

Boston Re Ltd.
Financial Statements
December 31, 2020 and 2019
(With Independent Auditor's Report Thereon)

Boston Re Ltd.
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April 30, 2021

Report of Independent Auditors

To the Board of Directors and Shareholder

We have audited the accompanying financial statements of Boston Re Ltd., which comprise the balance sheet as of December 31, 2020, and the related statements of operations, changes in shareholder's equity and cash flows and the related notes for the year then ended.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 from 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 our 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, we consider internal control relevant to the Company'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 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 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 Boston Re Ltd. as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matter

The financial statements of the Company as of December 31, 2019 and for the year then ended were audited by other auditors whose report, dated April 22, 2020, expressed an unmodified opinion on those statements.

A handwritten signature in black ink that reads "PricewaterhouseCoopers Ltd." The signature is written in a cursive, flowing style.

Chartered Professional Accountants

Boston Re Ltd.
Balance Sheets
As at December 31, 2020 and 2019
(in thousands of U.S. Dollars, except share and per share data)

	2020	2019
ASSETS		
Cash and cash equivalents.....	167,294	102,275
Financial assets measured using the fair value option.....	484,227	239,456
Other assets.....	254,590	39,028
Total assets.....	<u>906,111</u>	<u>380,759</u>

LIABILITIES & SHAREHOLDER'S EQUITY

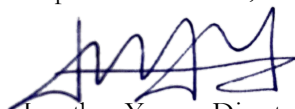
Financial liabilities measured using the fair value option.....	483,623	238,547
Short-term borrowing from affiliate.....	126,376	64,702
Other liabilities.....	217,295	1,790
Total liabilities.....	<u>827,294</u>	<u>305,039</u>

Shareholder's Equity:

Voting common stock (\$1.00 par value; 2,000,000 shares authorized, issued and outstanding).....	2,000	2,000
Accumulated retained earnings.....	76,817	73,720
Total shareholder's equity.....	<u>78,817</u>	<u>75,720</u>
Total liabilities and shareholder's equity.....	<u>906,111</u>	<u>380,759</u>



Stephen Arrowsmith, Director



Jonathan Young, Director

See accompanying notes to financial statements.

Boston Re Ltd.
Statements of Operations
For the years ended December 31, 2020 and 2019
(in thousands of U.S. Dollars)

	2020	2019
Revenues:		
Fair value changes associated with financial assets and liabilities measured using the fair value option - net.....	3,227	3,643
Insurance premiums earned	-	912
Commission income.....	3,253	3,608
Interest income.....	120	1,082
Other revenue.....	<u>1,346</u>	<u>1,187</u>
Total revenues.....	<u>7,946</u>	<u>10,432</u>
Expenses:		
Net loss and loss adjustment expenses.....	-	(444)
Commission expenses.....	3,253	3,608
Operating expenses.....	<u>1,596</u>	<u>1,414</u>
Total expenses.....	<u>4,849</u>	<u>4,578</u>
Net income.....	<u>3,097</u>	<u>5,854</u>

See accompanying notes to financial statements.

Boston Re Ltd.
Statements of Changes in Shareholder's Equity
For the years ended December 31, 2020 and 2019
(in thousands of U.S. Dollars)

	<u>Voting Common Stock</u>	<u>Retained Earnings</u>	<u>Total Shareholder's Equity</u>
Balances as of December 31, 2018.....	2,000	67,866	69,866
Net income	-	5,854	5,854
Balances as of December 31, 2019.....	<u>2,000</u>	<u>73,720</u>	<u>75,720</u>
Balances as of December 31, 2019.....	2,000	73,720	75,720
Net income	-	3,097	3,097
Balances as of December 31, 2020.....	<u>2,000</u>	<u>76,817</u>	<u>78,817</u>

See accompanying notes to financial statements.

Boston Re Ltd.
Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(in thousands of U.S. Dollars)

	2020	2019
Cash flows from operating activities:		
Net income.....	3,097	5,854
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in operating assets and operating liabilities:		
Financial assets and liabilities measured using the fair value option, net.....	304	18
Reserve for loss and loss adjustment expenses.....	-	(444)
Other assets and other liabilities, net.....	(55)	(39,439)
Net cash (used by) / provided by operating activities.....	3,346	(34,011)
Cash flows from investing activities:		
Short-term borrowing from affiliate.....	61,674	23,609
Net cash (used by) / provided by investing activities.....	61,674	23,609
Net increase / (decrease) in cash and cash equivalents.....	65,020	(10,402)
Cash and cash equivalents as of the beginning of year.....	102,275	112,677
Cash and cash equivalents as of the end of year.....	167,294	102,275

See accompanying notes to financial statements.

Boston Re Ltd.
Notes to the Financial Statements
December 31, 2020 and 2019

1. Organization and Background

Boston Re Ltd. (the “Company”) was incorporated under the laws of Bermuda on April 18, 2000 and is licensed as a Class 3 insurer under the Insurance Act 1978 of Bermuda and related regulations and amendments thereto. The Company is a wholly owned subsidiary of Credit Suisse AG, which is incorporated under the laws of Switzerland. Effective January 24, 2005, the Company was registered as a Long-Term Insurer and, on October 12, 2011, in accordance with the Insurance Amendment (No. 3) Act 2010, was re-registered as a Class C Insurer. Effective June 12, 2015 the Company registered as a Segregated Accounts Company pursuant to Section 6 of the Segregated Accounts Companies Act 2000. As at December 31, 2020 and December 31, 2019, the Company has not created any separate accounts or conducted any business in segregated accounts. All existing contracts remain in the general account.

The following explains the insurance programs active in the Company for the years ended December 31, 2020 and 2019.

(a) Long-term insurance business (Class C license)

There are two active long-term insurance business programs for the years ended December 31, 2020 and 2019.

VA Program: During 2015, the Company entered into reinsurance agreements with a third party life insurance company covering guaranteed minimum death benefits (“GMDB”) embedded within variable annuity products and also longevity risk on surplus relief financing in the form of ceding commissions provided with the same policies. Under the surplus relief aspect of the program, the Company pays commissions to cover the life insurer’s policy acquisition costs. The cash flows received from the life insurance company are a function of policyholder behavior and therefore a function of the value and composition of the underlying policyholders portfolios over time. The Company also entered into derivative contracts with an affiliated company associated with the same policies. For the surplus relief financing part of the program, the affiliate provides financing to the Company which is in turn provided to the third party insurance company. The underlying policies have five and ten year tenors. Similar contracts covering a second tranche of similar products and risks were entered into in 2016. The Company has elected to use the fair value option to account for assets and liabilities resulting from the contracts executed in connection with the program. Fair value changes in both the assets and the liabilities are reflected in the statement of income. The Company has purchased reinsurance coverage from unaffiliated reinsurers to transfer 100% of this exposure. As at December 31, 2020, the total notional amount of the life insurance premiums invested in the products was \$4.1 billion (2019: \$4.1 billion).

EA Program: During 2020, the Company entered into reinsurance agreements with a third party life insurance company covering an in-force block of fixed annuities with embedded guaranteed minimum death benefits. The Company has entered into derivative contracts with an affiliated company to fully hedge the market risks assumed in this reinsurance program. The Company has also purchased reinsurance coverage from an unaffiliated reinsurer to transfer 100% of the risk assumed on the GMDB coverage. Similar to the VA Program, the Company considers that it has not assumed significant insurance risk and accordingly the assets and liabilities reflect the net position with each counterparty under the agreements. The underlying policies have five year tenors and will expire in 2024. The Company has elected to use the fair value option to account for assets and liabilities resulting from the contracts executed in connection with the program. Fair value changes in both the assets and the liabilities are reflected in the statement of income. The notional value of the portfolio is approximately \$1.9 billion.

Boston Re Ltd.
Notes to the Financial Statements
December 31, 2020 and 2019

1. Organization and Background (Continued)

(b) General insurance business (Class 3 license)

DIC Program: During 2008, the Company entered into a ten-year contract with an affiliated company in which it assumes the risk of loss arising from a difference in conditions between two credit default swaps (“CDSs”). The program was subsequently extended until 2024, however the program was cancelled on April 1, 2019 with no gain or loss to the Company. Therefore, as at December 31, 2020, the Company has notional exposure of \$0 billion (2019: \$0 billion). For this program, the Company records inwards insurance premium and associated loss and loss adjustment expenses within the statement of operations, and a reserve for loss and loss adjustments expenses in the balance sheet. There were no notified or paid losses on this program.

2. Significant Accounting Policies

Basis of financial information. The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). To prepare the financial statements in accordance with U.S. GAAP, management is required to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the statement of financial position and the reported amounts of revenues and expenses during the reporting period. While management evaluates its estimates and assumptions on an ongoing basis, actual results could differ materially from management’s estimates. Market conditions may increase the risk and complexity of the judgments applied in these estimates.

Cash and cash equivalents. Cash and cash equivalents include all demand deposits held in banks, including demand deposits held at affiliate branches, and certain highly liquid investments with original maturities of 90 days or less. The carrying value of cash and cash equivalents approximates fair value.

Fair value measurement and option. The fair value measurement guidance establishes a single authoritative definition of fair value and sets out a framework for measuring fair value. The fair value option creates an alternative measurement treatment for certain financial assets and financial liabilities. The fair value option can be elected at initial acquisition of the eligible item or at the date when the Company enters into an agreement which gives rise to an eligible item (e.g., a firm commitment). If not elected at initial recognition, the fair value option can be applied to an item upon certain triggering events that give rise to a new basis of accounting for that item. The application of the fair value option to a financial asset or a financial liability does not change its classification on the face of the balance sheet and the election is irrevocable. Changes in fair value resulting from the election are recorded in income associated with financial assets and liabilities measured using the fair value option-net. The Company has elected the fair value option for assets and liabilities resulting from the execution of certain contracts. See Note 3 for more information.

Commission income and commission expense. Commission income and expense derive from the VA program and are recorded on the accruals basis. Commission income receivable and commission expense payable are from and to entities related through common control.

Interest income. Interest income includes interest income the Company’s demand deposits held at banks and income on collateral deposits placed with entities related through common control. Interest income is recorded on the accruals basis.

Translation of foreign currencies. Foreign currency assets and liabilities considered monetary items are translated at exchange rates in effect at the balance sheet date. Foreign currency revenues and expenses are

Boston Re Ltd.
Notes to the Financial Statements
December 31, 2020 and 2019

2. Significant Accounting Policies (Continued)

translated at the transaction date exchange rates. Exchange gains and losses are included in the determination of net income.

RECENTLY ADOPTED ACCOUNTING STANDARDS

ASC Topic 326 – Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU 2016-13, “Measurement of Credit Losses on Financial Instruments” (ASU 2016-13), creating ASC Topic 326 – Financial Instruments – Credit Losses. ASU 2016-13 is intended to improve financial reporting by requiring timelier recording of credit losses on financial assets measured at amortized cost basis including, but not limited to loans, net investments in leases and off-balance sheet credit exposures. ASU 2016-13 eliminates the probable initial recognition threshold under the current incurred loss methodology for recognizing credit losses. Instead, ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date over the remaining contractual life (considering the effect of prepayments) based on historical experience, current conditions and reasonable and supportable forecasts. The Company has incorporated forward-looking information and macroeconomic factors into its credit loss estimates. ASU 2016-13 requires enhanced disclosures to help investors and other financial statement users to better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization’s portfolio.

In May 2019, the FASB issued ASU 2019-05, “Financial Instruments – Credit Losses” (ASC 2019-05), to provide targeted transition relief upon the adoption of ASU 2016-13. The amendment provided the option to irrevocably elect the fair value option on certain financial assets on transition.

The adoption of this standard did not have a material effect on the Company’s financial position, results of operations or cashflows.

Boston Re Ltd.
Notes to the Financial Statements
December 31, 2020 and 2019

3. Fair Value Measurement

Fair Value of Financial Instruments

FASB ASC 825, *Disclosures About Fair Value of Financial Instruments* requires all entities to disclose the fair value of their financial instruments, both assets and liabilities, for which it is practicable to estimate a fair value.

The Company holds financial instruments for which no prices are available, and/or which have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and judgment depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgments about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include balances for financial assets and financial liabilities measured using the fair value option reported in the balance sheets. For the years ended December 31, 2020 and December 31, 2019, financial assets and financial liabilities measured using the fair value option consist of balances derived from the Company's VA and FA programs described in Note 1.

The fair value of financial assets and liabilities is impacted by factors such as benchmark interest rates, prices of financial instruments issued by third parties, commodity prices and index prices or rates, as well as unobservable inputs described below in the qualitative disclosures of fair values. Counterparty credit risk assessments are also considered when measuring the fair value of assets and the impact of changes in the Company's own credit risk profile is considered when measuring the fair value of its liabilities. The adjustments also take into account contractual factors designed to reduce the Company's credit exposure to a counterparty, such as collateral held and master netting agreements.

Boston Re Ltd.
Notes to the Financial Statements
December 31, 2020 and 2019

3. Fair Value Measurement (Continued)

Fair Value Hierarchy

The levels of the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is publicly available; (c) inputs other than quoted prices that are observable for the asset or liability or (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs that are unobservable for the asset or liability. These inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which include the Company's own data. The Company's own data used to develop unobservable inputs are adjusted if information indicates that market participants would use different assumptions.

Quantitative Disclosures of Fair Values

The following is a tabular presentation of fair value of assets and liabilities for instruments measured at fair value on a recurring basis.

Boston Re Ltd.
Notes to the Financial Statements
December 31, 2020 and 2019

3. Fair Value Measurement (Continued)

Assets and liabilities measured at fair value on a recurring basis:

	(In thousands of U.S. Dollars)			Total at fair
	Level 1	Level 2	Level 3	value
December 31, 2020				
Assets				
Financial assets measured using the fair value option.....	-	-	484,227	484,227
Total assets at fair value.....	-	-	484,227	484,227
December 31, 2020				
Liabilities				
Financial liabilities measured using the fair value option.....	-	-	483,623	483,623
Total liabilities at fair value.....	-	-	483,623	483,623
December 31, 2019				
Assets				
Financial assets measured using the fair value option.....	-	-	239,456	239,456
Total assets at fair value.....	-	-	239,456	239,456
December 31, 2019				
Liabilities				
Financial liabilities measured using the fair value option.....	-	-	238,547	238,547
Total liabilities at fair value.....	-	-	238,547	238,547

Boston Re Ltd.
Notes to the Financial Statements
December 31, 2020 and 2019

3. Fair Value Measurement (Continued)

The following table presents a reconciliation of the beginning and ending balances for financial assets and liabilities measured at fair value on a recurring basis using level 3 inputs during the years ended December 31, 2020 and December 31, 2019.

	(In thousands of U.S. Dollars)			
	Balance as of January 1, 2020	Purchase, Issuances and Settlements	Gains recorded in net income	Balance at December 31, 2020
Assets				
Financial assets measured using the fair value option.....	239,456	241,544	3,227	484,227
Total assets	<u>239,456</u>	<u>241,544</u>	<u>3,227</u>	<u>484,227</u>
Liabilities				
Financial liabilities measured using the fair value option.....	238,547	245,076	-	483,623
Total liabilities	<u>238,547</u>	<u>245,076</u>	<u>-</u>	<u>483,623</u>
	Balance as of January 1, 2019	Purchase, Issuances and Settlements	Gains recorded in net income	Balance at December 31, 2019
Assets				
Financial assets measured using the fair value option.....	259,818	(24,005)	3,643	239,456
Total assets	<u>259,818</u>	<u>(24,005)</u>	<u>3,643</u>	<u>239,456</u>
Liabilities				
Financial liabilities measured using the fair value option.....	258,891	(20,343)	-	238,547
Total liabilities	<u>258,891</u>	<u>(20,343)</u>	<u>-</u>	<u>238,547</u>

Boston Re Ltd.
Notes to the Financial Statements
December 31, 2020 and 2019

3. Fair Value Measurement (Continued)

Qualitative Disclosures of Valuation Techniques

The significant balances which have been determined using level 3 inputs are attributable to the VA and FA programs.

Fair values are determined on the basis of internally developed proprietary models which use various observable and unobservable inputs in order to determine fair value. The most significant unobservable inputs include the estimates of mortality, policyholder surrender, and index volatility.

Mortality estimates are obtained by multiplying a base mortality curve for the general insured population provided by a professional actuarial organization together with an individual-specific multiplier. Individual-specific multipliers are determined based on age and gender data from third-party data providers. The base mortality assumptions are derived from the Japanese 2007 FSA mortality tables. Increases in mortality rates have the effect of decreasing the Company's fair value assets and liabilities.

Policyholder surrender estimates are obtained by taking experience adjusted average market surrender rates and adjusting for assumptions regarding the risk appetite of the Company and market factors. Changes in estimates of surrender values can have the effect of increasing or decreasing the fair values of assets and liabilities depending on prevailing market conditions.

Index volatility estimates come from index construction rules (target volatility). The construction rules are mainly derived from back testing the index rates. Increases in index volatility have the effect of decreasing the Company's fair value assets and liabilities.

For all other financial instruments, the carrying value approximates fair value due to the relatively short period of time between their origination and expected realization, as well as the minimal credit risk inherent in these instruments.

Boston Re Ltd.
Notes to the Financial Statements
December 31, 2020 and 2019

4. Related party balances and transactions

In the ordinary course of business, the Company enters into operating transactions with entities related through common control. The following tables set forth the Company's related party assets, liabilities, revenues and expenses which result from related party transactions as at and for the years ended December 31, 2020 and 2019:

	(in thousands of U.S. Dollars)		
	VA & FA Programs	Other	Total
As of December 31, 2020			
ASSETS			
Financial assets measured using the fair value option.....	276,616	-	276,616
Other assets.....	223	520	744
Total assets.....	<u>276,839</u>	<u>520</u>	<u>277,359</u>
LIABILITIES			
Financial liabilities measured using the fair value option.....	206,683	-	206,683
Loan from affiliate.....	126,376	-	126,376
Other liabilities.....	216,973	38	217,012
Total liabilities.....	<u>550,032</u>	<u>38</u>	<u>550,071</u>
For the year-ended December 31, 2020			
REVENUES			
Fair value changes associated with financial assets and liabilities measured using the fair value option - net.....	3,227	-	3,227
Commission income.....	3,252	-	3,252
Other revenue.....	-	1,346	1,346
Total revenues.....	<u>6,479</u>	<u>1,346</u>	<u>7,825</u>
EXPENSES			
Commission expenses.....	3,253	-	3,253
Operating expenses.....	42	75	42
Total expenses.....	<u>3,295</u>	<u>75</u>	<u>3,295</u>

Boston Re Ltd.
Notes to the Financial Statements
December 31, 2020 and 2019

4. Related party balances and transactions (Continued)

	(in thousands of U.S. Dollars)			
	DIC Program	VA Program	Other	Total
As of December 31, 2019				
ASSETS				
Other assets.....	-	38,641	379	39,020
Total assets.....	-	38,641	379	39,020
LIABILITIES				
Financial liabilities measured using the fair value option.....	-	238,547	-	238,547
Other liabilities.....	1	1,445	158	1,605
Total liabilities.....	1	239,992	158	240,152
For the year-ended December 31, 2019				
REVENUES				
Fair value changes associated with financial assets and liabilities measured using the fair value option - net.....	-	3,643	-	3,643
Insurance premiums earned	912	-	-	912
Commission income.....	-	3,608	-	3,608
Other revenue.....	-	-	1,187	1,187
Total revenues.....	912	7,251	1,187	9,350
EXPENSES				
Net loss and loss adjustment expenses.....	(444)	-	-	(444)
Commission expenses.....	-	3,608	-	3,608
Operating expenses.....	138	(180)	75	33
Total expenses.....	(306)	3,429	75	3,198

Boston Re Ltd.
Notes to the Financial Statements
December 31, 2020 and 2019

4. Related party balances and transactions (Continued)

The following contribute to assets, liabilities, expenses and revenues in the above tables:

DIC Program: The tables above show the following balances, all with affiliate Credit Suisse International Ltd. (“CSI”): insurance premiums earned, the reserve for net loss and loss adjustment expenses, incurred net loss and loss adjustment expenses, and other assets and liabilities. Other assets comprises accrued insurance premiums receivable. Other liabilities includes collateral balances received and repayable to the payer, and accrued interest payable on the collateral received.

VA & FA Programs: The tables above show the following balances with affiliate Credit Suisse Singapore: financial assets and liabilities measured using the fair value option, fair values changes associated with reinsurance contracts, commission income, and other assets and liabilities. Other assets includes commissions receivable, collateral balances paid by and repayable to the Company and accrued interest receivable on the collateral paid.

The balances for commission expenses and commissions payable (within other liabilities) are with affiliate Credit Suisse Japan Ltd and Credit Suisse Hong Kong.

The balance for loan with affiliate is with affiliate Credit Suisse AG (Cayman Branch). The purpose of this loan is to fund collateral payments made on the annuity programs. Other expenses includes interest and fees for treasury services in connection with the annuity trades.

Other: Other assets and other revenues consist of income from insurance services provided by the Company to affiliate CSI and affiliate Boston Insurance SAC Ltd. Other liabilities and other expenses consist of expenses payable to affiliate Credit Suisse Singapore in respect of administration services performed for the Company.

5. Other Assets

Other assets consist of the following:

	December 31,	
	2020	2019
	(in thousands of U.S. Dollars)	
OTHER ASSETS		
(i) In respect of insurance services provided to affiliates.....	547	436
(ii) Insurance receivable - commissions on VA program from affiliate CS Singapore.....	184	1,445
(iii) Collateral paid to affiliate CS Singapore in respect of VA program.....	-	37,122
(iv) Collateral paid to life insurer in respect of FA program	253,842	-
(v) Other receivables.....	16	25
Total other assets.....	254,590	39,028

Balances (i) to (iii) are with affiliates and are described in in the Related Party Transaction note. Item (iv) is cash collateral paid to life insurer in connection with the FA program. Item (v) mainly comprises accrued interest receivable.

Boston Re Ltd.
Notes to the Financial Statements
December 31, 2020 and 2019

6. Other Liabilities

Other liabilities consist of the following:

	December 31,	
	2020	2019
	(in thousands of U.S. Dollars)	
OTHER LIABILITIES		
(i) Commission income payable to Credit Suisse Japan Ltd. and Credit Suisse Hong Kong....	119	1,445
(ii) Administrative Fees payable to Credit Suisse Singapore.....	38	72
(iii) Collateral received from affiliate CS Singapore in respect of VA & FA programs	216,777	-
(iv) Other payables.....	361	273
Total other liabilities.....	217,295	1,790

Balances (i) to (iii) are with affiliates and are described in the Related Party Transactions note. Item (iv) other payables consists of current liabilities and accruals of a general and administrative nature, as well as accrued interest payable on the collateral deposits received (above item (iii)).

Boston Re Ltd.
Notes to the Financial Statements
December 31, 2020 and 2019

7. Reserve for Loss and Loss Adjustment Expenses

The Company's reserve for loss and loss adjustment expenses ("LAE") relates to the DIC program and comprises:

	December 31,	
	2020	2019
	(in thousands of U.S. Dollars)	
Reserve for reported losses and LAE.....	-	-
Reserve for losses incurred but not reported.....	-	-
Reserve for loss and loss adjustment expenses.....	-	-

The following table shows a reconciliation of beginning and ending reserve for loss and loss adjustment expenses:

	December 31,	
	2020	2019
	(in thousands of U.S. Dollars)	
Reserve for loss and loss adjustment expenses, January 1.....		444
Incurred losses relating to:		
Current year.....		(444)
Prior years.....	-	-
Total incurred losses for year.....	-	(444)
Paid losses relating to:		
Current year.....	-	-
Prior years.....	-	-
Total paid losses for year.....	-	-
Reserve for loss and loss adjustment expenses, December 31.....	-	-

The loss reserve for the DIC program is based on the net present value of expected cash flows, which is booked as the loss reserve. Using this methodology to establish loss reserves is consistent with the valuation of credit default swaps under U.S. GAAP.

The reserve consists of (i) the incurred but not reported reserve ("IBNR") and (ii) reported losses (case basis loss and loss expense reserves).

(i) The Company has developed an IBNR reserve based upon estimates of the expected annual levels of debt service default resulting from credit failures on currently insured programs that are not presently or imminently in default.

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7. Reserve for Loss and Loss Adjustment Expenses (Continued)

(ii) Case basis loss reserves are established for losses on guaranteed obligations that have already defaulted in an amount that is sufficient to cover the present value of the anticipated defaulted debt service payments over the expected period of the default less estimated recoveries under subrogate rights. The company has no case reserves as there are no notified or paid losses on this program.

Management believes, based on its estimates and reviews by independent actuaries, that the provisions for outstanding losses and loss expenses will be adequate to cover the ultimate net cost of losses incurred to the balance sheet date but the provision is necessarily an estimate and may ultimately be settled for a significantly greater or lesser amount. It is at least reasonably possible that management will revise the estimates of the reserves significantly in the near term. Any differences arising are recorded in the period in which they are determined.

8. Concentrations of Credit Risks and Revenues

Concentrations of Credit Risk: Credit risk is the potential for loss resulting from the default by a counterparty of its obligations. Exposure to credit risk is generated by securities and currency settlements and contracting customers and other parties. The Company and its affiliates use various means to manage credit risk. The creditworthiness of all counterparties is analyzed at the outset of a credit relationship with the Company and its affiliates. These counterparties are subsequently reviewed on a periodic basis. The Company and its affiliates set a maximum exposure limit for each counterparty, as well as for groups of counterparties. Furthermore, the Company demands collateral from certain counterparties or for certain types of credit transactions.

Exposure to credit risk with third parties and affiliates is also managed through collateralisation of exposures on the insurance programs:

For the VA Program the third party insurer pledges collateral to the Company with a market value approximating the program fair value as defined in the agreements, and this balance is in turn pledged by the Company in favour of its affiliate.

For the FA program, the Company's affiliate pledges collateral to the Company with a market value approximating the program fair value as defined in the agreements, and this balance is in turn pledged by the Company in favour of the third party insurer.

The Company has also deposited cash collateral to its affiliate (see note 4). The Company and its affiliate have also bilaterally pledged non-cash collateral provided by affiliate Credit Suisse AG. The Company believes all balances are fully collectible.

On both the VA and FA programs, the Company's credit exposure to the affiliate and to the third party insurer are mitigated by the presence of collateral, as fair value exposures to and from counterparties are significantly offset by collateral balances resulting in minimal net balances per counterparty.

Concentrations of Revenue: All revenues are earned through affiliate CSi and Credit Suisse (Singapore Branch).

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9. Regulatory Capital Requirements

The Company is registered as a Class 3 insurer and a Class C insurer under the Insurance Act 1978 (Bermuda), amendments thereto and related regulations (the “Insurance Act”) and is required to prepare and file Statutory Financial Statements and a Statutory Financial Return with the Bermuda Monetary Authority (“BMA”). For Bermuda registered insurance companies there are some differences between financial statements prepared in accordance with U.S. GAAP and those prepared on a statutory basis. Certain assets are non-admitted under Bermuda regulations and excluded from the Statutory Balance Sheet.

General insurance business license: The Company’s Class 3 license is for general insurance business. The DIC program is written under this license. The general business statutory capital and surplus at December 31, 2020 was \$54.0 million (2019: \$54.0 million). The Company is required to hold a minimum liquidity ratio. All requirements were met throughout both periods.

Long-term insurance business license: The Company’s Class C license is for long term insurance business. The VA and FA Programs are written under the Company’s Class C license. The long-term business statutory capital and surplus at December 31, 2020 was \$24.8 million (2019: \$21.7 million).

Under the Bermuda Insurance (Prudential Standards) Rules, the Company is required to maintain a minimum margin of solvency for conducting its long-term business. The minimum margin of solvency is defined as a prescribed amount by which the value of the long-term assets of an insurer (defined as long-term statutory capital and surplus) must exceed its long-term business liabilities, and is the greater of a minimum defined amount or a percentage of assets. The minimum margin of solvency requirement was met throughout both periods.

Under the Bermuda Insurance Act, the Company is also required to maintain capital and surplus in excess of the “Enhanced Capital Requirement” level, which is determined using a risk-based capital model. The Company met the minimum requirements.

To enable the Bermuda Monetary Authority to assess the quality of the insurer’s capital resources, an insurer is required to disclose the composition of its capital in accordance with a three-tiered capital system in which the highest quality capital is defined as Tier 1, with lesser quality capital classified as Tier 2 or 3. All of the Company’s capital throughout both periods is Tier 1 capital.

10. Income Taxes

Under current Bermuda law, the Company has received an undertaking from the Bermuda government exempting the Company from all local income, withholding and capital taxes until March 31, 2035. At the present time, no such taxes are levied in Bermuda. The Company believes that it operates in such a manner that it will not be considered to be engaged in a trade or business in any tax jurisdiction outside Bermuda. Accordingly, the Company has not recorded any provision for taxation.

11. Shareholder’s Equity

The Company’s authorized, issued, and outstanding share capital is 2,000,000 common shares with a par value of \$1 per share. All shares are held by the Company’s parent, Credit Suisse AG.

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12. Covid-19

Since 31 December 2019 many countries have experienced an outbreak of the COVID-19 virus and on 11 March 2020, the World Health Organization declared the disease to be a global pandemic. The long-term impact of this pandemic is unclear at this time. From May 2019, the Company only writes Annuity type reinsurance business which is not expected to be adversely impacted by the pandemic. The Company's management is monitoring the developments closely.

Areas within the financial statements that have a potential to be impacted include valuation of the Company's financial assets and liabilities measured using the fair value option. Fair value changes can also impact regulatory capital requirements and in turn the Company's solvency position. As of the time of financial statement issuance, there has been no material impact on the Company's financial statements. Long-term impacts cannot be reasonably estimated at this time but could potentially be significant to the Company.

13. Subsequent Events

The Company has evaluated the potential for subsequent events from December 31, 2020 through the date of issuance of the financial statements on April 30, 2021.