are prepared by the Company in accordance with the financial reporting provisions of the Legislation, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the condensed general purpose financial statements of the variances between the basis of accounting described in Note 3 to the condensed general purpose financial statements and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America" paragraph, the condensed general purpose financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2020, or the results of its operations thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the condensed general purpose financial statements referred to above present fairly, in all material respects, , the financial position of the Company as of December 31, 2020, and the results of its operations for the years then ended in accordance with the financial reporting provisions of the Legislation described in Note 3 to the condensed general purpose financial statements .

Predecessor Auditors' Opinion on 2019 Condensed General Purpose Financial Statements

The condensed general purpose financial statements of the Company as of and for the year ended December 31, 2019, were audited by other auditors whose report, dated April 24, 2020, expressed an opinion that those condensed general purpose financial statements were not fairly presented in accordance with accounting principles generally accepted in the United States of America; however, such report also expressed an unmodified opinion on those condensed general purpose financial statements in accordance with the financial reporting provisions of the Legislation described in Note 3 to the condensed general purpose financial statements.

Deloitte + Touche LLP

April 19, 2021

CONDENSED CONSOLIDATED BALANCE SHEET

Enter Company Name
As at December 31, 2020
expressed in ['000s] United States Dollars

LINE No.		2020	2019
1.	CASH AND CASH EQUIVALENTS	12,069	8,188
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity	-	-
	ii. Other	288,863	244,139
(b)	Total Bonds and Debentures	288,863	244,139
(c)	Equities		
	i. Common stocks	-	-
	ii. Preferred stocks	-	-
	iii. Mutual funds	-	-
(d)	Total equities	-	-
(e)	Other quoted investments	-	-
(f)	Total quoted investments	288,863	244,139
3.	UNQUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity	-	-
	ii. Other	-	-
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks	-	-
	ii. Preferred stocks	-	-
	iii . Mutual funds	-	-
(d)	Total equities	-	-
(e)	Other unquoted investments	-	-
(f)	Total unquoted investments	-	-
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES		
(a)	Unregulated entities that conduct ancillary services	-	-
(b)	Unregulated non-financial operating entities	-	-
(c)	Unregulated financial operating entities	-	-
(d)	Regulated non-insurance financial operating entities	-	-
(e)	Regulated insurance financial operating entities	-	-
(f)	Total investments in affiliates	-	-
(g)	Advances to affiliates	-	-
(h)	Total investments in and advances to affiliates	-	-
5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a)	First liens	-	-
(b)	Other than first liens	-	-
(c)	Total investments in mortgage loans on real estate	-	-
6.	POLICY LOANS	392	347
7.	REAL ESTATE:		
(a)	Occupied by the company (less encumbrances)	-	-
(b)	Other properties (less encumbrances)	-	-
(c)	Total real estate	-	-
8.	COLLATERAL LOANS	-	-
9.	INVESTMENT INCOME DUE AND ACCRUED	1,530	1,516
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	927	1,530
(b)	Deferred - not yet due	-	-
(c)	Receivables from retrocessional contracts	-	-
(d)	Total accounts and premiums receivable	927	1,530
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates	-	-
(b)	Domestic affiliates	-	-
(c)	Pools & associations	-	-
(d)	All other insurers	4,360	7,742
(e)	Total reinsurance balance receivable	4,360	7,742
12.	FUNDS HELD BY CEDING REINSURERS	-	-
13.	SUNDRY ASSETS:		
(a)	Derivative instruments	-	-
(b)	Segregated accounts companies - long-term business - variable annuities	-	-
(c)	Segregated accounts companies - long-term business - other	-	-
(d)	Segregated accounts companies - general business	-	-
(e)	Deposit assets	1,348	1,620

CONDENSED CONSOLIDATED BALANCE SHEET

Enter Company Name
As at December 31, 2020
expressed in ['000s] United States Dollars

LINE No.		2020	2019
(f)	Deferred acquisition costs	53,277	68,139
(g)	Net receivables for investments sold	-	-
(h)	Other Sundry Assets (Specify)	-	-
(i)	Other Sundry Assets (Specify)	-	-
(j)	Other Sundry Assets (Specify)	-	-
(k)	Total sundry assets	54,625	69,759
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit	-	-
(b)	Guarantees	-	-
(c)	Other instruments	-	-
(e)	Total letters of credit, guarantees and other instruments	-	-
15.	TOTAL	362,767	333,220
	TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	-	-
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates	-	-
	ii. Domestic affiliates	-	-
	iii. Pools & associations	-	-
	iv. All other insurers	-	-
(c)	Total ceded unearned premium reserve	-	-
(d)	Net unearned premium reserve	-	-
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	-	-
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates	-	-
	ii. Domestic affiliates	-	-
	iii. Pools & associations	-	-
	iv. All other reinsurers	-	-
(c)	Total reinsurance recoverable balance	-	-
(d)	Net loss and loss expense provisions	-	-
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES	-	-
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	-	-
	LONG-TERM BUSINESS INSURANCE RESERVES		
20.	RESERVE FOR REPORTED CLAIMS	2,364	3,048
21.	RESERVE FOR UNREPORTED CLAIMS	144	132
22.	POLICY RESERVES - LIFE	293,709	277,159
23.	POLICY RESERVES - ACCIDENT AND HEALTH	1,496	-
24.	POLICYHOLDERS' FUNDS ON DEPOSIT	-	-
25.	LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS	-	-
26.	OTHER LONG-TERM BUSINESS INSURANCE RESERVES	-	-
27.	TOTAL LONG-TERM BUSINESS INSURANCE RESERVES		
(a)	Total Gross Long-Term Business Insurance Reserves	297,713	280,339
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign Affiliates	-	-
	(ii) Domestic Affiliates	-	-
	(iii) Pools and Associations	-	-
	(iv) All Other Insurers	-	-
(c)	Total Reinsurance Recoverable Balance	-	-
(d)	**Total Net Long-Term Business Insurance Reserves**	297,713	280,339
	OTHER LIABILITIES		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	-	-
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE	-	-
30.	LOANS AND NOTES PAYABLE	-	-
31.	(a) INCOME TAXES PAYABLE	-	-

CONDENSED CONSOLIDATED BALANCE SHEET

Enter Company Name

As at December 31, 2020

expressed in ['000s] United States Dollars

LINE No.		2020	2019
	(b) DEFERRED INCOME TAXES	-	-
32.	AMOUNTS DUE TO AFFILIATES	287	462
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	2,575	2,307
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:	-	-
35.	DIVIDENDS PAYABLE	-	-
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments	-	-
(b)	Segregated accounts companies	-	-
(c)	Deposit liabilities	1,348	1,620
(d)	Net payable for investments purchased	-	-
(e)	Premiums Received in Advance	673	518
(f)	OFAC Blocked Account	90	89
(g)	Miscellaneous liabilities	209	860
(h)	Total sundry liabilities	2,320	3,087
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS:		
(a)	Letters of credit	-	-
(b)	Guarantees	-	-
(c)	Other instruments	-	-
(d)	Total letters of credit, guarantees and other instruments	-	-
38.	TOTAL OTHER LIABILITIES	5,183	5,856
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	302,896	286,195
	CAPITAL AND SURPLUS		
40.	TOTAL CAPITAL AND SURPLUS	59,872	47,025
41.	TOTAL	362,767	333,220
		TRUE	TRUE
		-	-

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Enter Company Name
As at December 31, 2020
expressed in ['000s] United States Dollars

LINE No.		2020	2019
	GENERAL BUSINESS UNDERWRITING INCOME		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written	-	-
	(b) Assumed gross premiums written	-	-
	(c) Total gross premiums written	-	-
2.	REINSURANCE PREMIUMS CEDED	-	-
3.	NET PREMIUMS WRITTEN	-	-
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	-	-
5.	NET PREMIUMS EARNED	-	-
6.	OTHER INSURANCE INCOME	-	-
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	-	-
	GENERAL BUSINESS UNDERWRITING EXPENSES		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	-	-
9.	COMMISSIONS AND BROKERAGE	-	-
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	-	-
11.	**NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS**	-	-
	LONG-TERM BUSINESS INCOME		
12.	GROSS PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Direct gross premiums and other considerations	24,085	24,205
	(b) Assumed gross premiums and other considerations	1,736	1,889
	(c) Total gross premiums and other considerations	25,821	26,093
13.	PREMIUMS CEDED	11,572	11,197
14.	NET PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Life	13,710	14,896
	(b) Annuities	-	-
	(c) Accident and health	538	-
	(d) Total net premiums and other considerations	14,249	14,896
15.	OTHER INSURANCE INCOME	22,421	21,861
16.	TOTAL LONG-TERM BUSINESS INCOME	36,669	36,757
	LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES		
17.	CLAIMS - LIFE	6,090	3,931
18.	POLICYHOLDERS' DIVIDENDS	-	-
19.	SURRENDERS	-	-
20.	MATURITIES	-	-
21.	ANNUITIES	-	-
22.	ACCIDENT AND HEALTH BENEFITS	-	-
23.	COMMISSIONS	13,370	13,192
24.	OTHER	5,414	5,125
25.	TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES	24,875	22,248
26.	INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES):		
	(a) Life	14,742	19,693
	(b) Annuities	-	-
	(c) Accident and health	96	-
	(d) Total increase (decrease) in policy reserves	14,837	19,693
27.	TOTAL LONG-TERM BUSINESS EXPENSES	39,712	41,941

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Enter Company Name
As at December 31, 2020
expressed in ['000s] United States Dollars

LINE No.		2020	2019
28.	NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS	(3,043)	(5,184)
29.	COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS	(3,043)	(5,184)
	UNDERNOTED ITEMS		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	3,031	3,825
	(b) Personnel cost	-	-
	(c) Other	-	-
	(d) Total combined operating expenses	3,031	3,825
31.	COMBINED INVESTMENT INCOME - NET	6,791	6,709
32.	COMBINED OTHER INCOME (DEDUCTIONS)	-	-
33.	COMBINED INCOME BEFORE TAXES	718	(2,301)
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	-	-
	(b) Deferred	-	-
	(c) Total	-	-
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	718	(2,301)
36.	COMBINED REALIZED GAINS (LOSSES)	2,919	4,027
37.	COMBINED INTEREST CHARGES	-	-
38.	NET INCOME	3,637	1,726

CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

Enter Company Name
As at December 31, 2020
expressed in ['000s] United States Dollars

LINE No.			2020	2019
1.	**CAPITAL:**			
(a)	Capital Stock			
	(i) Common Shares		500	500
	authorized	shares of par		
	value	each issued and		
	fully paid	shares		
	(ii)			
	(A) Preferred shares:		-	-
	authorized	shares of par		
	value	each issued and		
	fully paid	shares		
	aggregate liquidation value for —			
	2020			
	2019			
	(B) Preferred shares issued by a subsidiary:		-	-
	authorized	shares of par		
	value	each issued and		
	fully paid	shares		
	aggregate liquidation value for —			
	2020			
	2019			
	(iii) Treasury Shares		-	-
	repurchased	shares of par		
	value	each issued		
(b)	Contributed surplus		15,523	15,523
(c)	Any other fixed capital			
	(i) Hybrid capital instruments		-	-
	(ii) Guarantees and others		-	-
	(iii) Total any other fixed capital		-	-
(d)	Total Capital		16,023	16,023
2.	**SURPLUS:**			
(a)	Surplus - Beginning of Year		31,002	24,720
(b)	Add: Income for the year		3,637	1,726
(c)	Less: Dividends paid and payable		-	-
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments		9,390	4,555
(e)	Add (Deduct) change in any other surplus		(180)	1
(f)	Surplus - End of Year		43,849	31,002
3.	**MINORITY INTEREST**		-	-
4.	**TOTAL CAPITAL AND SURPLUS**		59,872	47,025

AMERICAN FIDELITY INTERNATIONAL (BERMUDA) LTD.

NOTES TO CONDENSED CONSOLIDATED GENERAL-PURPOSE FINANCIAL STATEMENTS

December 31, 2020

General Notes to the Financial Statements

Note: For all financial figures presented herein, they are stated in thousands of U.S. Dollars ($000's) in order to be consistent with the presentation in the accompanying Financial Statements.

1. American Fidelity International Bermuda LTD (American Fidelity) was incorporated under the laws of Bermuda on June 5, 2000 and is licensed as a long-term insurer under the Insurance Act 1978 of Bermuda and related regulations. American Fidelity is a wholly owned subsidiary of the American Fidelity Corporation (incorporated in the United States). During 2011, American Fidelity was reclassed as a long-term Class C insurer by the Bermuda Monetary Authority (BMA). During 2017, American Fidelity was reclassed as a long-term Class D insurer by the BMA.

2. From September 2000 through March 2006, American Fidelity wrote investment policies through a broker dealer. The Company's insurance exposure on these policies is limited to a death benefit equal to the excess, if any, of contributions paid less any partial surrenders over the surrender value of each policy. This death benefit exposure is minimal, and American Fidelity holds a $1 insurance reserve for these death benefits.

   Effective April 2003, American Fidelity began writing universal life insurance containing a no lapse guarantee feature, where the policy will not lapse if minimum premiums are paid. American Fidelity's UL products are "not" variable products, meaning all premiums are invested in the general account, not an investment account, meaning American Fidelity bears all investment risk. These policies have planned annual premiums based on the face value of the coverage written. Premiums less contract charges plus interest are credited to the policyholders account value. The death benefit for these policies, as determined by the policyholder, is either the face value of the policy or the face value of the policy plus the account value at the date of death. American Fidelity entered several quota share reinsurance arrangements on a series of Universal Life products sold through American Fidelity. From 2003 through 2012, American Fidelity retained 10% of the risk on each insured life and ceded 90% to a pool of third-party reinsurers. Once American Fidelity reached its per life retention of $500, 100% of the remaining amount was reinsured to the same pool of third-party reinsurers. Beginning in 2013, American Fidelity created a new reinsurance structure on UL products developed after that date. American Fidelity retained the first $150 of risk on each of these policies, and then retained 10% of the risk exceeding that amount. The remaining 90% was ceded to a pool of third-party reinsurers. The maximum retention of American Fidelity remained at $500 per insured life. These policies have a total liability of $199,975 based on accounting principles generally accepted in the United States ("U.S. GAAP").

   Effective 2004, American Fidelity began writing term life insurance policies. These policies have planned annual premiums for a fixed period based on the face value of the coverage written. The death benefit for these policies is the face value of the policy. From 2004 through 2014, American Fidelity retained 10% of the risk on each insured life and ceded 90% to a pool of third-party reinsurers. Once American Fidelity reached its per life retention of $500, 100%

of the remaining amount was reinsured to the same pool of third-party reinsurers. Beginning in 2015, American Fidelity created a new reinsurance structure on Term products developed after that date. American Fidelity retained the first $150 of risk on each of these policies, and then retained 10% of the risk exceeding that amount. The remaining 90% was ceded to a pool of third-party reinsurers. The maximum retention of American Fidelity remained at $500 per insured life. These policies have a total liability of $91,317 based on U.S. GAAP.

Effective September 15, 2003, American Fidelity entered a reinsurance arrangement whereby American Fidelity assumes a closed block of term life insurance policies issued by American Fidelity Assurance Company, an affiliated company, to US citizens prior to 2006. American Fidelity also cedes 90% of the risk for all base policies having face values exceeding $100 to a third party retrocessionaire. These policies have a total liability of $3,827 based on U.S. GAAP.

In 2007, American Fidelity began issuing critical illness benefits, which provide stipulated benefits upon the onset of specified diseases. American Fidelity cedes 50% of this risk to third-party reinsurers. These policies have a total liability of $1,607 based on U. S. GAAP.

In 2020, the company reported a shadow reserve of $986.

3. The condensed general-purpose financial statements are prepared in accordance with financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Accounts Rules 2016 with respect to condensed general purpose financial statements (the "Legislation"). The recognition and measurement principles applied are in line with U.S. GAAP. The presentation of these financial statements in accordance with the guidance prescribed under the legislation differs from U.S. GAAP in certain respects as follows:

- The format of the financial statements is prescribed by schedules IX and X of the Insurance Accounts Rules 2016.
- Statement of Cash Flows or equivalent is not included; and
- Certain disclosures required by U.S. GAAP are not included
- Comprehensive income and its components are not presented in the condensed statement of income.
- Policy reserves-life are to be reported net of reinsured amounts.

The effects of the foregoing variances from U.S. GAAP on the accompanying condensed general-purpose financial statements are presumed to be immaterial.

4.-5. Basis of Accounting Policies

These financial statements are presented on the basis that American Fidelity is a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Accounting standards are based on U.S. GAAP, which is unchanged from the 2019. Although the methodology to estimate Shadow Adjustments reflects a change from the alternate approach utilized in 2019 to one based on principles during 2020, the methodology remains to be founded on U.S. GAAP accounting standards.

American Fidelity recorded net income of $3,637 (line 38 of statement of income) in 2020. It is important to note that Shadow Adjustments do "not" affect net income, only U.S. GAAP equity.

At December 31, 2020 American Fidelity recorded Deferred Acquisition Costs (DAC) of $53,277 (Line 13(f) of the Balance Sheet), consisting of DAC balances of $71,733.6 less a Shadow Adjustments of $18,456.8. In addition, American Fidelity has reported long-term business insurance reserves of $297,713 (Line 27 of Balance Sheet). The assessment of the recoverability of DAC and adequacy of long-term business insurance reserves is based on numerous assumptions, including the estimated future levels of premium persistency, lapse rates and expenses and are based on internal experience studies, reinsurer's experience, and professional judgment. In the event of actual experience being different to assumptions currently employed, DAC write-downs or policy reserve increases may be required in future periods which could affect American Fidelity's capital and surplus.

American Fidelity has an appropriate amount of capital and surplus should additional write-downs of DAC or policy reserve increases be required in the future periods. American Fidelity remains financially independent from American Fidelity Corporation.

The following are the significant accounting policies adopted by American Fidelity:

a) Cash and time deposits

Cash and time deposits include amounts held in banks and short-term investments having maturities within three months of the date of purchase by American Fidelity.

b) Investment Policy - General

The general types of asset classes and allocation percentages of investments will be reviewed annually, accounting for capital requirements of asset classes, ALM requirements of various blocks of business, risk tolerance of the company, current economic climate and other factors determined appropriate by the American Fidelity Corporation Investment Management Group.

c) Investment Products

American Fidelity has a closed block of investment policies that permit the policyholder to vary the timing and amount of premium payments, within contractual limits. American Fidelity stopped writing new investment policies in 2006. Revenues for policies include policy charges for administration. The charges are subject to periodic adjustment by American Fidelity. Premiums received on investment policies are treated as policyholder deposits rather than revenues. The liability for policyholder account balances represents the accumulated amounts, which accrue to the benefit of the policyholders and reflect the change in the value of the underlying assets of the fund in which the policyholder has elected to invest.

American Fidelity charges recurring and non-recurring policy fees and pays agent commissions for policies written. Non-recurring fees are recognized in income and commissions are expensed at the inception of the policy. Recurring policy fees are recognized over the term of the policy.

d) Premiums written and ceded

The amounts collected from policyholders on universal life-type contracts are considered deposits and are not included in revenue as premium, nor are ceded premiums. Policy charges and fees for universal life-type contracts consist of asset fees, cost of insurance charges, administrative fees and surrender charges that have been earned and assessed against policyholder account balances during the period. These charges are recognized as revenue when assessed and earned. Surrender charges are in accordance with contractual terms.

Term life premiums written are booked as income when due provided all conditions for policy acceptance have been met. Ceded reinsurance premiums are booked as written when ceded.

e) Deferred acquisition costs (DAC)

Calculations of "Primary" DAC

American Fidelity has four major product types: 1) Universal Life; 2) Term Life (Direct); 3) Term Life (XXX Assumed); and 4) Critical Illness. Costs of acquiring new business, which vary with and are related directly to the successful acquisition of new business, have been deferred to the extent that such costs are deemed recoverable from future premiums or gross profits. Such costs include commissions and allowances as well as certain costs of policy issuance and underwriting.

- Term Life (Direct), Term Life (XXX Assumed), and Critical Illness: Balance sheet entries were calculated in accordance with FAS60 (also referred to as Accounting Standards Codification section 944-30) methodologies. Deferred acquisition costs are amortized in proportion to anticipated premiums over the estimated life of the policies using assumptions consistent with those used in estimating reserves for future policy benefits. Deviations from estimated experience are reflected in earnings in the period such deviation occurs.

- Universal Life: Balance sheet entries were calculated in accordance with FAS97 (also referred to as Accounting Standards Codification section 944-30) methodologies. Deferred policy acquisition costs are amortized over the expected average life of the contracts in proportion to historical using anticipated gross profits arising from surrenders charges and margins in the interest rate, mortality and expenses. At the end of each accounting period, an unlocking process refreshes both the historical and anticipated gross profits, thus affecting the amortization of deferred policy acquisition costs.

Loss Recognition Analysis of "Primary" DAC

Annually, American Fidelity performs loss recognition analysis to determine whether the DAC balances are recoverable from future estimated gross profits. The assessment of the recoverability of DAC and adequacy of long-term business insurance reserves is based on many assumptions, which include the estimated future levels of premium persistency, lapse rates and expenses and are based on internal experience studies, reinsurer's experience, and professional judgment. If deficiencies are projected, DAC write-downs or policy reserve increases may be required in future periods which could put significant strain on the Company's capital and surplus.

For FAS97 products, recoverability of DAC Assets is demonstrated by comparing the DAC Asset less SOP 03-1 reserve (Vx) to the present value of estimated gross profits. Formulaically, DAC is recoverable if $(DAC - Vx) < PV[EGP]$, or equivalently, if $(Vx - DAC) > - PV[EGP]$.

For FAS60 products, DAC Assets are shown to be recoverable if the Net U.S. GAAP Liability (U.S. GAAP Reserves less DAC Assets) exceeds the Gross Premium Reserves (GPR). Formulaically, DAC is recoverable if (Vx – DAC) > GPR.
When viewing FAS60 and FAS97 products together, DAC assets are recoverable when (Vx – DAC – GPR + PV[EGP]) > 0; where GPR relates to FAS60 business and PV[EGP] relates to FAS97 business. If DAC assets are not recoverable, the deficiency would need to be recognized in the current reporting period by reducing DAC Assets and possibly increasing reserves.

Shadow Adjustments

Shadow adjustments are adjustments to other comprehensive income, a component of shareholder equity. Shareholder equity includes the unrealized capital gain/(loss) in the Company's fixed income investment portfolio. Shadow adjustments are quantified as an offset to the unrealized capital gain/(loss) in order to estimate what shareholder equity would be if the unrealized capital gain/(loss) were realized on the valuation date.

At 12/31/2019, unrealized capital gains totaled \$6,867, and shadow adjustments totaled <\$3,273>. This shadow adjustment was estimated using an approach that is common in the industry, which takes the portion of the unrealized capital gain/(loss) attributable to liabilities valued according to FAS 97 and applying a k-factor that represents the percent of gross profits that are used to amortized DAC.

At 12/31/2020, unrealized capital gains grew to a balance of \$32,426. Because of the significant growth in this balance, the Company refined its approach to estimating the shadow adjustments at the valuation date. This approach is based on modeling results as if the gains are realized in gross profits and reinvested in a manner consistent with the Company's investment policy. This results in shadow adjustments to UL DAC, UL Reserves, and DAC due to Loss Recognition Testing (LRT). The results of this analysis, which were included in the Company's 12/31/2020 financial statements, are shown in the following table:

	12/31/2020	12/31/2019
Unrealized Capital Gain/(Loss)	32,426	6,867
Shadow DAC (UL)	<7,392>	<3,273>
Shadow Reserve (UL)	986	0
Shadow DAC (LRT)	<11,065>	0
Total Shadow Adjustments to Equity	<19,443>	<3,273>

f) Policy Reserves Calculations

Term Life Policies
Liabilities are calculated in accordance with FAS60. A liability for future policy benefits relating to long-duration contracts shall be accrued when premium revenue is recognized. The liability, which represents the present value of future benefits to be paid to or on behalf of policyholders and related expenses less the present value of future net premiums (portion of gross premiums required to be provide for all benefits and expenses), shall be estimated using methods that include assumptions, such as estimates of expected investment yields, mortality, morbidity, terminations, and expenses, applicable at the time the insurance contracts are made.

The assumptions are consistent with American Fidelity's own experience supplemented with information provided by reinsurers. If assumptions reflective of the current environment differ materially from those originally assumed, a new U.S. GAAP era with revised assumptions is generally established. When assumptions are set, a provision for adverse deviation (PAD) is included. The assumptions are locked-in at issue and will not change, unless there are insufficiencies discovered during the annual loss recognition analysis. The assumptions are documented in the pricing memorandums. The discount rates used to determine DAC assets and SOP 03-1 liabilities correspond to the Net Investment Yield, ranging from 4-5.5% varying by U.S. GAAP era. Noting the variations between U.S. GAAP eras, the mortality assumptions include a 10% PAD which is applied to a base mortality corresponding Mortality studies provided by the reinsurer.

Universal Life Contacts

Liabilities are calculated in accordance with FAS97, where the retrospective deposit is applied. UL contracts have explicit account values which represent the basic benefit reserve liability. In addition to the account values, SOP 03-1 liabilities are held for the no lapse guarantee feature and for profits followed by losses. The contracts do not create unearned revenue liabilities.

The level of calculation is performed using the same cohort as DAC calculations, based on product and issue year. The SOP 03-1 liability is equal to excess of the current benefit ratio multiplied by the cumulative assessments less the cumulative excess payment plus accrued interest. The ratio is determined as the present value of total expected payments over the life of the contract over the present value of the total expected assessments over the life of the contract. Total expected assessments are the aggregate of all charges, including those for administration, mortality, expenses, surrender, and interest margin.

The actuarial assumptions used to determine SOP 03-1 liability are the same best-estimate assumptions used in calculating DAC assets. That is those related to earned and credited interest; COI and mortality rates; product loads and maintenance expenses; premium persistency; and withdrawal rates. The discount rates used to determine DAC assets and SOP 03-1 liabilities correspond to the current credited interest rates ranging from 3.0 - 4.5% varying by product and issue.

Comparable to the unlocking process for DAC assets, the SOP 03-1 liability should be regularly updated to reflect actual historical experience (retrospective unlocking) and updated to assumed future experience (prospective unlocking).

Critical Illness Policies

Liabilities are calculated using a methodology that parallels the one used for Term policies, as documented above.

g) Reinsurance

The calculation of American Fidelity's reserves for future policy benefits is based on its net retention after reinsurance ceded. Reinsurance contracts do not relieve American Fidelity from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to American Fidelity; consequently, allowances are established for amounts deemed uncollectible. American Fidelity evaluates the financial conditions of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

h) Income Taxes

Under current Bermuda law American Fidelity is not required to pay taxes in Bermuda on either income or capital gains. American Fidelity received an undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being imposed American Fidelity will be exempted from taxation until the year 2035.

i) Quoted Investments includes amounts primarily invested in corporate bonds and US treasury securities. These are carried at market value on an aggregate basis, with changes in market value recorded as an unrealized loss/gain in the statement of capital and surplus.

Quoted investments with unrealized losses considered by management to be other than temporarily impaired are written down to fair value, creating a new cost basis for the security.

<u>Quoted investments comprise of:</u>

i. At December 31, 2020, the amortized cost and fair value of investments are as follows:

	Amortized Cost	Fair Value
Fixed Maturity Securities	256,430	288,863
All Other Securities	-	-
	$256,430	$288,863

In 2020, American Fidelity invested in CVC Credit Partners - U.S. Direct Lending Fund II that consist of short-term loans made to the middle lending market. As advised by the BMA, these instruments will be treated like bonds and classified as BSCR rating 8 since they are unrated.

ii. Investment Income

Investment income accrued to the balance sheet date include interest and dividends and is shown net of investment expenses.

6.-7. All financial transactions are made in US dollars.

8. There are no outstanding contingencies or commitment involving an obligation requiring abnormal expenditures, pending lawsuit, or long lease.

9. American Fidelity has never issued security or credit agreement.

10. American Fidelity has yet to return a shareholder dividend to its owner.

11. There are no outstanding loans to any director or officer.

12. There are no outstanding obligations related to retirement benefits for employees.

13. American Fidelity utilizes FactSet, a third-party vendor, to provide fair values amounts of all investment lines using observable inputs without applying significant adjustments in their pricing. Observable inputs include broker quotes, interest rates and yield curves observable at commonly quoted intervals, volatilities and credit risks.

American Fidelity uses three different levels to bring clarity to its investment in bonds.

Level 1 inputs are quoted prices in active markets for identical securities.

Level 2 inputs are other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3 inputs are significant unobservable inputs (including the Company's own assumptions used to determine the fair value of investments).

At December 31, 2020, the fair value of investments are as follows:

	Total	Level 1	Level 2	Level 3
US Treasury bonds	54,250	54,250	-	-
US Agency bonds	-	-	-	-
Foreign Government bonds	4,567	-	4,567	-
Municipal bonds	14,633	-	14,633	-
Special Revenue bonds	1,425	-	1,425	-
Corporate bonds	157,658	-	157,658	-
Mortgage-backed	45,363	-	45,363	-
CVC fixed income investments	10,967	-	10,967	-
Preferred Stock	-	-	-	-
Common Stock	-	-	-	-
	$288,863	$54,250	$234,613	-

14. The amortized cost and fair value of investments by the contractual maturity profile:

Maturity	Amortized Cost	Fair Value
<1 year	-	-
1-5 years	3,521	3,799
5-10 years	37,494	42,480
>10 years	215,415	242,585
	$256,430	$288,863

15. American Fidelity reinsures a portion of the mortality risk to a pool of unaffiliated third-party reinsurers, where the reinsurers agree to assume risk in exchange for reinsurance premiums. Amounts due to affiliated companies at year end represent advances to American Fidelity, and expenses paid on behalf of American Fidelity of $287. The amounts due are unsecured and have no fixed repayment terms. No interest is charged on amounts related to expenses paid by affiliated companies on behalf of American Fidelity.

16. No subsequent events were identified through April 19, 2021, the date on which the financial statements were issued.

17. It is the board of directors' opinion that all information is presented accurately.

Notes to the Consolidated Statement of Capital and Surplus

1.(a) American Fidelity's has capital stock in the amount of $500, unchanged from 2019.

1. (b) American Fidelity has contributed surplus in the amount of $15,523, unchanged from 2019.

2. (c) Since incorporation, no dividends have been paid.

Notes to the Consolidated Balance Sheet

1. Cash and time deposits include amounts held in banks and short-term investments having maturities within three months of the date of purchase by American Fidelity.

2. American Fidelity utilizes FactSet, a third-party vendor to provide fair values amounts of all investment lines using observable inputs without applying significant adjustments in their pricing. Observable inputs include broker quotes, interest rates and yield curves observable at commonly quoted intervals, volatilities and credit risks.

   American Fidelity uses three different levels to bring clarity to its investment in bonds.

   Level 1 inputs are quoted prices in active markets for identical securities.

   Level 2 inputs are other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

   Level 3 inputs are significant unobservable inputs (including the Company's own assumptions used to determine the fair value of investments).

   At December 31, 2020, investment in bonds are as follows:

	Total	Level 1	Level 2	Level 3
US Treasury bonds	54,250	54,250	-	-
US Agency bonds	-	-	-	-
Foreign Government bonds	4,567	-	4,567	-
Municipal bonds	14,633	-	14,633	-
Special Revenue bonds	1,425	-	1,425	-
Corporate bonds	157,658	-	157,658	-
Mortgage-backed	45,363	-	45,363	-
CVC fixed income investments	10,967	-	10,967	-
Preferred Stock	-	-	-	-
Common Stock	-	-	-	-
	$288,863	$54,250	$234,613	-

3.-5. Not applicable to American Fidelity.

6. Outstanding policy loans balances total $392. These represent loans to policyholders on the security of cash surrender value loans related to the in-force UL policies.

7. American Fidelity currently owns no “Real Estate”.

8. American Fidelity currently owns no “Collateral Loans”.

9. Investment income due and accrued on existing assets currently total $1,530.

10. Accounts receivable include $556 associated with premiums due from life insurance and $371 from miscellaneous accounts, none of the amounts include collateralized balances nor any balances with affiliates.

11. Reinsurance Balances receivable consists of $399 of receivables from non-affiliated reinsurance entities, and $3,961 of FAS113 (also referred to as ASC 944-210) reinsurance balances. According to U.S. GAAP, FAS113 requires reinsurance balances receivable, if positive, to be reported as an asset.

12. American Fidelity’s reinsurance treaties do not require Funds Held by Reinsurers.

13. Sundry Assets represent: $1,348 held in support of the closed block of investment polices totaling and DAC assets totaling $53,277.

    As related to the closed block of investment policies, American Fidelity has assets supporting the liabilities for policyholder account balances that represent the accumulated amounts, which accrue to the benefit of the policyholders.

    American Fidelity records Deferred Acquisition Costs (DAC), which represents the costs of acquiring new business that vary with and are related directly to the successful acquisition of new business and have been deferred to the extent that such costs are deemed recoverable from future premiums or gross profits. Such costs include commissions and allowances as well as certain costs of policy issuance and underwriting.

14. American Fidelity does not own any Letters of Credit, Guarantees and Other Instruments.

INSURANCE RESERVES

16. American Fidelity does not report any Unearned Premium reserves.

17. American Fidelity does not report any Provisions for Loss and Loss Expense.

LONG-TERM INSURANCE RESERVES

20. Reserves for Reported Claims represent pending claims where claims have not been approved or checks have not yet been sent. American Fidelity holds $2,364 representing net amounts payable, net of any pending reinsurance claims.

21. Reserves for Unreported Claims are established to allow for a time lag between the date a claim is incurred and is reported. American Fidelity holds $144 of reserves for unreported claims representing the present value of estimated amounts based on company experience.

22. Reserves are generated using U.S. GAAP accounting standards and principles.

Term Life Policies

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The assumptions are consistent with American Fidelity's own experience supplemented with information provided by reinsurers. If assumptions reflective of the current environment differ materially from those originally assumed, a new U.S. GAAP era with revised assumptions is generally established. When assumptions are set, a provision for adverse deviation (PAD) is included. The assumptions are locked-in at issue and will not change, unless there are insufficiencies discovered during the annual loss recognition analysis. The assumptions are documented in the pricing memorandums. The discount rates used to determine DAC assets and SOP 03-1 liabilities correspond to the Net Investment Yield, ranging from 4-5.5% varying by U.S. GAAP era. Noting the variations between U.S. GAAP eras, the mortality assumptions include a 10% PAD which is applied to a base mortality corresponding Mortality studies provided by the reinsurer.

Universal Life Contacts

Liabilities are calculated in accordance with FAS97, where the retrospective deposit is applied. UL contracts have explicit account values which represent the basic benefit reserve liability. In addition to the account values, SOP 03-1 liabilities are held for the no lapse guarantee feature and for profits followed by losses. The contracts do not create unearned revenue liabilities.

The level of calculation is performed using the same cohort as DAC calculations, based on product and issue year. The SOP 03-1 liability is equal to excess of the current benefit ratio multiplied by the cumulative assessments less the cumulative excess payment plus accrued interest. The ratio is determined as the present value of total expected payments over the life of the contract over the present value of the total expected assessments over the life of the contract. Total expected assessments are the aggregate of all charges, including those for administration, mortality, expenses, surrender, and interest margin.

The actuarial assumptions used to determine SOP 03-1 liability are the same best-estimate assumptions used in calculating DAC assets. That is those related to earned and credit interest; COI and mortality rates; product loads and maintenance expenses; premiums persistency; and withdrawal rates. The discount rates used to determine DAC assets and SOP 03-1 liabilities correspond to the current credited interest rates ranging from 3.0 - 4.5% varying by product and issue.

Comparable to the unlocking process for DAC assets, the SOP 03-1 liability should be regularly updated to reflect actual historical experience (retrospective unlocking) and updated to assumed future experience (prospective unlocking).

23. American Fidelity holds Accident and Health reserves of $1,496 related to the Critical Illness policies. The reserve calculations parallel those for the term life policies.

24. American Fidelity has no obligations related to Funds on Deposit.

25. American Fidelity has no obligations related to participating product paying policyholder dividends.

26. American Fidelity has no other obligations.

27. For the long-term business insurance reserves:
    (a) there are no restricted assets; nor
    (b) unsecured policyholder obligations.

    Reinsurance Recoverable Balances consist of 1) $10,419 of amounts recoverable from reinsurers against paid losses, and 2) ($6,457) of ceded reserves associated with reinsured amounts. According to U.S. GAAP, FAS113 requires amount recoverable to be reported as a liability if it is negative, and reinsurance receivable as an asset if positive. The amounts were positive for both 2019 and 2020.

28. The balance of insurance and reinsurance payable is currently $0, none of which is payable to affiliates.

29. The balance of commissions, expenses, fees, and taxes payable is currently $0.

30. The balance of loans and notes payable is currently $0.

31. The balance of income taxes, including deferred taxes, payable is currently $0.

32. Amounts due to affiliated companies at year end represent advances to American Fidelity, and expenses paid on behalf of American Fidelity of $287. The amounts due are unsecured and have no fixed repayment terms. No interest is charged on amounts related to expenses paid by affiliated companies on behalf of American Fidelity.

33. Accounts payable totaled $2,575.

34. The balance of funds held under reinsurance contracts is currently $0.

36. Sundry Liabilities, American Fidelity reported liabilities totaling $2,320.

    $1,348 represents the underlying funds in which the policyholder has elected to invest into investment policies. This amount represents accrued funds of the policyholders, reflecting changes in the value of the underlying invested assets. There is not a clearly defined repayment term for these liabilities; it is conditional on the survivorship of the policies.

$673 represents premiums received in advance which were classified as unearned at year end. There is not a clearly defined repayment term for the liabilities; the liabilities will terminate when the related policy is issued.

$299 is held for other miscellaneous liabilities. There are no repayment terms here.

37. American Fidelity currently has no obligation related to Letters of credit, guarantees and other instruments.

Notes to the Consolidated Statement of Income Notes

6. Not applicable to American Fidelity.

15. Other insurance income represents COI charges, Product Loads, and Surrender Charges associated with UL polices; recurring and non-recurring policy fees earned on American Fidelity's investment policies in force; and policy fees earned on the assumed block of term life insurance policies.

32. Deductions to other income was $0.

36. Not applicable to American Fidelity.