



Aspida Life Re Ltd. (formerly known as F&G Reinsurance Ltd.)

Financial Statements

December 31, 2020

With Report of Independent Auditors

Aspida Life Re Ltd.

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Ernst & Young Ltd.
3 Bermudiana Road
Hamilton HM 08
P.O. Box HM 463
Hamilton HM BX
BERMUDA

Tel: +1 441 295 7000
Fax: +1 441 295 5193
ey.com

Report of Independent Auditors

The Board of Directors
Aspida Life Re Ltd. (formerly F&G Reinsurance Ltd.)

We have audited the accompanying financial statements of Aspida Life Re Ltd.(formerly F&G Reinsurance Ltd.), which comprise the balance sheet as of December 31, 2020, and the related statement of operations and comprehensive income, shareholders' equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aspida Life Re Ltd. (formerly F&G Reinsurance Ltd.) at December 31, 2020, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Report of Other Auditors on December 31, 2019 Financial Statements

The financial statements of Aspida Life Re Ltd. (formerly F&G Reinsurance Ltd.) for the year ended December 31, 2019, were audited by other auditors who expressed an unmodified opinion on those statements on April 24, 2020.

Ernst + Young Ltd.

April 28, 2021

Aspida Life Re Ltd

Balance Sheet

For the periods December 31, 2020, December 18, 2020, and December 31, 2019

(Expressed in thousands USD)

	December 31, 2020	December 18, 2020	December 31, 2019
	Successor Period	Predecessor Period	Predecessor Period
Assets			
Cash and Cash Equivalents	10,568	11,047	4,672
Investments			
Available for sale securities at fair value	43,718	43,091	45,975
Derivatives	81,359	79,026	53,543
Total investments	125,077	122,117	99,518
Funds withheld receivables at fair value	2,246,342	2,234,903	1,864,662
Other Assets	300	288	1,350
Total assets	2,382,287	2,368,355	1,970,202
Liabilities and Shareholders' Equity			
Future Policy Benefits	2,187,536	2,182,567	1,669,313
Other Liabilities	4,406	4,406	6,010
Total liabilities	2,191,942	2,186,973	1,675,323
Shareholders' equity:			
Common shares	375	375	375
Additional paid-in-capital	181,007	347,208	248,346
Retained Earnings	9,102	(163,244)	55,596
Accumulated Other Comprehensive Income	(139)	(2,957)	(9,438)
Total Equity	190,345	181,382	294,879
Total Liabilities and Equity	2,382,287	2,368,355	1,970,202

The accompany notes are an integral part to these financial statements

Aspida Life Re Ltd

Statement of Operations and Comprehensive Income (Loss)
For the periods December 31, 2020, December 18, 2020 and December 31, 2019

(Expressed in thousands USD)

	December 19, 2020 to December 31, 2020	January 1, 2020 to December 18, 2020	December 31, 2019
	Successor Period	Predecessor Period	Predecessor Period
Revenues:			
Income from reinsurance	(3,130)	—	—
Net Investment income	11,458	20,240	34,608
Derivatives gains, net	2,332	—	—
Total revenues	10,660	20,240	34,608
Benefits and expenses:			
Fair value changes associated with reinsurance contracts	—	227,972	(42,911)
Interest credited to policyholders' account balances	1,548	—	—
Operating expenses	10	11,108	8,345
Total benefits and expenses	1,558	239,080	(34,566)
Net Income (loss)	9,102	(218,840)	69,174
Statement of Comprehensive Income (Loss)			
Net income (loss)	9,102	(218,840)	69,174
Change in unrealized gain on available for sale securities	152	2,498	1,294
Change in reserve due to change in own credit risk	(291)	3,983	(11,857)
Other comprehensive (loss) income	(139)	6,481	(10,563)
Comprehensive income (loss)	8,963	(212,359)	58,611

The accompany notes are an integral part to these financial statements

Aspida Life Re Ltd

Statement of Shareholders Equity

For the periods ended December 31, 2020, December 18, 2020 and December 31, 2019

(Expressed in thousands USD)

	Common Shares	Additional paid-in capital (APIC)	Retained Earnings	Accumulated other comprehensive Income	Total shareholders equity
Balance at December 31, 2018 (predecessor)	375	50,391	(13,578)	1,125	38,313
Net Income	—	—	69,174	—	69,174
Other comprehensive loss	—	—	—	(10,563)	(10,563)
Capital Contributions received	—	197,955	—	—	197,955
Balance at December 31, 2019 (predecessor)	375	248,346	55,596	(9,438)	294,879
Net loss	—	—	(218,840)	—	(218,840)
Other comprehensive income	—	—	—	6,481	6,481
Capital Contributions received	—	98,700	—	—	98,700
Stock based compensation	—	162	—	—	162
Balance at December 18, 2020 (predecessor)	375	347,208	(163,244)	(2,957)	181,382
Accounting Policy Change	—	(166,201)	163,244	2,957	—
Other comprehensive loss	—	—	—	(139)	(139)
Net Income	—	—	9,102	—	9,102
Balance at December 31, 2020 (successor)	375	181,007	9,102	(139)	190,345

The accompany notes are an integral part to these financial statements

Aspida Life Re Ltd

Statement of Cash Flows

For the periods ended December 31, 2020, December 18, 2020, and December 31, 2019

(Expressed in thousands USD)

	December 31, 2020	December 18, 2020	December 31, 2019
	Successor Period	Predecessor Period	Predecessor Period
Cash Flows from operating activities			
Net income (loss)	9,102	(218,840)	69,174
Adjustments to reconcile net income to net cash provided by operating activities:			
Change in fair value of derivatives	(2,332)	(26,404)	(34,629)
Stock based compensation	—	162	—
Change in operating assets and liabilities:			
Funds withheld asset at fair value	(11,439)	(370,241)	(1,382,318)
Derivative purchases	—	(27,316)	(27,287)
Derivative sales	—	28,237	17,093
Other assets	(12)	1,062	(1,098)
Insurance liabilities at fair value	4,678	517,237	1,187,785
Other liabilities	—	(1,604)	888
Net cash (used in) operating activities	(3)	(97,707)	(170,392)
Cash Flows from investing activities			
Sales, maturities and repayments of available for sale securities	—	15,489	62,485
Purchase of available for Sale securities	(500)	(12,717)	(89,195)
Realized and unrealized gain (loss) on available for sale securities	24	2,610	(2,337)
Net cash (used in) provided by investing activities	(476)	5,382	(29,047)
Cash Flows from financing activities			
Capital contributions	—	98,700	197,955
Net cash provided by financing activities	—	98,700	197,955
Net increase (decrease) in cash and cash equivalents	(479)	6,375	(1,484)
Cash and cash equivalents at beginning of period	11,047	4,672	6,156
Cash and cash equivalents at end of period	10,568	11,047	4,672

The accompany notes are an integral part to these financial statements

Aspida Life Re Ltd.
Notes to the Financial Statements

(Expressed in thousands USD)

1. General

Aspida Life Re Ltd. (“We”, the “Company” or “Aspida Re”), formerly F&G Reinsurance Ltd (“F&G Re”), a Bermuda tax exempted company, is a wholly owned subsidiary of Aspida Holdings Ltd., an indirect subsidiary of Ares Management Corporation. Aspida Re provides third party reinsurance solutions covering a variety of products including fixed, deferred and pay-out annuities.

The Company registered with the Bermuda Monetary Authority (the “Authority”) as a Class E (re)insurer from a Class C on December 18, 2020 under the Insurance Act 1978 of Bermuda. The name change from F&G Reinsurance Ltd to Aspida Life Re Ltd. became effective on December 18, 2020.

Fidelity National Financial (“FNF”) and Ares Management Corporation Acquisition (“Ares”) Acquisition

On June 1, 2020, FNF completed the acquisition of FGL Holdings (“FGL”), the direct parent of F&G Re. Under the agreement terms, FNF issued \$27 million shares of FNF common stock and paid approximately \$1.8 billion in cash to former holders of FGL ordinary and preferred shares, with an initial purchase consideration for the sale of F&G Re in the amount of \$177 million. Subsequently, Ares and Aspida Holdings Ltd. completed the purchase of F&G Re on December 18, 2020 for \$181 million.

Effective October 31, 2018, the Company entered into a Funds Withheld Agreement with a Cedent (“the First Cedent”) to reinsure a 75% flow quota share of a block of certain fixed annuity and pension risk transfer contracts. Liabilities associated with this agreement are reflected as future policy benefits.

Effective March 31, 2019, the Company entered into a Funds Withheld Agreement with a Cedent (“the Second Cedent”) to reinsure a 90% flow quota share of certain fixed annuity contracts. Aspida Re served 90 day notice in March 2020 to terminate this agreement worth appropriately \$20 million in monthly premium. Liabilities associated with this agreement are reflected as future policy benefits.

Effective June 26, 2019, the Company entered into a Funds Withheld Agreement with a Cedent (“the Third Cedent”) to reinsure an in force block of fixed annuity and Multi-Year Guarantee contracts. Liabilities associated with this agreement are reflected as future policy benefits.

2. Significant accounting policies

Basis of presentation

The following is a summary of significant accounting policies adhered to in the preparation of these financial statements in conformity with generally accepted accounting principles in the United States of America (“US GAAP”).

Pushdown Accounting

The Ares acquisition was accounted for under the acquisition method of accounting (purchase accounting, or PGAAP), and the Company elected “pushdown” accounting by applying the guidance of Accounting Standard Codification (ASC) 805, Business Combinations.

Pushdown accounting means establishing a new basis for the assets and liabilities of an acquired company based on a “pushdown” of the acquirer’s basis to the acquired company in connection with a change-in-control event. We elected to apply pushdown accounting in the reporting period in which the acquisitions occurred. The decision to apply pushdown accounting is irrevocable.

As a result of the acquisition effective December 18, 2020, we adopted a new basis of accounting as established by our acquirer.

The application of pushdown accounting represents the termination of the “old” (i.e., predecessor) reporting entity and the creation of a “new” (i.e., successor) reporting entity as of close-of-business on December 18, 2020 when the change-in-control transaction was consummated. As such, the successor reporting entity’s assets and liabilities were recognized based on the acquirers new basis, with an offset to additional paid in capital. In addition, retained earnings and accumulated other comprehensive income of the predecessor was not be carried forward, as a new basis of accounting has been established.

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Notes to the Financial Statements

(Expressed in thousands USD)

The year ended December 31, 2019 and the period from January 1, 2020 through December 18, 2020 reflect the historical cost basis of accounting of the Company that existed prior to the Ares Acquisition. These periods are referred to as "Year ended December 31, 2019 (Predecessor)" and "Period from January 1, 2020 through December 18, 2020 (Predecessor)". The period from December 19, 2020 through December 31, 2020 is referred to as the "Successor Period".

Due to the election of pushdown accounting, and the conforming of significant accounting policies, the results of operations, cash flows, and other financial information for the Successor period are not comparable to the Predecessor periods. The accounting policies relating to the predecessor and successor period, where different, have been disclosed and noted in the financial statements.

Additionally, the Ares acquisition did not result in any pushdown of goodwill but the Company established VOBA by "Cedent". The VOBA is based on actuarially estimated present value of future cash flows from existing insurance policies. As of December 31, 2020, the net value of VOBA is zero.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates include, but are not limited to, the valuation of available-for-sale securities, funds withheld, future policy benefits and derivatives, including embedded derivatives. Actual results could differ from those estimates.

Available for Sale Securities ("AFS"), at Fair Value

AFS are reported at fair value and classified based on the possibility that such securities could be sold prior to maturity if that action enables the Company to execute its investment philosophy and appropriately match investment results to operating and liquidity needs

All the Company's fixed maturity securities are classified as AFS and are reported at their estimated fair value. Unrealized gains and losses on AFS securities are recorded as a separate component of other comprehensive income (loss) ("OCI"). Security transactions are recorded on a trade date basis. Sales of securities are determined on a specific identification basis.

Interest income is recognized when earned. Interest income is recognized using an effective yield method giving effect to amortization of premium and accretion of discount, and is based on the economic life of the securities. The amortization of premium and accretion of discount also takes into consideration call and maturity dates.

Other than temporary impairment

The Company periodically evaluates securities for impairment. The assessment of whether an impairment has incurred is based on management's case-by-case evaluation of the underlying reasons for the decline in estimated fair value, along with an analysis of the gross unrealized loss.

Funds Withheld Asset

Funds withheld asset represents a receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreement in which the company acts as reinsurer. Although the assets in funds withheld are legally owned by the ceding company, the assets are held separately from the general account of the cedants and all economic rights and obligations on the assets accrue to the Company.

The fair value for the equity and debt securities that support the funds withheld asset, is determined by the Company considering various sources of information, including information provided by third party pricing services. In determining fair value, the Company generally does not adjust the prices obtained from the pricing service. The Company obtains an understanding of the pricing service's valuation methodologies and related inputs.

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(Expressed in thousands USD)

Embedded Derivatives (successor periods)

Reinsurance agreements written on a funds withheld basis contain embedded derivatives. Authoritative guidance for derivatives and hedging Accounting Standards Codification ("ASC") 815, *Derivatives and Hedging* ("ASC 815"), states that an embedded derivative shall be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risk of the host contract. If it is determined that the embedded derivative has economic characteristics not clearly and closely related to the economic characteristics of the host contract, and a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is bifurcated from the host contract and accounted for separately.

The right to receive or obligation to pay the total return on the assets supporting the funds withheld asset represents an embedded derivative. The fair value of embedded derivative on the funds withheld asset is computed as the unrealized gain (loss) on the underlying assets and is included in the funds withheld asset on the balances sheets for assumed agreements. The change in the fair value of the embedded derivatives is recorded in income from reinsurance on the statements of income and comprehensive income (loss).

Cash and Cash Equivalents

The Company considers highly liquid securities and other investments with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents. At December 31, 2020 and 2019, substantially all cash balances were at major financial institutions earning interest. The Company does not anticipate nonperformance by these institutions.

Derivative Instruments

The Company invests in derivatives to hedge the risks experienced in its ongoing operations particularly as it relates to interest rate risk. Derivative assets and liabilities are carried at fair value on the balance sheets. At December 31, 2020 and 2019, no derivatives had been designated as hedges for accounting purposes

Deferred Acquisition Costs, Net

The Company incurs costs in connection with acquiring new and renewal insurance business. Costs that directly are related to the successful acquisition or renewal of insurance contracts are capitalized as deferred acquisitions costs ("DAC") to the extent that they are recoverable from gross profits.

Reinsurance contract liabilities at fair value (predecessor periods)

Insurance liabilities at fair value include amounts for unpaid losses and future policy benefits. The fair value related to insurance liabilities is determined using the income approach prescribed per ASC 820. The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. Those valuation techniques include present value techniques.

The Company uses a discounted cash flows approach to measure the fair value of the insurance reserves. The cash flows associated with future policy premiums and benefits are generated using best estimate assumptions (plus a risk margin, where applicable). Risk margins are typically applied to the non-observable, non-hedgeable market inputs such as mortality, morbidity, lapse, discount rate for non-performance risk, discount rate for risk margin, surrenders, etc. Mortality relates to the occurrence of death and morbidity relates to health risks. Mortality assumptions are based upon the experience of the cedent as well as past and emerging industry experience, when available. Mortality and morbidity assumptions may be different by sex, underwriting class and policy type. Assumptions are also for future mortality and morbidity improvements.

Policies are terminated through surrenders and maturities, where surrenders represent the voluntary terminations of policies by policyholders and maturities are determined by policy contract terms. Surrender assumptions are based upon cedant experience adjusted for expected future conditions. The Company uses market weighting in the

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(Expressed in thousands USD)

development of the discount rate. Liability cash flows are discounted using the market yields on the underlying assets backing the liabilities less a risk margin to reflect uncertainty and an adjustment to reflect the credit risk of the Company.

The non-performance risk spread refers to the risk that the obligation will not be fulfilled and includes the Company's own credit risk. The non-performance risk relating to the liability is assumed to be the same before and after its transfer.

The risk margin is reflective of the uncertainty within the cash flows associated with the reinsurance contract.

The significant unobservable inputs used in the fair value measurement of future policy benefit liability are undiscounted cash flows (which are determined using actuarial assumptions related to lapses, surrenders, mortality, partial withdrawal and morbidity), non-performance risk spread and risk margin to reflect uncertainty. Increases or decreases in non-performance risk spread and risk margin to reflect uncertainty would result in a lower or higher fair value measurement.

Future Policy Benefit Reserves (successor periods)

Liabilities for deferred annuity contracts are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges. These are equal to the balance that accrue to the benefit of the policyholders as of the financial statement date (commonly referred to as the account value), including, policyholders' accumulated net deposits plus interest credited and investment performance less policyholder withdrawals, fees and policy charges.

Liabilities for fixed index annuity contracts (with embedded derivative) are carried at fair value without reduction for potential surrender or withdrawal charges. The host contract and the embedded derivative are bifurcated. The host contract accrues from one period to the next based on an accrual rate determined at issue. The value of the embedded derivative is the present value of excess cash flows associated with the embedded derivative using risk free rate, risk margin and own credit risk. The Company accounts for movement in the equity index for interest credited, policy holder withdrawals and policy charges. The contracts also have life-time withdrawal riders.

Liabilities for payout annuity contracts are established using accepted actuarial valuation methods based on assumptions related to future benefits, investment yields, mortality and maintenance expenses, determined when the policies were assumed. An additional provision is made to allow for potential adverse deviation for some assumptions. Once established, assumptions on these contracts are locked in at inception and not modified unless a reserve deficiency exists.

The Company periodically reviews actual and anticipated experience compared to the assumptions used to establish future policy benefit reserves. The company will also carry out loss recognition testing for reserves set up for Payout Annuity Contracts.

Fair value measurements

Authoritative guidance for *Fair Value Measurements and Disclosures* defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. In compliance with these principles, the Company has categorized its financial instruments, 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. In accordance with the authoritative guidance for Fair Value Measurements and Disclosures, assets and liabilities recorded at fair value on the balance sheet are categorized as Level 1, 2 and 3.

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities. The Company defines an active market as a market in which transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis

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(Expressed in thousands USD)

Level 2 - Quoted prices in markets that are not active or valuation techniques that require inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- i. Quoted prices for similar assets or liabilities (other than quoted prices in Level 1) in active markets;
- ii. Quoted prices for identical or similar assets or liabilities in non-active markets;
- iii. Inputs other than quoted market prices that are observable; and
- iv. Inputs that are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the assets or liabilities.

Level 3 - Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These valuations, whether derived internally or obtained from a third party, use critical assumptions that are not widely available to estimate market participant expectations in valuing the asset or liability. When available, the estimated fair value of securities is based on quoted prices in active markets that are readily and regularly obtainable. When quoted prices in active markets are not available, the determination of estimated fair value may be based on market standard valuation methodologies (pricing models), including discounted cash flow methodologies, matrix pricing, or other similar techniques, as well as significant management judgement or estimate

Legal Matters and Contingencies

The Company records legal fees and accruals in accordance with ASC Topic 450, "Contingencies". Contingencies arising from regulatory judgments, claims, assessments, guarantees, litigation, recourse reserves, fines, penalties, and other sources are recorded when deemed probable and reasonably estimable.

Income taxes

At the present time, no taxes are levied in Bermuda on the Company's receipts, dividends, capital gains, gifts, or net profit. If such taxes are levied, the Company has received an undertaking from the Bermuda Government exempting it from all such taxes until March 31, 2035.

Aspida Life Re Ltd.
Notes to the Financial Statements

(Expressed in thousands USD)

New accounting pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses*. This new guidance replaces the incurred loss impairment methodology with one that reflects expected credit losses. The measurement of expected credit losses should be based on historical loss information, current conditions, and reasonable and supportable forecasts. The guidance also requires enhanced disclosures. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*. The purpose of this update is to defer the effective dates for various new accounting pronouncements. This guidance is now effective for fiscal years beginning after December 15, 2022. Early adoption is permitted for fiscal years beginning December 15, 2018. The Company has not early adopted this standard and is currently evaluating the impact of this guidance on the financial statements.

In August 2018, the FASB issued ASU 2018-12, *Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*. The new guidance will significantly change how insurers account for long-duration contracts. The amendments will change existing recognition, measurement, presentation, and disclosure requirements. Issues addressed in the new guidance include: 1) a requirement to review and, if there is a change, update assumptions for the liability for future policy benefits at least annually, and to update the discount rate assumption quarterly, 2) accounting for market risk benefits at fair value, 3) simplified amortization for deferred acquisition costs, and 4) enhanced financial statement presentation and disclosures. In November 2019, the FASB issued ASU 2019-09, *Financial Services—Insurance (Topic 944)*. The purpose of this update is to defer the effective date for ASU 2018-12. This guidance is now effective for fiscal years beginning after December 15, 2023. Early adoption is permitted. The Company has not early adopted this standard and is currently evaluating the impact of this guidance on the financial statements, however, it expects it will be material.

In August 2018, the FASB issued new guidance (ASU 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*), effective for the Company for fiscal year beginning after December 15, 2019. Under this update:

- For investments in certain entities that calculate net asset value, investors are required to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse if the investee has communicated timing to the entity or announced timing publicly.
- Entities should use the measurement uncertainty disclosure to communicate information about the uncertainty in measurement as of the reporting date.
- Entities must disclose changes in unrealized gains and losses included in other comprehensive income for recurring Level 3 fair value measurements, as well as the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, or other quantitative information in lieu of weighted average if the entity determines such information would be more reasonable and rational.
- Entities are no longer required to disclose the amounts and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels, and the valuation processes for Level 3 fair value measurements.

The Company adopted this standard on January 1, 2020 and there was not a material impact.

Aspida Life Re Ltd.
Notes to the Financial Statements

(Expressed in thousands USD)

3. Investments

a) The following table summarizes the Company's available-for-sale investments by asset type.

December 31, 2020				
Asset Type	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Fixed maturity securities:				
Corporate	37,434	143	(3)	37,574
Municipal	5,632	12	—	5,644
US Government	500	—	—	500
Investments, available for sale	43,566	155	(3)	43,718

December 31, 2019				
Asset Type	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Fixed maturity securities:				
Corporate	35,579	593	(230)	35,942
Municipal	4,018	65	(40)	4,043
US Government	5,998	—	(8)	5,990
Investments, available for sale	45,595	658	(278)	45,975

b) The amortized cost and fair value of fixed maturity securities are shown by contractual maturity below.

31-Dec-20		
Maturity period	Amortized Cost	Fair Value
Due after one year through 5 years	19,441	19,483
Due after 5 years through ten years	19,652	19,724
Due after ten years	4,473	4,511
Investments, available for sale	43,566	43,718

31-Dec-19		
Maturity period	Amortized Cost	Fair Value
Due after one year through 5 years	22,031	22,052
Due after 5 years through ten years	17,168	17,204
Due after ten years	6,396	6,719
Investments, available for sale	45,595	45,975

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(Expressed in thousands USD)

- c) The following summarizes the fair value and gross unrealized losses for available-for-sale securities aggregated by class of security and length of time the fair value has remained below amortized cost.

December 31, 2020

	Less than 12 months		12 months or longer	
	Fair Value	Gross Unrealized Loss	Unrealized Loss	Fair Value
Asset Type				
Fixed maturity securities:				
Corporate	6,712	(3)	—	—
Municipal	—	—	—	—
US Government	500	—	—	—
Investments, available for sale	7,212	(3)	—	—

At December 31, 2020, the Company held seven AFS securities that were in an unrealized loss position. None of the AFS securities were in an unrealized loss position longer than 12 months, since the acquisition.

December 31, 2019

	Less than 12 months		12 months or longer	
	Fair Value	Gross Unrealized Loss	Unrealized Loss	Fair Value
Asset Type				
Fixed maturity securities:				
Corporate	15,811	(230)	—	—
Municipal	2,006	(40)	—	—
US Government	5,990	(8)	—	—
Investments, available for sale	23,807	(278)	—	—

At December 31, 2019, the Company held nineteen AFS securities that were in an unrealized loss position. None of the AFS securities were in an unrealized loss position longer than 12 months.

- d) At December 31, 2020, the Company holds call options derivatives with a fair value of \$81,359 (2019: 53,543).

4. Fair Value of Financial Instruments

The Company measures the fair value of its securities based on assumptions used by market participants in pricing the security. The most appropriate valuation methodology is selected based on the specific characteristics of the fixed maturity security and the Company will then consistently apply the valuation methodology to measure the security's fair value. The Company's fair value measurement is based on a market approach, which utilizes prices and other relevant

information generated by market transactions involving identical or comparable securities. Sources of inputs to the market approach include third-party pricing services, independent broker quotations, or pricing matrices. The Company uses observable and unobservable inputs in its valuation methodologies. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and

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(Expressed in thousands USD)

reference data. In addition, market indicators and industry and economic events are monitored and further market data will be acquired when certain thresholds are met.

For certain security types, additional inputs may be used, or some of the inputs described above may not be applicable. For broker-quoted only securities, quotes from market makers or broker-dealers are obtained from sources recognized to be market participants. Management believes the broker quotes are prices at which trades could be executed based on historical trades executed at broker-quoted or slightly higher prices.

The fair value measurement of the call option derivatives is determined via market observable information. The market observable inputs are the market value of the option.

The Company's assets and liabilities measured at fair value are summarized according to the hierarchy previously described as follows:

	December 31, 2020			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Funds Withheld	353,966	1,892,376	—	2,246,342
Fixed Maturities, Available for Sale	—	43,718	—	43,718
Derivative contracts at fair value	—	81,359	—	81,359
Total Assets	353,966	2,017,453	—	2,371,419

	December 31, 2019			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Funds Withheld	317,964	1,546,698	—	1,864,662
Fixed Maturities, Available for Sale	—	45,975	—	45,975
Derivative contracts at fair value	—	53,543	—	53,543
Total Assets	317,964	1,646,216	—	1,964,180

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5. Funds Withheld Receivables at Fair Value

Funds withheld receivables represents the receivable for assets supporting funds withheld reinsurance. These assets are held in trusts or custodial accounts that are legally separated from the Company's third party ceding company's general accounts. In the event of the ceding company's insolvency, the Company would need to assert a claim on the assets supporting the Company's reserve liabilities. However, the Company has the ability to offset amounts owing to the ceding company, which reduces the Company's risk of loss. Interest generally accrues on these assets based upon the investment earnings on the underlying investments. The Company is subject to the investment performance and has all economic rights and obligations on the funds withheld assets in a fashion similar to invested assets held directly by the Company. Information on the underlying assets within funds withheld is presented below.

	December 31, 2020
	Carried at fair value
Funds withheld receivables - third party cedant	
Corporate bonds	1,013,384
Government bonds	68,147
Municipal bonds	221,679
Asset Backed Securities	295,729
Mortgage Backed Securities	233,418
Equities	54,243
Money market funds	28,944
Preferred Stock	335,955
Derivatives	6,396
Receivable (Payable)	(11,553)
Total Funds withheld receivables	2,246,342

	December 31, 2019
	Carried at fair value
Funds withheld receivables - third party cedant	
Corporate bonds	817,098
Government bonds	18,706
Municipal bonds	178,289
Asset Backed Securities	198,817
Mortgage Backed Securities	286,771
Equities	51,104
Money market funds	66,862
Preferred Stock	250,134
Derivatives	3,112
Receivable (Payable)	(6,231)
Total Funds withheld receivables	1,864,662

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The following tables summarizes the credit quality for funds withheld assets:

Rating Agency Rating	December 31, 2020	
	Carried at fair value	
	Fair Value	Percent
AAA	64,161	3 %
AA+	113,382	5 %
AA	98,475	4 %
AA-	59,329	3 %
A+	50,980	2 %
A	347,295	16 %
A-	263,965	12 %
BBB+	229,491	10 %
BBB	405,736	18 %
BBB-	406,672	18 %
Total investment grade	2,039,486	91 %
BB+	43,302	2 %
BB	20,791	1 %
BB-	38,889	2 %
B+	4,520	0 %
B	17,670	1 %
B-	5,497	0 %
CCC+ or lower	9,553	0 %
Not rated	66,634	3 %
Total	2,246,342	100 %

Rating Agency Rating	December 31, 2019	
	Carried at fair value	
	Fair Value	Percent
AAA	106,642	6 %
AA+	85,875	5 %
AA	43,356	2 %
AA-	70,194	4 %
A+	48,983	3 %
A	290,128	15 %
A-	261,506	14 %
BBB+	187,287	10 %
BBB	338,221	16 %
BBB-	303,197	18 %
Total investment grade	1,735,389	93 %
BB+	5,237	0 %
BB	5,117	0 %
BB-	17,490	1 %
B+	11,030	1 %
B	11,391	1 %
B-	14,930	1 %
CCC+	733	0 %
Not rated	63,345	3 %
Total	1,864,662	100 %

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Embedded Derivatives on Funds Withheld Asset

Embedded derivatives arising on Funds Withheld contracts are bifurcated from the host contract and carried at fair value within the funds withheld asset on the Balance Sheet. Changes in fair value are recorded within net investment income on the Statement of Operations and Comprehensive Income (Loss). The estimated fair value and net investment income for embedded derivatives amounted to \$9,050 for the December 31, 2020 successor period.

Concentrations of Financial and Capital Markets Risk

The Company is exposed to financial and capital markets risk, including changes in interest rates and credit spreads which can have an adverse effect on the Company's results of operations, financial condition, and liquidity.

The Company's exposure to such financial and capital markets risk relates primarily to the market price and cash flow variability associated with changes in interest rates. A rise in interest rates, in the absence of other countervailing changes, will have an adverse impact on the recorded fair value of the Company's fund withheld receivables. If long-term interest rates rise dramatically within a short period of time, certain of the Company's reinsured products may be exposed to disintermediation risk. Disintermediation risk refers to the risk that policyholders may surrender their contracts in a rising interest rate environment, requiring the Company to liquidate assets earlier than expected. This risk is mitigated to some extent by surrender charge protection provided by the products reinsured by the Company

7. Taxes

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

8. Common Shares

The Company has one class of common stock, which represents 100% of the Company's total voting shares. All issued shares are beneficially owned by and were transferred to Aspida Holdings Ltd. Aspida Holdings Ltd. is an indirect subsidiary of Ares Management Corporation. The Company is authorized to and has issued 375,000 shares at a par value of \$1.00 (One dollar) each.

9. Accumulated Other Comprehensive Income

The change in the Accumulated Other Comprehensive Income for the period ended December 31, 2020 includes \$152 of unrealized gains (2019: \$380 of unrealized gains) on available for sale securities. An amount of \$(291) (2019: (\$9,818)) is also included which represents changes in reserves due to a change in own credit risk.

10. Statutory Requirements

The Company is licensed by the Bermuda Monetary Authority (BMA) as a Class E long term insurer and is subject to the Insurance Act 1978, as amended (Bermuda Insurance Act) and regulations promulgated thereunder. Effective January 1, 2016 the BMA implemented the Economic Balance Sheet (EBS) framework into the Bermuda Solvency and Capital Requirement (BSCR) for commercial insurers which was granted equivalency to the European Union's Directive (2009/138/EC) ("Solvency II") in March 2016. Under this framework a Class E insurer must produce three sets of financial statements

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1. GAAP Financial Statements – Financial statements prepared in accordance with an internationally recognized comprehensive base of accounting, and for which the Company has elected to prepare US GAAP Financial statements. These financial statements form the basis for the preparation of both the Statutory Financial Statements and the Economic Balance Sheet.
2. Statutory Financial Statements (SFS) – Equal to the GAAP financial statements adjusted for:
 - a. Prudential filters that include adjustments to eliminate non-admitted assets including goodwill and other similar intangible assets not considered admissible for solvency purposes, and include certain assets and liabilities that are generally off-balance sheet under general purpose reporting. These include items such as guarantees and other instruments that do not relate to the insurer's own insurance contracts
 - b. Directions or permitted practices issued by the BMA.
3. Economic Balance Sheet (EBS) – A balance sheet where assets are recorded based on GAAP fair values and insurance reserves are based on technical provisions comprised of a best estimate liability plus a risk margin. The best estimate liability may be calculated by applying the standard approach or the scenario approach. Under the standard approach the discount rate for insurance reserves is a rate prescribed by the BMA. Under the scenario approach the discount rate for insurance reserves is based on the yield on eligible assets owned by the insurer as determined under the worst result of nine prescribed stressed conditions.

Under the Bermuda Insurance Act, the Company is required to maintain minimum EBS capital and surplus to meet the ECR which is equal to a risk based capital model where risk factor charges are applied to the EBS balance sheet in order to determine the ECR. The Company met the minimum requirements.

To enable the BMA to better assess the quality of the insurer's capital resources, a Class E insurer is required to disclose the makeup of its capital in accordance with a "3-tiered capital system". Highest quality capital is classified as Tier 1 Capital, lesser quality capital is classified as either Tier 2 or Tier 3 Capital. As of December 31, 2020 all of the Company's eligible capital used to meet the MSM and ECR was Tier 1 Capital.

Under the Bermuda Insurance Act, the Company is prohibited from paying a dividend in an amount exceeding 25% of the prior year's statutory capital and surplus, unless at least two members of the Company's board of directors and its principal representative in Bermuda sign and submit to the BMA an affidavit attesting that a dividend in excess of this amount would not cause the Company to fail to meet its relevant margins.

	December 31, 2020	December 31, 2019
Total Shareholder's Equity per GAAPs	190,345	294,879
Non-admitted assets 1	—	(976)
Statutory capital and surplus	190,345	293,903

1. -Non-admitted assets arose which are not admissible for the statutory capital and surplus.

11. Litigation, Claims and Assessments

As at December 31, 2020 there were no matters arising outside the normal course of business

12. Related party balances

As at December 31, 2020, the company had a net amount due or from a related party of \$0. In the predecessor period, there were expenses paid to the prior owners but nothing is due or accrued to current related parties. Effective December 18, 2020 Ares Insurance Solutions LLC became the new investment manager for the Company.

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13. Subsequent Events

ASC Topic 855, "Subsequent Events" ("ASC 855"), establishes general standards of accounting and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855 requires the Company to evaluate events that occur after the balance sheet date through the date the Company's financial statements are issued and to determine whether adjustments to or additional disclosures in the financial statements are necessary.

Effective January 1, 2021, the Company entered into a Funds Withheld Agreement with a Cedent ("the Fourth Cedent") to reinsure a 50% quota share flow block of Multi-Year Guarantee contracts worth appropriately \$60 million in monthly premium.

As of March 24, 2021 a financial strength rating of "A- "(Excellent) and long-term issuer credit rating of "a- ", was confirmed to the Company by AM Best. The outlook for these ratings are listed as stable. Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. Financial strength ratings represent the opinions of rating agencies regarding the financial ability of an insurer or reinsurer to meet its obligations under an insurance policy or reinsurance arrangement and generally involve quantitative and qualitative evaluations by ratings agencies of a company's financial condition and performance.

Effective March 31, 2021, the Company served the First Cedent 90 days notice to terminate new business of the flow reinsurance deal worth appropriately \$16 million in monthly premium as Aspida Re's quota share.