

Partner Reinsurance Life Company of Bermuda Ltd.

Condensed Financial Statements

December 31, 2020 and 2019

Report of Independent Auditors

The Board of Directors
Partner Reinsurance Life Company of Bermuda Ltd.

We have audited the accompanying condensed financial statements of Partner Reinsurance Life Company of Bermuda Ltd. (the “Company”), which comprise the condensed balance sheets and condensed statements of capital and surplus as of December 31, 2020 and 2019, and the related condensed statements of income for the years then ended, and the related notes to the condensed financial statements.

Management’s Responsibility for the Condensed Financial Statements

Management is responsible for the preparation and fair presentation of the condensed financial statements in accordance with the financial reporting provisions of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the condensed financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the condensed 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 financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 3 of the condensed financial statements, the condensed financial statements are prepared by the Company on the basis of 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.

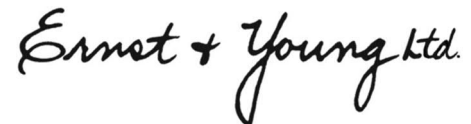
The effects on the condensed financial statements of the variances between the regulatory basis of accounting described in Note 3 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for adverse opinion on U.S. generally accepted accounting principles" paragraph, the condensed 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 and 2019, or the results of its operations or its cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the condensed financial statements referred to above present fairly, in all material respects, the financial position of Partner Reinsurance Life Company of Bermuda Ltd. as of December 31, 2020 and 2019, 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.



April 30, 2021

Chartered Professional Accountants

CONDENSED CONSOLIDATED BALANCE SHEET

Partner Reinsurance Life Company of Bermuda Ltd.

As at December 31, 2020

expressed in ['000s] Canada Dollars

LINE No.		2020	2019
1.	CASH AND CASH EQUIVALENTS	7,338	8,014
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other	1,080,298	974,202
(b)	Total Bonds and Debentures	1,080,298	974,202
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other quoted investments		
(f)	Total quoted investments	1,080,298	974,202
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		
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	2,184	2,563
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	24,766	
(b)	Deferred - not yet due		
(c)	Receivables from retrocessional contracts		
(d)	Total accounts and premiums receivable	24,766	-
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates		7,342
(b)	Domestic affiliates		16,021
(c)	Pools & associations		
(d)	All other insurers		
(e)	Total reinsurance balance receivable	-	23,363
12.	FUNDS HELD BY CEDING REINSURERS		2,125
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		

CONDENSED CONSOLIDATED BALANCE SHEET

Partner Reinsurance Life Company of Bermuda Ltd.

 As at **December 31, 2020**

 expressed in ['000s] **Canada Dollars**

LINE No.		2020	2019
(f)	Deferred acquisition costs	76,894	56,744
(g)	Net receivables for investments sold		
(h)	Intangible Assets	92,439	94,925
(i)	Prepaid Expenses	20	20
(j)	Other Sundry Assets (Specify)		
(k)	Total sundry assets	169,353	151,689
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	1,283,939	1,161,956
	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	1,507	2,251
21.	RESERVE FOR UNREPORTED CLAIMS	50,535	19,984
22.	POLICY RESERVES - LIFE	109,845	148,546
23.	POLICY RESERVES - ACCIDENT AND HEALTH		
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	161,887	170,781
(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	161,887	170,781
	OTHER LIABILITIES		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	13,386	11,613
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE	-	
30.	LOANS AND NOTES PAYABLE	-	
31.	(a) INCOME TAXES PAYABLE	-	
	(b) DEFERRED INCOME TAXES	-	

CONDENSED CONSOLIDATED BALANCE SHEET

Partner Reinsurance Life Company of Bermuda Ltd.

As at **December 31, 2020**

expressed in ['000s] **Canada Dollars**

LINE No.		2020	2019
32.	AMOUNTS DUE TO AFFILIATES	17,049	281,165
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	78	85
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:		
35.	DIVIDENDS PAYABLE		
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments		
(b)	Segregated accounts companies		
(c)	Deposit liabilities		
(d)	Net payable for investments purchased		
(e)	Deferred income	53,210	57,152
(f)	Other sundry liabilities (specify)		
(g)	Other sundry liabilities (specify)		
(h)	Total sundry liabilities	53,210	57,152
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	83,723	350,015
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	245,610	520,796
	CAPITAL AND SURPLUS		
40.	TOTAL CAPITAL AND SURPLUS	1,038,329	641,160
41.	TOTAL	1,283,939	1,161,956
		TRUE	TRUE

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CONDENSED CONSOLIDATED STATEMENT OF INCOME

Partner Reinsurance Life Company of Bermuda Ltd.

As at December 31, 2020

expressed in ['000s] Canada 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		
	(b) Assumed gross premiums and other considerations	385,302	369,568
	(c) Total gross premiums and other considerations	385,302	369,568
13.	PREMIUMS CEDED		
14.	NET PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Life	385,302	369,568
	(b) Annuities		
	(c) Accident and health		
	(d) Total net premiums and other considerations	385,302	369,568
15.	OTHER INSURANCE INCOME	4,376	4,612
16.	TOTAL LONG-TERM BUSINESS INCOME	389,678	374,180
	LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES		
17.	CLAIMS - LIFE	345,776	239,852
18.	POLICYHOLDERS' DIVIDENDS		
19.	SURRENDERS		
20.	MATURITIES		
21.	ANNUITIES		
22.	ACCIDENT AND HEALTH BENEFITS	4	22
23.	COMMISSIONS	19,866	21,457
24.	OTHER		
25.	TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES	365,646	261,331
26.	INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES):		
	(a) Life	(8,048)	89,389
	(b) Annuities		
	(c) Accident and health		(84)
	(d) Total increase (decrease) in policy reserves	(8,048)	89,305

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Partner Reinsurance Life Company of Bermuda Ltd.

As at December 31, 2020

expressed in ['000s] Canada Dollars

LINE No.		2020	2019
27.	TOTAL LONG-TERM BUSINESS EXPENSES	357,598	350,636
28.	NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS	32,080	23,544
29.	COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS	32,080	23,544
	UNDERNOTED ITEMS		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	1,553	1,159
	(b) Personnel cost		
	(c) Other		
	(d) Total combined operating expenses	1,553	1,159
31.	COMBINED INVESTMENT INCOME - NET	18,460	20,029
32.	COMBINED OTHER INCOME (DEDUCTIONS)	(2,141)	2,155
33.	COMBINED INCOME BEFORE TAXES	46,846	44,569
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current		
	(b) Deferred		
	(c) Total	-	-
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	46,846	44,569
36.	COMBINED REALIZED GAINS (LOSSES)	83,581	46,719
37.	COMBINED INTEREST CHARGES		
38.	NET INCOME	130,427	91,288

CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

Partner Reinsurance Life Company of Bermuda Ltd.

As at December 31, 2020

expressed in ['000s] Canada Dollars

LINE No.		2020	2019
1.	CAPITAL:		
(a)	Capital Stock		
	(i) Common Shares		
	authorized	250,000	
	value	\$ 1.066	
	fully paid	250,000	
			267
			267
	(ii)		
	(A) Preferred shares:		
	authorized		
	value		
	fully paid		
	aggregate liquidation value for –		
	2020		
	2019		
	(B) Preferred shares issued by a subsidiary:		
	authorized		
	value		
	fully paid		
	aggregate liquidation value for –		
	2020		
	2019		
	(iii) Treasury Shares		
	repurchased		
	value		
(b)	Contributed surplus	597,056	328,123
(c)	Any other fixed capital		
	(i) Hybrid capital instruments		
	(ii) Guarantees and others		
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	597,323	328,390
2.	SURPLUS:		
(a)	Surplus - Beginning of Year	312,770	225,164
(b)	Add: Income for the year	130,427	91,288
(c)	Less: Dividends paid and payable		
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments		(3,682)
(e)	Add (Deduct) change in any other surplus	(2,191)	
(f)	Surplus - End of Year	441,006	312,770
3.	MINORITY INTEREST		
4.	TOTAL CAPITAL AND SURPLUS	1,038,329	641,160

Partner Reinsurance Life Company of Bermuda Ltd.

General Notes to the Condensed Financial Statements

1. Organization

Partner Reinsurance Life Company of Bermuda Ltd. (the Company) was incorporated on April 3, 2014 under the laws of Bermuda and is licensed under The Bermuda Insurance Act 1978 and Related Regulations, as amended (the Insurance Act), as a Class C insurer. The Company is a wholly-owned subsidiary of Partner Reinsurance Company Ltd. (the Parent). The Parent was incorporated on August 1993, under the laws of Bermuda and is a 100% owned subsidiary of PartnerRe Ltd. (PartnerRe). At December 31, 2020 and 2019, approximately 99.7% of PartnerRe's total common shares were owned by EXOR Nederland N.V., which is a subsidiary of the ultimate parent company, EXOR N.V.

2. Risks Underwritten

The Company provides reinsurance including a 75% quota share to a branch of the Parent, a 90% quota-share and stop loss agreement with PartnerRe Life Reinsurance Company of Canada, an affiliated company, and a contract with a non-affiliated life reinsurance company in the United States.

Risks reinsured include, mortality, longevity, individual life and accident and health products.

3. Basis of Accounting

The condensed general purpose financial statements (condensed financial statements) are based on U.S. generally accepted accounting principles (GAAP) but have been prepared in conformity with the financial reporting provisions of Insurance Act 1978 and the Insurance Account Rules 2016 with respect to Condensed Financial Statements (the legislation), which varies in certain respects from GAAP. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

4. Significant Accounting Policies

The following are the Company's significant accounting policies:

(a) Premiums

Premiums related to life and annuity business are recorded over the premium-paying period on the underlying policies. Premiums on annuity and universal life contracts for which there is no significant mortality or critical illness risk are accounted for in a manner consistent with accounting for interest-bearing financial instruments and are not reported as revenues, but rather as direct deposits to the contract. Amounts assessed against annuity and universal life policyholders are recognized as revenue in the period assessed.

(b) Long-term Business Insurance Reserves

The long-term business insurance reserves have been established based upon information reported by ceding companies, supplemented by the Company's actuarial estimates of mortality, critical illness, persistency and future investment income, with appropriate provision to reflect uncertainty. For traditional long-duration contracts, the assumptions are locked in at contract inception and are subject to annual loss recognition testing. Future policy benefit reserves for annuity and universal life contracts are carried at their accumulated values. Reserves for policy claims and benefits include both claims in the process of settlement, and claims that have been incurred but not yet reported.

(c) Commissions

Acquisition costs, comprising incremental brokerage fees, commissions and excise taxes, which vary directly with, and are related to, the acquisition of reinsurance contracts, are capitalized and charged to expense as the related premium is earned. All other acquisition related costs, including indirect costs, are expensed as incurred.

Acquisition costs related to individual life and annuity contracts are deferred and amortized over the premium-paying periods in proportion to anticipated premium income, allowing for lapses, terminations and anticipated investment income. Acquisition costs related to universal life and single premium annuity contracts for which there is no significant mortality or critical illness risk

Partner Reinsurance Life Company of Bermuda Ltd.
General Notes to the Condensed Financial Statements (continued)

are deferred and amortized over the lives of the contracts as a percentage of the estimated gross profits expected to be realized on the contracts.

Actual and anticipated loss experience, together with the present value of future gross premiums, the present value of future benefits, and settlement and maintenance costs are considered in determining the recoverability of deferred acquisition costs.

(d) Investments

The Company elects the fair value option for all of its fixed maturities. All changes in the fair value of investments are recorded in net realized and unrealized investment gains and losses in the Condensed Statements of Income. The Company defines fair value as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company measures the fair value of financial instruments according to a fair value hierarchy that prioritizes the information used to measure fair value into three broad levels (see Note 13 below). The Company's policy is to recognize transfers between the hierarchy levels at the beginning of the period.

Net investment income includes interest income and amortization of premiums and discounts on fixed maturities, and is net of investment expenses. Investment income is recognized when earned and accrued to the balance sheet date. Realized gains and losses on the disposal of investments are determined on a first-in, first-out basis. Investment purchases and sales are recorded on a trade-date basis.

(e) Cash and Cash Equivalents

Cash equivalents are carried at fair value and include fixed income securities that, from the date of purchase, have a maturity of three months or less.

(f) Translation of Foreign Currencies

In recording foreign currency transactions, revenue and expense items in a currency other than the functional currency are converted into the functional currency at the average rates of exchange for the period. Monetary assets and liabilities originating in currencies other than the functional currency are remeasured into the functional currency at the rates of exchange in effect at the balance sheet dates. The resulting foreign exchange transaction gains or losses are included in the Condensed Statements of Income.

The reporting currency of the Company is the Canadian dollar. The Canadian dollar is also the Company's functional currency, except for a foreign operation that has a U.S. dollar functional currency. In translating the financial statements where the functional currency is other than the Canadian dollar, assets and liabilities are converted into Canadian dollars using the rates of exchange in effect at the balance sheet dates, and revenues and expenses are converted using the average foreign exchange rates for the period. The change in currency translation adjustment is reported in the Condensed Statements of Capital and Surplus.

(g) Deferred Income

Gains arising on reinsurance portfolio transfers with other companies, are not recognised immediately but are deferred and recorded as a liability in the Condensed Balance Sheets. These gains are amortised to income over the remaining life of the relevant reinsurance contracts.

(h) Intangible Assets

Intangible assets represent the fair value adjustments related to value of life business acquired (life VOBA). This intangible asset is being amortized over its expected life of 100 years and the amortization expense is recorded in the Condensed Statements of Income.

Partner Reinsurance Life Company of Bermuda Ltd.
General Notes to the Condensed Financial Statements (continued)

5. Revenue Recognition

Premium income - See 4(a) above.

Investment income - See 4(d) above.

Commission income - Not applicable.

6. Translation of Foreign Currencies

See 4(f) above.

7. Foreign Exchange Control Restrictions

Not applicable.

8. Contingencies or Commitments

Litigation

The Company and the insurance and reinsurance industry in general, are subject to litigation and arbitration in the normal course of their business operations. In addition to claims litigation and disputes, the Company may be subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on reinsurance contracts. This category of business litigation typically involves, among other things, allegations of underwriting errors or omissions, employment claims or regulatory activity. While the outcome of business litigation cannot be predicted with certainty, the Company will dispute all allegations against the Company that management believes are without merit.

At December 31, 2020, the Company was not a party to any litigation or arbitration that it believes could have a material adverse effect on the financial condition, results of operations or liquidity of the Company. Refer to General Note to the Condensed Financial Statements 16 for additional details related to litigation of the Parent's branch settled after December 31, 2020.

9. Defaults

Not applicable.

10. Preferred Cumulative Shares

Not applicable.

11. Loans to Directors and Officers

Not applicable.

12. Retirement Benefit Obligations

Not applicable.

13. Fair Value

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value by maximizing the use of observable inputs and minimizing the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing an asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about what market participants would use in pricing the asset or liability based on the best information available in the circumstances. The level in the hierarchy within which a given fair value measurement falls is determined based on the lowest level input that is significant to the measurement.

The Company determines the appropriate level in the hierarchy for each financial instrument that it measures at fair value. In determining fair value, the Company uses various valuation approaches, including market, income and cost approaches. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Partner Reinsurance Life Company of Bermuda Ltd.
General Notes to the Condensed Financial Statements (continued)

- Level 1 inputs—Unadjusted, quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

The Company does not have any financial instruments that it measures at fair value using Level 1 at December 31, 2020 and 2019.

- Level 2 inputs—Quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets and significant directly or indirectly observable inputs, other than quoted prices, used in industry accepted models.

The Company's financial instruments that it measures at fair value using Level 2 inputs generally include: non-U.S. sovereign government and government related bonds consisting primarily of bonds issued by the Canadian government and its agencies, and Canadian provincial governments; investment grade corporate bonds; short-term investments; mortgaged-backed securities; U.S. government issued bonds; U.S. government sponsored enterprises bonds and U.S. state, territory and municipal entities bonds.

- Level 3 inputs—Unobservable inputs.

The Company does not have any financial instruments that it measures at fair value using Level 3 at December 31, 2020 or 2019.

At December 31, 2020 and 2019, the Company's financial instruments measured at fair value were categorized between Levels 1, 2 and 3 as follows (in thousands of Canadian dollars):

December 31, 2020	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Fixed maturities				
U.S. government and government sponsored enterprises	\$ —	\$ 2,658	\$ —	\$ 2,658
U.S. states, territories and municipalities	—	1,497	—	1,497
Non-U.S. sovereign government, supranational and government related	—	962,836	—	962,836
Corporate	—	102,867	—	102,867
Residential mortgage-backed securities	—	1,597	—	1,597
Fixed maturities	\$ —	\$ 1,071,455	\$ —	\$ 1,071,455
Short-term investments	\$ —	8,843	\$ —	8,843
Total	\$ —	\$ 1,080,298	\$ —	\$ 1,080,298

December 31, 2019	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Fixed maturities				
U.S. government and government sponsored enterprises	\$ —	2,910	\$ —	2,910
U.S. states, territories and municipalities	—	1,848	—	1,848
Non-U.S. sovereign government, supranational and government related	—	866,590	—	866,590
Corporate	—	53,767	—	53,767
Residential mortgage-backed securities	—	1,667	—	1,667
Fixed maturities	\$ —	\$ 926,782	\$ —	\$ 926,782
Short-term investments	\$ —	47,420	\$ —	47,420
Total	\$ —	\$ 974,202	\$ —	\$ 974,202

Partner Reinsurance Life Company of Bermuda Ltd.
General Notes to the Condensed Financial Statements (continued)

14. Maturity Distribution of Fixed Maturities

The cost, fair value and distribution of fixed maturities at December 31, 2020, by contractual maturity date, is shown below (in thousands of Canadian dollars). Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

	Fair Value
One year or less	\$ 20,229
More than one year through five years	187,464
More than five years through ten years	528,864
More than ten years	342,144
Subtotal	1,078,701
Mortgage/asset-backed securities	1,597
Total	\$ 1,080,298

15. Agreements with Related Parties

In the ordinary course of operations, the Company reinsures risks written by a branch of its Parent and an affiliate. The Company also reinsures a non-affiliated life reinsurance company, which represented \$17.0 million and \$17.7 million of Long-term business reserves at December 31, 2020 and 2019, respectively (see General Note 2 to the Condensed Financial Statement above for further details).

16. Subsequent Events

In March 2019, a cedant (“the Cedant”) brought a motion for a declaratory judgment against the Parent seeking a declaration that the Cedant had properly exercised its right, pursuant to an agreement between the parties, to recapture certain portfolios of life reinsurance contracts that the Cedant had retroceded to the branch of the Parent. In February 2021, the Parent reached a settlement with the Cedant. The Company determined that no accrual for a contingent liability was required at December 31, 2020.

The Company has evaluated subsequent events from the balance sheet date through to April 30, 2021, which is the date the consolidated financial statements were available to be issued.

17. Other Information

Not applicable.

Partner Reinsurance Life Company of Bermuda Ltd.

Notes to the Condensed Statement of Capital and Surplus

1(a). Capital Stock

At December 31, 2020 and 2019, the total authorized and issued shares of the Company were 250,000 shares with a par value of U.S. \$1 which was translated at the historical exchange rate of Canadian \$1.07 per share.

1(b). Contributed Surplus

Contributed surplus of \$597.1 million and \$328.1 million at December 31, 2020 and 2019, respectively. During the year ended December 31, 2020, \$268.9 million was contributed by the Parent in exchange for settlement of an affiliated loan payable.

2(c). Dividend Restrictions and Statutory Requirements

The Company did not declare or pay dividends during the years ended December 31, 2020 and 2019.

The Bermuda Monetary Authority (BMA) imposes certain minimum capital regulatory requirements on the Company referred to as the Enhanced Capital Requirement (ECR) for Class C insurers. The Company's ECR should be calculated by either (a) the model developed by the BMA, or (b) an internal capital model which the BMA has approved for use for this purpose. The Company currently uses the BMA model in calculating its solvency requirements. The Bermuda risk-based regulatory capital adequacy and solvency margin regime provides a risk-based capital model (termed the Bermuda Solvency Capital Requirement (BSCR)) as a tool to assist the BMA both in measuring risk and in determining appropriate levels of capitalization. The BSCR employs a standard mathematical model that correlates the risk underwritten by Bermuda insurers to the capital that is dedicated to their business. The BMA requires that insurers operate at or above a threshold capital level (termed the Target Capital Level (TCL)), which exceeds the BSCR or approved internal model minimum amounts. Class C insurers, such as the Company, must also ensure that, at all times, its ECR is at least equal to the minimum solvency margin for a Class C insurer. At December 31, 2020 and 2019, the Company's statutory capital and surplus exceeded the Company's minimum solvency margin, ECR and TCL.

The Available Statutory Economic Capital and Surplus, ECR, BSCR Ratio and TCL at December 31, 2020 and 2019 (in thousands of Canadian dollars, except percentages) were as follows:

	2020	2019
Available Statutory Economic Capital and Surplus	1,531,001	1,092,141
ECR	281,462	217,465
BSCR Ratio	544 %	502 %
TCL	337,754	260,958

Partner Reinsurance Life Company of Bermuda Ltd.

Notes to the Condensed Balance Sheet

1. Cash and Cash Equivalents

At December 31, 2020 and 2019, approximately \$2.5 million and \$3.8 million, respectively, of cash and time deposits were deposited or held in trust or escrow accounts to enable an affiliated company and a branch of the Parent to take statutory financial statement credit.

2. Quoted Investments

The following methods and assumptions were used by the Company in estimating the fair value of each class of financial instrument recorded in the Condensed Balance Sheets. There have been no material changes in the Company's valuation techniques during the periods presented.

Bonds and Debentures—Fixed Maturities:

- U.S. government and government sponsored enterprises—consists primarily of bonds issued by the U.S. Treasury, corporate debt securities issued by government sponsored enterprises and federally owned or established corporations and the Federal Home Loan Mortgage Corporation. These securities are generally priced by independent pricing services. The independent pricing services may use actual transaction prices for securities that have been actively traded. For securities that have not been actively traded, each pricing source has its own proprietary method to determine the fair value, which may incorporate option adjusted spreads (OAS), interest rate data and market news. The Company generally classifies these securities in Level 2.
- U.S. states, territories and municipalities—consists primarily of bonds issued by U.S. states, territories and municipalities. These securities are generally priced by independent pricing services using the techniques described for U.S. government and government sponsored enterprises above. The Company generally classifies these securities in Level 2.
- Non-U.S. sovereign government, supranational and government related—consist primarily of bonds issued by the Canadian government and its agencies and Canadian provincial governments. These securities are generally priced by independent pricing services. The independent pricing services may use actual transaction prices for securities that have been actively traded. For securities that have not been actively traded, each pricing source has its own proprietary method to determine the fair value, which may incorporate option adjusted spreads (OAS), interest rate data and market news. The Company generally classifies these securities in Level 2.
- Corporate—consists primarily of bonds issued by Canadian and U.S. corporations covering a variety of industries. These securities are generally priced by independent pricing services and brokers. The pricing provider incorporates information including credit spreads, interest rate data and market news into the valuation of each security. The Company generally classifies these securities in Level 2. When a corporate security is inactively traded or the valuation model uses unobservable inputs, the Company classifies the security in Level 3.
- Residential mortgage-backed securities—consists primarily of private, non-agency issuers and Federal National Mortgage Association. These residential mortgage-backed securities are generally priced by independent pricing services and brokers. When current market trades are not available, the pricing provider or the Company will employ proprietary models with observable inputs including other trade information, prepayment speeds, yield curves and credit spreads. The Company generally classifies these securities in Level 2.

Bonds and Debentures—Short-term Investments:

- Short-term investments are valued in a manner similar to the Company's fixed maturity investments and are generally classified in Level 2.

At December 31, 2020 and 2019, approximately \$1,080.3 million and \$974.0 million, respectively, of quoted bond investments were deposited or held in trust or escrow accounts to enable an affiliated company and a branch of the Parent to take statutory financial statement credit.

Partner Reinsurance Life Company of Bermuda Ltd.

Notes to the Condensed Balance Sheet (continued)

3. Unquoted Investments

None.

4. Investment In and Advances to Affiliates

None.

5. Investments in Mortgage Loans on Real Estate

None.

6. Policy Loans

None.

7. Real Estate

None.

8. Collateral Loans

None.

9. Investment Income Due and Accrued

The fair value of accrued investment income of \$2.2m and \$2.6m at December 31, 2020 and 2019, respectively, approximates its carrying value due to its short-term maturity.

10. Accounts and Premiums Receivable

The Company has \$24.8 million of Accounts and Premiums Receivable at December 31, 2020. These primarily represent premiums receivable from a branch of the Parent and an affiliate (see General Note to the Condensed Financial Statements 2 and Note to the Condensed Balance Sheet 36 below for further details). At December 31, 2019 the Company had \$23.4 million of Accounts and Premiums Receivable that were classified as insurance and reinsurance balances receivable in line 11 of the Condensed Balance Sheet.

11. Reinsurance Balances Receivable

Refer to Note 10 above.

12. Funds Held by Ceding Reinsurers

Funds held of \$nil and \$2.1 million, respectively, at December 31, 2020 and 2019 are associated with one non-affiliated client.

13. Sundry Assets

Sundry assets includes intangible assets of \$92.4 million and \$94.9 million at December 31, 2020 and 2019, respectively (see General Note to the Condensed Financial Statements 4(j) above).

Sundry assets also includes deferred acquisition costs of \$76.9 million (2019: \$56.7 million) and prepaid expenses of \$20 thousand (2019: \$20 thousand).

14. Letters of Credit, Guarantees and Other

None.

16. to 17. General Business Insurance Reserves

Not applicable.

Partner Reinsurance Life Company of Bermuda Ltd.

Notes to the Condensed Balance Sheet (continued)

20. to 27. Long-term Business Insurance Reserves

The long-term business insurance reserves have been established based upon information reported by ceding companies, supplemented by the Company's actuarial estimates of mortality, critical illness, persistency and future investment income, with appropriate provision to reflect uncertainty. Future policy benefit reserves for annuity and universal life contracts are carried at their accumulated values. Reserves for policy claims and benefits include both claims in the process of settlement, and claims that have been incurred but not yet reported.

The policy reserves for traditional long-duration contracts are established based upon accepted actuarial valuation methods which require us to make certain assumptions regarding future claims and policy benefits and includes a provision for adverse deviation. The provision for adverse deviation contemplates reasonable deviations from the best estimate assumptions for the key risk elements relevant to the product being evaluated, including mortality, lapse, expenses, and discount rates. The assumptions are locked in at contract inception and are subject to annual loss recognition testing (LRT). LRT occurs at the product group level, based on the manner of acquiring, servicing and measuring profitability of the reinsurance contracts (see Note 2 to the Condensed Balance Sheet for details of encumbered assets).

28. Insurance and Reinsurance Balances Payable

The Company has \$13.4 million and \$11.6 million of insurance and reinsurance balances payable to affiliates at December 31, 2020 and 2019, respectively.

29. Commissions, Expenses, Fees and Taxes Payable

None.

30. Loans and Notes Payable

None.

31. Income Taxes Payable

None.

32. Amounts due to Affiliates

On April 27, 2017, the Company received a promissory note of \$270.6 million. At December 31, 2020 and 2019, the amount due to PartnerRe Ltd. related to this promissory note was nil and \$268.9 million, respectively. The loan was non-interest bearing and repayable on or before April 28, 2022. Effective December 18, 2020, the promissory note was extinguished in exchange for a capital contribution received by the Company from the Parent in the amount of \$268.9 million.

The Company has other liabilities to affiliates totaling \$17.0 million and \$12.3 million, respectively, at December 31, 2020 and 2019, representing expenses incurred in the normal course of operations. Amounts due to affiliates bear no interest, have no fixed repayment terms and no collateral has been given.

33. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities of \$78 thousand and \$85 thousand as at December 31, 2020 and 2019, respectively, are primarily related accruals for audit and investment management fees.

34. Funds Held Under Reinsurance Contracts

None.

35. Dividends Payable

None.

Partner Reinsurance Life Company of Bermuda Ltd.

Notes to the Condensed Balance Sheet (continued)

36. Sundry Liabilities

Effective July 1, 2014, the Parent entered into an Assumption Reinsurance Agreement with the Canadian Life branch of Partner Reinsurance Europe SE (PartnerRe Europe). Under this agreement, the Canadian Life branch of PartnerRe Europe transferred all assets and liabilities related to its reinsurance business to the Parent's Canadian Life branch. In addition, effective July 1, 2014, under a Business Transfer Agreement, the Canadian Life branch of PartnerRe Europe transferred all other remaining business assets and liabilities to the Parent's Canadian Life branch. The Company assumes a portion of this business, and the related deferred gain, through the 75% quota share with the Parent. Sundry liabilities includes a deferred gain of \$53.2 million and \$57.2 million at December 31, 2020 and 2019, respectively, related to this Assumption Reinsurance Agreement. The deferred gain is being amortized over a period of 20 years from July 1, 2014 to 2034 in line with the expected duration of the liabilities transferred under this agreement.

37. Letters of credit, guarantees and other instruments

None.

Partner Reinsurance Life Company of Bermuda Ltd.

Notes to the Condensed Statement of Income

6. Other Insurance Income - General Business

Not applicable.

15. Other Insurance Income - Long-term Business

Other insurance income includes fee income on deposit accounted contracts of \$4.4 million (2019: \$4.6 million).

32. Combined Other Income (Deductions)

Combined other income (deductions) includes amortization expenses of \$2.1 million (2019: \$2.4 million) and foreign exchange gains of \$4.6m in 2019. In 2020, foreign exchange gains were presented in line 36 (see note below).

36. Combined Realized Gains (Losses)

The components of the net realized and unrealized investment gains (losses) for the years ended December 31, 2020 and 2019 were as follows (in thousands of Canadian dollars):

	2020	2019
Net realized investment gains on fixed maturities	\$ 8,947	\$ 70,966
Change in net unrealized investment gains (losses) on fixed maturities	71,974	(24,247)
Net foreign exchange gains	2,660	—
Total net realized and unrealized investment gains	\$ 83,581	\$ 46,719