Arrow Reinsurance Company, Limited
(Incorporated in Bermuda)

Financial Statements
December 31, 2020 and 2019

CONFIDENTIAL

April 29, 2021

Report of Independent Auditors

To the Board of Directors and Shareholder of Arrow Reinsurance Company, Limited

We have audited the accompanying financial statements of Arrow Reinsurance Company, Limited, which comprise the statement of financial condition as of December 31, 2020 and December 31, 2019, and the related statements of operations, changes in shareholder's equity and cash flows for the years 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 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arrow Reinsurance Company, Limited as of December 31, 2020 and December 31, 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

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Statements of Financial Condition

		As of December 31	
U.S. $ in thousands	**Notes**	**2020**	2019
Assets			
Cash	3	**59,952**	27,904
Derivative instruments,	6	**14,342**	23,286
Reinsurance contracts (at fair value)	5	**4,419**	-
Receivables from customers	4	**191,704**	84,906
Receivables from affiliates	9	**4**	9
Loan receivable from parent	9	**207,423**	229,572
Accrued interest	9	**1,553**	8,629
Deferred tax asset	10	**769**	631
Other assets		**-**	6
Total assets		**480,166**	374,943
Liabilities and shareholder's equity			
Reinsurance contracts (at fair value)	5	**266,379**	148,901
Payables to affiliates	9	**289**	1,239
Accrued expenses and accounts payable		**388**	537
Federal income tax payable	10	**2,356**	1,725
Secured financings (long-term) (at fair value)	5	**14,039**	27,661
Total liabilities		**283,451**	180,063
Shareholder's equity			
Common stock; (par value $1.00 per share; 370,000 shares authorized, issued and outstanding)*	11	**370**	370
Additional paid-in capital	11	**132,580**	132,580
Retained earnings		**63,765**	61,930
Total shareholder's equity		**196,715**	194,880
Total liabilities and shareholder's equity		**$ 480,166**	$ 374,943

* On March 04 2019, Group Inc. transferred its interest in the Company to Goldman Sachs Non-US Americas Holdings LLC.

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

Statements of Operations

U.S. $ in thousands	**Notes**	Year Ended December **2020**	2019
Revenues			
Change in fair value of reinsurance contracts and derivatives		**(1,949)**	2,172
Change in fair value of secured financings		**11**	(2,273)
Net investment income	8	**4,777**	7,680
Net currency translation gain/(loss)		**(78)**	(11)
Total net revenues		**2,761**	7,568
Operating expenses			
General operating expenses		**432**	562
Total operating expenses		**432**	562
Pre-tax earnings		**2,329**	7,006
Provision for taxes	10	**494**	1,468
Net earnings		**1,835**	5,538

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

ARROW REINSURANCE COMPANY, LIMITED

Statements of Changes in Shareholder’s Equity

	Year Ended December	
U.S. $ in thousands	**2020**	2019
Common stock		
Beginning balance	**370**	370
Ending balance	**370**	370
Additional paid-in capital		
Beginning balance	**132,580**	132,580
Ending balance	**132,580**	132,580
Retained earnings		
Beginning balance	**61,930**	56,392
Net earnings	**1,835**	5,538
Ending balance	**63,765**	61,930
Total shareholder’s equity	**196,715**	194,880

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

ARROW REINSURANCE COMPANY, LIMITED

Statements of Cash Flows

U.S. $ in thousands	Year Ended December **2020**	2019
Cash flows from operating activities		
Net earnings	**1,835**	5,538
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Deferred income taxes	**(138)**	(50)
Foreign currency translations	**(3,623)**	(69)
Changes in operating assets and liabilities:		
Accrued interest	**7,076**	(7,441)
Derivative instruments	**8,944**	80,558
Reinsurance contracts, net	**113,059**	17,888
Receivables and payables, net	**(107,743)**	(32,819)
Accrued expenses and accounts payable	**(149)**	140
Federal income taxes payable	**631**	462
Other assets	**6**	(6)
Secured financings	**(13,622)**	2,273
Net cash provided by operating activities	**6,276**	66,474
Cash flows from/(used for) investing activities		
Loan receivable from parent	**25,772**	(66,186)
Net cash used for investing activities	**25,772**	(66,186)
Net increase/(decrease) in cash	**32,048**	288
Cash, beginning balance	**27,904**	27,616
Cash, ending balance	**59,952**	27,904

Supplemental Disclosures:

Cash receipts from interest was $ 11.69 million in 2020. There was no cash receipts from interest in 2019.

Cash payments for income taxes was $ 1.06 million for 2020. There was no cash income tax payments in 2019.

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements

Note 1.
Description of Business

Arrow Reinsurance Company, Limited (the Company) is a wholly-owned subsidiary of Goldman Sachs Non-US Americas Holdings LLC and is ultimately held by The Goldman Sachs Group, Inc. (Group Inc.), a bank holding company under the U.S. Bank Holding Company Act of 1956 (BHC Act), a financial holding company under the amendments to the BHC Act effected by the U.S. Gramm Leach Bliley Act of 1999, and is subject to supervision and examination by the Federal Reserve Board. The Company was incorporated on November 28, 1997 in Bermuda and was registered as a Class 3A and Class C insurer under The Insurance Act 1978, with amendments thereto and related regulations (the Insurance Act) on July 30, 2008. The Company acts as a reinsurer, bringing new capacity to the reinsurance market by allowing for the transfer of risk to the capital markets through swaps and options (collectively, derivative contracts). In this capacity, the Company will enter into agreements with third parties and/or affiliates.

On December 23, 1997, the Bermuda Parliament passed The Arrow Reinsurance Company, Limited Act, 1997 (the Arrow Re Act), which, among other things, permits the Company to designate the treatment of a risk contract as either an Event-Linked Financial Instrument or a Policy for the purposes of Bermuda statutory reporting.

Note 2.
Basis of Presentation

These financial statements are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

All references to 2020 and 2019 refer to the Company's years ended, or the dates, as the context requires, December 31, 2020 and December 31, 2019. Certain reclassifications have been made to previously reported amounts to conform to the current presentation.

Note 3.
Significant Accounting Policies

Use of Estimates
Preparation of these financial statements requires management to make certain estimates and assumptions, most important of which relate to fair value measurements. These estimates and assumptions are based on the best available information but actual results could be materially different.

Revenue Recognition
Financial Assets and Financial Liabilities at Fair Value. In the normal course of business, the Company enters into derivative contracts as economic hedges for risk assumed via reinsurance contacts. The Company accounts for its financial instruments at fair value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 – Fair Value Measurements and Disclosure. The fair value of a financial instrument is the amount that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Offsetting Assets and Liabilities
To reduce credit exposures on derivatives, the Company may enter into master netting agreements or similar arrangements (collectively, netting agreements) with counterparties that permit it to offset receivables and payables with such counterparties. A netting agreement is a contract with a counterparty that permits net settlement of multiple transactions with that counterparty, including upon the exercise of termination rights by a non-defaulting party. Upon exercise of such termination rights, all transactions governed by the netting agreement are terminated and a net settlement amount is calculated. In order to assess enforceability of the Company's right of setoff under netting agreements, the Company evaluates various factors including applicable bankruptcy laws, local statutes and regulatory provisions in the jurisdiction of the parties to the agreement.

To better reflect the credit risk related to the derivatives and to reduce operational complexity, for the period ended 31 December 2020, the entity has changed its accounting policy with regard to offsetting amounts related to derivative transactions. As a result, where all relevant criteria are met including when a legal right of setoff exists under an enforceable netting agreement, derivatives are reported on a net-by-counterparty basis (i.e., the net payable or receivable for derivative assets and liabilities for a given counterparty) in the statements of financial condition.

As a result of this change in policy, the Company has offset derivative amounts as well as receivables and payables related to collateral transacted with the same counterparty by $240.77 million in the current year. There is no impact on the statements of operations or shareholder's equity.The prior year numbers are also reinstated and presented accordingly. See Note 6 for collateral netting details.

Cash

Cash is primarily comprised of highly liquid overnight deposits held in the ordinary course of business. As of December 2020 and December 2019, $59.98 million and $27.90 million were held in such deposits. As of December 2020, Company did not hold any restricted cash. However as of December 2019, the Company held Japanese Yen 2.50 million (U.S. dollar equivalent $23 thousand) of restricted cash.

Foreign Currency Translation

The reporting and functional currency of the Company is the U.S. dollar. Assets and liabilities denominated in non-U.S. currencies are translated at rates of exchange prevailing on the date of the statements of financial condition and revenues and expenses are translated at average rates of exchange for the period. Foreign currency remeasurement gains or losses on transactions in nonfunctional currencies are recognized in earnings.

Reinsurance

The Company evaluated and determined it has met the risk transfer provisions of ASC 944-40 – Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts. To meet risk transfer requirements, a long duration reinsurance contract must transfer mortality or morbidity risks, and subject the reinsurer to a reasonable possibility of a significant loss. For short-duration contracts to meet risk transfer requirements, the reinsurer must assume significant insurance risk and have a reasonable possibility of experiencing significant loss.

Note 4.
Minimum Guarantees

The Company assumes, via reinsurance, variable annuity contracts with guaranteed minimum death benefits (GMDB) and guaranteed minimum accumulation benefits (GMAB) features. The GMDB features provide annuity contract holders with a guarantee that the payment received at death will be no less than a prescribed minimum amount. If the GMDB amount is higher than the account value at the time of death, the Company is obligated to pay the difference.

The GMAB features provide annuity contract holders with a guarantee that, regardless of market performance, the value of the contract at some future date will be no less than 100% or 90% (depending on certain elections) of the initial premium paid. If the account value is less than the guaranteed amount at the specified future date, the Company is obligated to pay the difference between the account value and the guarantee value.

The Company had a liability of $266.38 million and $148.90 million associated with these variable annuities as of December 2020 and December 2019. These are reflected in the statements of financial condition as reinsurance contracts. See Note 7 for the valuation methodology of these reinsurance contracts. The aforementioned reinsurance contracts covering these annuities are fully collateralized. The collateral is reflected in the statements of financial condition within receivables from customers and payables to customers. The Company had placed net collateral of $191.70 million and $84.91 million as of December 2020 and December 2019 and received net collateral of $240.77 million and $123.37 million as of December 2020 and December 2019.

The table below represents information regarding the Company's variable annuity contracts with guarantees.

U.S. $ in thousands, except for contract holders' information	Account Value	Net Amount at Risk	Average Attained Age
As of December 2020			
Benefit Type			
GMDB	**$ 1,635,454**	**$ 160,408**	**65.4**
GMAB	**$ 1,635,454**	**$ 159,246**	**65.4**
As of December 2019			
Benefit Type			
GMDB	$ 1,643,528	$ 46,503	64.5
GMAB	$ 1,643,528	$ 46,503	64.5

In the table above, the net amount at risk represents the excess of the guaranteed benefits over account value for contracts that have an account value less than the guarantee.

Note 5.
Fair Value Measurements

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs.

The best evidence of fair value is a quoted price in an active market. If quoted prices in active markets are not available, fair value is determined by reference to prices for similar instruments, quoted prices or recent transactions in less active markets, or internally developed models that primarily use market-based or independently sourced inputs, including, but not limited to, interest rates, volatilities, equity or debt prices, foreign exchange rates, commodity prices, credit spreads and funding spreads (i.e., the spread or difference between the interest rate at which a borrower could finance a given financial instrument relative to a benchmark interest rate).

U.S. GAAP has a three-level fair value hierarchy for disclosure of fair value measurements. This hierarchy prioritizes inputs to the valuation techniques used to measure fair value, giving the highest priority to level 1 inputs and the lowest priority to level 3 inputs. A financial instrument's level in this hierarchy is based on the lowest level of input that is significant to fair value measurement. In evaluating the significance of a valuation input, the firm considers, among other factors, a portfolio's net risk exposure to that input.

The fair value hierarchy is as follows:

Level 1. Inputs are unadjusted quoted prices in active markets to which the Company had access at the measurement date for identical, unrestricted assets or liabilities. The Company had no Level 1 financial assets or liabilities as of December 2020 and December 2019.

Level 2. Inputs to valuation techniques are observable, either directly or indirectly. The Company had no Level 2 financial assets or liabilities as of December 2020 and December 2019.

Level 3. One or more inputs to valuation techniques are significant and unobservable.

The fair values for substantially all of the Company's financial assets and financial liabilities are classified in levels 3 of the fair value hierarchy. Certain level 3 financial assets and financial liabilities may require appropriate valuation adjustments that a market participant would require to arrive at fair value for factors such as counterparty and the firm's credit quality, funding risk, transfer restrictions, liquidity and bid/offer spreads. Valuation adjustments are generally based on market evidence.

See Note 6 and Note 7 for further information about fair value measurement of derivatives and other financial liabilities at fair value.

The following tables set forth by level within the fair value hierarchy financial assets and liabilities accounted for at fair value under ASC 820 as of December 2020 and December 2019. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	As of December 2020			
U.S. $ in thousands	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Reinsurance contracts	**$ –**	**$ –**	**$ 4,419**	**$ 4,419**
Derivative instruments:				
Equities	**–**	**–**	**416,580**	**416,580**
Gross fair value of financial assets	**–**	**–**	**420,999**	**420,999**
Counterparty netting in levels	**–**	**–**	**(161,465)**	**(161,465)**
Subtotal	**–**	**–**	**259,534**	**259,534**
Cross-level counterparty Netting				**–**
Total financial assets at fair value				**$ 259,534**
Liabilities				
Reinsurance contracts	**$ –**	**$ –**	**$ 266,379**	**$ 266,379**
Secured financings	**–**	**–**	**14,039**	**14,039**
Derivative instruments:				
Equities	**–**	**–**	**161,465**	**161,465**
Gross fair value of financial liabilities	**–**	**–**	**441,883**	**441,883**
Counterparty netting in levels	**–**	**–**	**(161,465)**	**(161,465)**
Subtotal	**–**	**–**	**280,418**	**280,418**
Cross-level counterparty Netting				**–**
Total financial liabilities at value				**$ 280,418**

	As of December 2019			
U.S. $ in thousands	Level 1	Level 2	Level 3	Total
Assets				
Reinsurance contracts	$ –	$ –	$ -	$ -
Derivative instruments:				
Equities	–	–	297,676	297,676
Gross fair value of financial assets	–	–	297,676	297,676
Counterparty netting in levels	–	–	(151,023)	(151,023)
Subtotal	–	–	146,653	146,653
Cross-level counterparty netting				–
Total financial assets at fair value				**$ 146,653**
Liabilities				
Reinsurance contracts	$ –	$ –	$ 148,901	$ 148,901
Secured financings	–	–	27,661	27,661
Derivative instruments:				
Equities	–	–	151,023	151,023
Gross fair value of financial liabilities	–	–	327,585	327,585
Counterparty netting in levels	–	–	(151,023)	(151,023)
Subtotal	–	–	176,562	176,562
Cross-level counterparty netting				–
Total financial liabilities at fair value				**$ 176,562**

Note 6.
Derivative Activities

Derivatives are instruments that derive their value from underlying asset prices, indices, reference rates and other inputs, or a combination of these factors. The Company's derivatives are privately negotiated contracts, which are usually referred to as over-the-counter (OTC) derivatives.

Substantially all of the Company's derivative instruments are equity swaps and put options (collectively, equity derivatives), used to hedge certain risks inherent in the funds underlying the variable annuity policies assumed under variable annuity reinsurance transactions.

The Company accounts for derivatives under ASC 815, with changes in fair value of the instruments recognized in the statements of operations within change in fair value of reinsurance contracts and derivatives.

The table below presents the gross fair value and the notional amounts of derivative contracts by product type, and the amounts of counterparty netting and collateral netting in the statements of financial condition, as well as cash and securities collateral posted and received under enforceable credit support agreements that do not meet the criteria for netting under U.S. GAAP. As of December 2020 and December 2019, the Company had no such collateral posted and received.

The Company's equity derivatives are used as an economic hedge of risks inherent in the funds underlying the variable annuity policies assumed under a variable annuity reinsurance transaction.

	As of December 2020		As of December 2019	
U.S. $ in thousands	**Derivative Assets**	**Derivative Liabilities**	Derivative Assets	Derivative Liabilities
Equities – Bilateral OTC	**$ 416,580**	**$ 161,465**	$ 297,676	$ 151,023
Total gross fair value	**$ 416,580**	**$ 161,465**	$ 297,676	$ 151,023
Offset in the statements of financial condition				
Counterparty netting	**$ (161,465)**	**$ (161,465)**	$ (151,023)	$ (151,023)
Collateral netting	**(240,773)**		$ (123,367)	
Total	**$ 14,342**	**$ –**	$ 23,286	$ –

	Notional Amounts as of December	
U.S. $ in thousands	**2020**	2019
Equities – Bilateral OTC	**$ 4,817,140**	$ 4,741,760
Total notional amounts	**$ 4,817,140**	$ 4,741,760

In the tables above:

- Gross fair values exclude the effects of counterparty netting and Collateral netting and therefore are not representative of the Company's exposure.
- If the Company receives or posts collateral under credit support agreements, but has not determined such agreements are enforceable, the related collateral would not been netted.
- Notional amounts, which represent the sum of gross long and short derivative contracts, provide an indication of the volume of the Company's derivative activity and do not represent anticipated losses.
- Substantially all of the Company's OTC derivatives have a remaining maturity of greater than five years.

Valuation Techniques and Significant Unobservable Inputs

Level 2 and level 3 derivatives are valued using derivative pricing models (e.g., discounted cash flow models, correlation models, and models that incorporate option pricing methodologies, such as Monte Carlo simulations). For level 2 derivative instruments, valuation models require a variety of inputs, such as contractual terms, market prices, yield curves, discount rates (including those derived from interest rates on collateral received and posted as specified in credit support agreements for collateralized derivatives), credit curves, measures of volatility, prepayment rates, loss severity rates and correlations of such inputs. Significant inputs to the valuations of level 2 derivatives can be verified to market transactions, broker or dealer quotations or other alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations (e.g., indicative or firm) and the relationship of recent market activity to the prices provided from alternative pricing sources. Level 3 derivatives are valued using models which utilize observable level 1 and/or level 2 inputs, as well as unobservable level 3 inputs. For level 3 Equity Derivatives, significant unobservable inputs include Correlation, Lapse and Mortality.

Level 3 Rollforward

The table below presents a summary of the changes in fair value for level 3 derivatives.

	Year Ended December	
U.S. $ in thousands	**2020**	2019
Total level 3 equity derivatives		
Beginning balance	**$ 146,653**	$ 127,935
Net realized gains/(losses)	**(27,652)**	(26,489)
Net unrealized gains/(losses)	**108,463**	19,582
Purchases	**-**	(649)
Sales	**(40)**	632
Settlements	**27,691**	25,642
Ending balance – Gross	**255,115**	146,653
Collateral Netting	**(240,773)**	(123,367)
Ending balance – Net	**$ 14,342**	$ 23,286

In the table above:

- Changes in fair value are presented for all derivative assets and liabilities that are classified as level 3 as of the end of the period.
- Net unrealized gains/(losses) related to instruments that were still held at period-end.
- Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. If a derivative was transferred to level 3 during a reporting period, its entire gain or loss for the period is included in level 3.
- Positive amounts for transfers into level 3 and negative amounts for transfers out of level 3 represent net transfers of derivative assets. Negative amounts for transfers into level 3 and positive amounts for transfers out of level 3 represent net transfers of derivative liabilities.
- A derivative with level 1 and/or level 2 inputs is classified in level 3 in its entirety if it has at least one significant level 3 input.
- If there is one significant level 3 input, the entire gain or loss from adjusting only observable inputs (i.e., level 1 and level 2 inputs) is classified in level 3.

Note 7.

Fair Value Option

Other Financial Liabilities at Fair Value

In addition to derivative instruments, the Company accounts for certain of its other financial liabilities at fair value, substantially all under the fair value option. These financial liabilities include reinsurance contracts and secured financings.

Reinsurance Contracts

The fair value of the reinsurance contracts are determined by using Goldman, Sachs & Co.'s (GS&Co) proprietary valuation model and procedures. The inputs into the model include market implied volatility and growth rates for the underlying separate account. Policyholder lapse is modeled as dynamic and reflective of the value of the underlying fund guarantee. Mortality rates are based on quoted reinsurance on the underlying pool.

Some inputs to the model are both significant to the valuation and unobservable as price transparency is limited and the reinsurance contracts are generally illiquid. Where possible, these inputs are based upon third-party information. In the absence of such information, management's best estimate is used.

All reinsurance contracts have a remaining maturity of greater than five years.

Secured Financings

The fair value of secured financings is determined by using GS&Co's proprietary valuation model and procedures. The inputs into the model include the amount and timing of expected future cash flows and interest rates.

Secured financings have a remaining maturity of greater than five years.

Level 3 Rollforward

The table below presents a summary of the changes in the fair value for level 3 reinsurance contracts and secured financings.

	Year Ended December	
U.S. $ in thousands	**2020**	2019
Reinsurance contracts, net		
Beginning balance	**$ (148,901)**	$ (131,013)
Net realized gains/(losses)	**30,133**	27,764
Net unrealized gains/(losses)	**(113,059)**	(17,888)
Issuances	**(30,133)**	(27,764)
Ending balance	**$ (261,960)**	$ (148,901)
Secured financings		
Beginning balance	**$ (27,661)**	$ (25,388)
Net realized gains/(losses)	**(13,723)**	-
Net unrealized gains/(losses)	**13,622**	(2,273)
Settlement	**13,723**	-
Ending balance	**$ (14,039)**	$ (27,661)

In the table above:

Changes in fair value are presented for all reinsurance contracts and secured financings that are categorized as level 3 as of the end of the period.

- Net unrealized gains/(losses) relate to instruments that were still held at period-end.
- Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. If a reinsurance contracts or secured financings was transferred to level 3 during a reporting period, its entire gain or loss for the period is included in level 3.
- Negative amounts for transfers into level 3 and positive amounts for transfers out of level 3 represent net transfers of reinsurance contracts or secured financings.
- Level 3 reinsurance contracts are economically hedged with derivative. Accordingly, gains or losses that are classified in level 3 can be partially offset by gains or losses attributable to level 3 derivatives. As a result, gains or losses included in the level 3 rollforward above do not necessarily represent the overall impact on the Company's results of operations, liquidity or capital resources.

Note 8.
Net Investment Income

The table below presents the details of net investment income.

U.S. $ in thousands	As of December 2020	2019
Interest on loan receivable from parent	$ 4,614	$ 7,448
Interest on overnight placements	92	198
Interest on collateral placed	119	51
Gross investment income	4,825	7,697
Interest on collateral held	(48)	(17)
Net investment income	$ 4,777	$ 7,680

Note 9.
Transactions with Related Parties

Receivable balances from affiliates primarily relate to derivative contracts (net of collateralization) used to hedge risks assumed on variable annuity contracts.The Company has derivative instrument (net asset) with affiliates amounting to $255.12 million and $146.65 million as at December 2020 and December 2019 respectively, which is netted with net collateral payable amounting to $240.77 million and $123.37 million as at December 2020 and December 2019 respectively. These balances are presented in the Statement of financial condition as $14.34 million and $23.29 million as at December 2020 and December 2019 respectively. The Company's other receivables from affiliates as at December 2019 was $0.01 million. Other receivables from affiliates as at December 2020 was below the rounding threshold. The company has other payables to affiliates amounting to $0.29 million and $1.24 million as at December 2020 and December 2019 respectively. Further, the company had secured financing amounting to $14.04 million and $27.66 million as at December 2020 and December 2019 respectively. See Note 6 and Note 7 for details.

The Company had a loan receivable from Group Inc. of approximately $207.42 million and $229.57 million as at December 2020 and December 2019, included in loan receivable from parent. The Company had accrued interest of $1.55 million and $8.63 million, in connection with this loan. The carrying amount of this loan receivable approximates fair value as this borrowing is short term and accrues interest at a variable rate per annum, subject to change, as negotiated by the parties. For the years ended December 2020 and December 2019, the Company earned $4.61 million and $7.45 million, as interest income from the intercompany loan with Group Inc. which is reflected in the statements of operations within net investment income.

Note 10.
Federal Income Taxes

Provision for Federal Income Taxes

Income taxes are provided for using the asset and liability method under which deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax bases of assets and liabilities. The Company reports interest expense related to income tax matters in provision for taxes.

The Company has received an undertaking from the Government of Bermuda which exempts it from all local income, withholding and capital gains taxes until March 31, 2035. Therefore, no such taxes are accrued for in Bermuda. The Company has made a 953(d) election to be treated as a domestic corporation for U.S. federal income tax purposes. As a domestic corporation for U.S. tax purposes, the Company is subject to U.S. federal income taxes on its earnings. The Company's results of operations are included in the consolidated federal tax returns of Group Inc. The Company computes its tax liabilities and benefits as if it were filing a federal tax return on a modified separate company basis and settles such liabilities or benefits with Group Inc. pursuant to a tax sharing arrangement. As of December 2020 and December 2019, the Company had taxes payable of $2.36 million and $1.73 million.

For U.S. federal income tax purposes, the Company's Segregated Account is treated as a Controlled Foreign Corporation and files a Form 5471.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted in March 2020. The CARES Act includes tax relief for businesses affected by the novel strain of coronavirus (COVID-19) pandemic. The CARES Act did not have a material impact on the Company's consolidated balance sheet.

The table below presents information about the tax provision for federal income tax expense.

U.S. $ in thousands	Year Ended December 2020	2019
Current tax expense	$ 632	$ 1,520
Deferred tax expense/(benefit)	(142)	(49)
Previous year true-up/(down)^	4	(3)
Provision for taxes	$ 494	$ 1,468

^Represents true down of deferred tax expenses of $ 4 thousand for 2020 and sum of deferred tax expenses $2 thousand and tax expenses $1 thousand for 2019.

Deferred Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities. These temporary differences result in taxable or deductible amounts in future years and are measured using the tax rates and laws that will be in effect when such differences are expected to reverse.

The Company has recorded a deferred tax asset of $769 thousand and $631 thousand as of December 2020 and December 2019 respectively.

For the years ended December 2020 and December 2019, the deferred tax expense is primarily due to temporary differences from unrealized gains and losses on reinsurance contracts and derivatives. Valuation allowances are established to reduce deferred tax assets to the amount that more likely than not will be realized. There were no valuation allowances deemed necessary as of both December 2020 and December 2019.

Unrecognized Tax Benefits

The Company recognizes tax positions in the financial statements only when it is more likely than not that the position will be sustained on examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized on settlement. A liability is established for differences between position taken in a tax return and amounts recognized in the financial statements. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will impact the Company's financial condition, results of operations, or cash flows.

As of both December 2020 and December 2019, the Company did not record a liability related to unrecognized income tax benefits.

Regulatory Tax Examinations

The Company is subject to examination by the U.S. Internal Revenue Service (IRS) as part of Group Inc.

Group Inc. has been accepted into the Compliance Assurance Process program by the IRS for each of the tax years from 2013 through 2020. This program allows Group Inc. to work with the IRS to identify and resolve potential U.S. federal tax issues before the filing of tax returns. The fieldwork for tax years through 2017 has been completed. The final resolution of the audit for tax years through 2017 is not expected to have a material impact on the effective tax rate of Group Inc. or the Company. The 2018 and 2019 tax years remain subject to post-filing review.

Note 11.
Shareholder's Equity

The Company is authorized to issue up to 370,000 shares of common stock with a par value of $1.00 per share. As of both December 2020 and December 2019, there were 370,000 shares outstanding. On March 04 2019, Group Inc. transferred its interest in the Company to Goldman Sachs Non-US Americas Holdings LLC. Hence, as of both December 2020 and December 2019 all of the shares were held by Goldman Sachs Non-US Americas Holdings LLC. Distributions out of additional paid-in capital or retained earnings are unrestricted to the extent that the statutory requirements are met as described in Note 12.

There were no capital contributions or distributions in 2020 and 2019.

Note 12.
Statutory Requirements

Under the Bermuda Monetary Authority Insurance Act (Act), the Company is required to prepare and file financial statements and a statutory financial return in Bermuda. The Act also requires the Company to maintain certain measures of solvency and liquidity. The information provided below is supplementary and unaudited.

U.S. $ in thousands except for Enhanced Capital Requirement Ratio	Year Ended December **2020**		2019
Minimum Margin of Solvency	**$**	**4,406**	$ 5,155
Enhanced Capital Requirement		**16,525**	$ 20,622
Available Economic Capital and Surplus		**133,292**	131,238
Enhanced Capital Requirement Ratio	**$**	**807%**	$ 636%

Note 13.
Subsequent Events

The Company evaluated subsequent events through April 29, 2021, the date the financial statements were issued and determined that there were no material events or transactions that would require recognition or additional disclosure in these financial statements.