777 Re Ltd. and Subsidiary

Consolidated Financial Statements and Report of Independent Certified Public Accountants

As of December 31, 2020 and 2019

(Expressed in U.S. dollars)

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Shareholders and Audit Committee
777 Re Ltd.

We have audited the accompanying consolidated financial statements of 777 Re Ltd. (a Bermuda Exempt Company) and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the year ended December 31, 2020 and for the period from March 4, 2019 (date of incorporation) to December 31, 2019, and the related notes to the financial statements.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of 777 Re Ltd. and Subsidiary as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the year ended December 31, 2020 and for the period from March 4, 2019 (date of incorporation) to December 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Hartford, Connecticut
May 3, 2021

777 Re Ltd. and Subsidiary

Consolidated Balance Sheets
as of December 31, 2020 and 2019

(expressed in U.S. dollars)

	2020 $	2019 $
Assets		
Debt securities at fair value	6,940,661	6,556,388
Debt securities at amortized cost	6,000,000	6,000,000
Equity securities at fair value	9,684,839	10,030,779
Investment funds at fair value	267,714	-
Other invested assets at fair value	7,325,371	-
Preferred equity at fair value	5,000,000	-
Total investments (Note 5)	35,218,585	22,587,167
Modco asset at fair value (Note 3)	561,662,396	309,578,061
Cash and cash equivalents (Note 4)	3,904,824	8,989,812
Accrued investment income	1,276,908	194,946
Other assets (Note 7)	20,073,251	204,125
Total assets	**622,135,964**	**341,554,111**
Liabilities		
Insurance liabilities at fair value (Note 3)	539,989,958	304,608,776
Accounts payable and accrued expenses	15,116,932	1,218,499
Deferred tax liability, net (Note 11)	956,046	272,545
Income taxes payable	72,997	-
Total liabilities	**556,135,933**	**306,099,820**
Shareholders' equity		
Share capital (Note 8)	250,000	250,000
Additional paid-in capital (Note 9)	61,885,421	34,185,421
Retained earnings	4,704,632	1,126,538
Accumulated other comprehensive loss (Note 10)	(840,022)	(107,668)
Total shareholders' equity	**66,000,031**	**35,454,291**
Total liabilities and shareholders' equity	**622,135,964**	**341,554,111**

See accompanying notes to the consolidated financial statements

777 Re Ltd. and Subsidiary

Consolidated Statements of Income and Comprehensive Income
For the year ended December 31, 2020 and for the period from March 4, 2019 (date of incorporation) to December 31, 2019

(expressed in U.S. dollars)

	2020 $	2019 $
Revenues		
Fair value changes associated with reinsurance contracts (Note 3)	6,434,104	2,278,166
Net investment income (Note 5)	1,543,586	397,691
Net investment gains (Note 5)	326,828	861,376
Total revenues	**8,304,518**	**3,537,233**
Expenses		
Operating expenses	(3,775,250)	(2,109,529)
Total expenses	**(3,775,250)**	**(2,109,529)**
Net income before income taxes	**4,529,268**	**1,427,704**
Income tax expense (Note 11)	(951,174)	(301,166)
Net income	**3,578,094**	**1,126,538**
Other comprehensive loss, net of tax		
Change in insurance liabilities due to change in own credit risk, net of tax of $194,676 (2019: $28,621)	(732,354)	(107,668)
Total other comprehensive loss, net of tax	**(732,354)**	**(107,668)**
Total comprehensive income	**2,845,740**	**1,018,870**

See accompanying notes to the consolidated financial statements

777 Re Ltd. and Subsidiary

Consolidated Statements of Changes in Shareholders' Equity
For the year ended December 31, 2020 and for the period from March 4, 2019 (date of incorporation) to December 31, 2019

(expressed in U.S. dollars)

	2020 **$**	**2019** **$**
Common share capital		
Balance, beginning	250,000	-
Issued during year (Note 8)	-	250,000
Common share capital, ending	**250,000**	**250,000**
Additional paid-in capital		
Balance, beginning	34,185,421	-
Paid-in capital contributed (Note 9)	27,700,000	34,185,421
Additional paid-in capital, ending	**61,885,421**	**34,185,421**
Accumulated other comprehensive loss		
Balance, beginning	(107,668)	-
Change in insurance liabilities due to change in own credit risk (Note 10)	(732,354)	(107,668)
Accumulated other comprehensive loss, ending	**(840,022)**	**(107,668)**
Retained earnings		
Balance, beginning	1,126,538	-
Net income	3,578,094	1,126,538
Retained earnings, ending	**4,704,632**	**1,126,538**
Total shareholders' equity	**66,000,031**	**35,454,291**

See accompanying notes to the consolidated financial statements

777 Re Ltd. and Subsidiary

Consolidated Statements of Cash Flows
For the year ended December 31, 2020 and for the period from March 4, 2019 (date of incorporation) to December 31, 2019

(expressed in U.S. dollars)

	2020 $	2019 $
Cash Flows from Operating Activities		
Net income	3,578,094	1,126,538
Adjustments to reconcile net income to net cash used in operating activities:		
Deferred income tax expense	878,177	301,166
Net fair value gain on equity securities	(196,017)	(881,010)
Net fair value (gain) loss on debt securities	(130,811)	19,634
Net amortization of premiums and accretion of discounts on debt securities	(3,871)	(37,213)
Operating expenses paid by parent on behalf of company	-	285,421
Change in operating assets and liabilities:		
Modco asset at fair value	(252,084,335)	(309,578,061)
Accrued investment income	(1,081,962)	(194,946)
Other assets	130,874	(204,125)
Insurance liabilities at fair value	234,454,152	304,472,487
Accounts payable and accrued expenses	13,898,433	1,218,499
Income taxes payable	72,997	-
Net cash used in operating activities	**(484,269)**	**(3,471,610)**
Cash Flows from Investing Activities		
Payments for the purchase of:		
Debt securities, held for trading	(3,573,249)	(39,331,626)
Debt securities, held to maturity	-	(6,000,000)
Debt securities, available for sale	-	(3,286,648)
Equity securities	(959,302)	(7,391,257)
Investment funds, at fair value	(267,714)	-
Other invested assets, at fair value	(7,500,000)	(14,696,938)
Preferred equity, at fair value	(5,000,000)	-
Proceeds from the sale/maturity/prepayment of:		
Debt securities, held for trading	3,497,444	36,078,590
Debt securities, available for sale	843	875
Other invested assets, at fair value	-	7,241,489
Equity securities	1,501,259	5,696,937
Net cash used in investing activities	**(12,300,719)**	**(21,688,578)**
Cash Flows from Financing Activities		
Capital contributions	7,700,000	34,150,000
Net cash provided by financing activities	**7,700,000**	**34,150,000**
Net (decrease) increase in cash and cash equivalents	(5,084,988)	8,989,812
Cash and cash equivalents, beginning	8,989,812	-
Cash and cash equivalents, ending	**3,904,824**	**8,989,812**

See accompanying notes to the consolidated financial statements

Supplemental disclosures for cash flow information:

		2020		2019
Taxes paid	$	-	$	-
Non-cash operating and investing transactions included the following:				
- Payment of operating expenses on behalf of the Company, by its parent	$	-	$	285,421
- Investment securities received from its parent as payment for notes receivable from its parent	$	-	$	7,455,449
- Contribution of additional paid-in capital by its parent, in the form of a promissory note included in other assets	$	20,000,000	$	-

1. *General*

On March 4, 2019, 777 Re Ltd ("777 Re" or the "Company") was incorporated as a Bermuda exempt company in accordance with Section 14 of the Companies Act 1981. Effective July 19, 2019, the Company was registered as a Class D Insurer pursuant to Section 4 of the Insurance Act 1978.

The Company was established as a long-term reinsurer to acquire both active and run-off blocks of life insurance and annuity business underwritten by global insurance companies. The product focus includes multi-year guaranteed annuities, fixed indexed annuities, structured settlements, whole-life insurance and pension risk transfer.

The Company is a 98% directly held subsidiary of Brickell Insurance Holdings LLC (the "Holding Company"), a Delaware limited liability company, and 2% directly held by management. The Holding Company is an affiliate of 777 Partners LLC (the "Parent"), a U.S. based investment group with a core focus on insurance related investments.

Effective April 1, 2019, 777 Re completed its first reinsurance agreement with a third-party company.

Effective August 31, 2020, 777 Re completed its second and third reinsurance agreements with third-party companies.

Effective December 31, 2020, 777 Re completed its fourth reinsurance agreement with a third-party company.

As of December 31, 2020, 777 Re's in force business consists of reinsurance of multi-year guarantee annuities and fixed index annuities.

The Company's consolidated financial statements include its wholly owned subsidiary, Salt Lake Acquisition Corporation ("SLAC"), a company incorporated in the state of Delaware on July 31, 2019. SLAC holds one investment in a debt security, classified as available for sale on the consolidated balance sheets. Intercompany balances and transactions have been eliminated.

2. *Significant accounting policies*

Basis of presentation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The areas within the Company's consolidated financial statements that involve a significant amount of estimation and judgment include the following:

- Hard to value assets within modco asset at fair value
- Insurance liabilities at fair value

The following are the significant accounting policies and practices adopted by the Company:

2.1 Reinsurance contracts at fair value

In accordance with the provisions of ASC 825-10-15-4, the Company elected to carry assets and liabilities associated with reinsurance contracts at fair value. This election is made on a contract-by-contract basis. For those contracts for which this election is made, assets and liabilities associated with the reinsurance contract are carried at fair value with the change in the fair value of the assets and the liabilities being recorded in the line titled fair value changes associated with reinsurance contracts on the consolidated statements of income and comprehensive income. This reduces earnings volatility in the accounting of the coinsurance agreements.

(a) Reinsurance contract receivables at fair value

Modco asset at fair value results from reinsurance contracts executed on a modified coinsurance basis. The fair value for the fixed maturity and debt investments that support modco asset at fair value is determined by the Company considering various sources of information, including information provided by third party pricing services. The Company obtains an understanding of the pricing service's valuation methodologies and related inputs. The determination of the fair value of modco asset at fair value is further explained in Note 6.

Derivative financial instruments included within modco asset at fair value on the consolidated balance sheets are in the form of call options receivable to the primary insurer. The primary insurer hedges exposure to product related equity market risk by entering into derivative transactions. These options hedge 777 Re's share of the Fixed Index Annuity ("FIA") index credit. The assumed FIA contracts permit the holder to receive a return based on the performance of a market index. The primary insurer purchases derivatives consisting of call options on the equity indices underlying the applicable policy. These derivatives are used to fund the index credits due to policyholders under the FIA contracts. The call options are a range of one to three year options purchased to match the funding requirements underlying the FIA contracts. On the respective anniversary dates of the applicable FIA contracts, the market index used to compute the annual index credit under the applicable FIA contract is reset. At such time, the primary insurer purchases new one to three year call options to fund the next index credit. The primary insurer manages the cost of these purchases through the terms of its FIA contracts, which permit it to change caps. The change in the fair value of the call options is generally designed to offset the equity market related change in the fair value of the FIA contract's related insurance liability. The call options are marked to fair value with the change in fair value included within fair value changes associated with reinsurance contracts in the consolidated statements of income and comprehensive income. The change in fair value of the call options includes the gains and losses recognized at the expiration of the instruments' terms or upon early termination and the changes in fair value of open positions. These investments are carried at fair value on the consolidated balance sheets and are included in modco asset at fair.

(b) Reinsurance contract liabilities at fair value

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

The liability cash flows are generated using best estimate assumptions (plus a risk margin where applicable) and are consistent with market prices where available. Risk margins are typically applied to non-observable, non-hedgeable market inputs such as long-term volatility, mortality, morbidity, surrender, etc. Best estimate assumptions are made with respect to these inputs (including mortality, morbidity, surrender and investment returns). Actual experience is monitored to ensure that the assumptions remain appropriate and changes are made when warranted. The liability cash flows consist of all directly related cash flows of the reinsurance agreement, including premiums, policyholder benefits, expense allowance, premium tax and commissions.

Policies are terminated through surrenders and maturities, where surrenders represent the voluntary terminations of policies by policyholders and maturities are determined by policy contract terms. Surrender assumptions are based upon cedent experience adjusted for expected future conditions. The Company uses duration weighting in the development of the discount rate. The Company uses the market yields on the underlying assets backing the liabilities plus a risk margin to reflect uncertainty and adjusts the discount rate to reflect the credit risk of the Company. The liability cash flows are discounted using a rate that is composed of the following:

- Risk-free rate, plus
- Non-performance risk spread, less
- Risk margin to reflect uncertainty

The non-performance risk spread refers to the risk that the obligation will not be fulfilled and includes the Company's own credit risk. The non-performance risk relating to the liability is assumed to be the same before and after its transfer. The risk margin is reflective of the uncertainty within the cash flows associated with the reinsurance contract.

2.2 Net investment income

Dividends and interest income, recorded in net investment income per the consolidated statements of income and comprehensive income, are recognized on an accrual basis. Amortization of premiums and accretion of discounts on investments in debt securities are reflected in net investment income over the contractual terms of the investments in a manner that produces a constant effective yield. Net investment income is presented net of incurred investment management fees.

2.3 Net investment gains

Net investment gains include net realized and unrealized investment gains and losses from the sale of investments, write-downs for other-than-temporary impairments of available-for-sale investments and held-to-maturity investments. It also includes investment expenses and gains and losses on securities carried at fair value, including trading securities. Realized gains and losses on the sale of investments are determined using the specific cost identification method.

2.4 Cash and cash equivalents

The Company considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents. As of December 31, 2020 and 2019, certain cash and cash equivalents are in bank accounts insured by the FDIC up to $250,000, respectively. The Company is exposed to losses in excess of the FDIC insured amount. The Company does not anticipate non-performance by these institutions.

2.5 Translation of foreign currencies

Foreign currency assets and liabilities considered monetary items are translated at exchange rates in effect at the consolidated balance sheet date. Foreign currency income and expenses are translated at the transaction date exchange rates. Exchange gains and losses are included in the determination of net investment gains on the consolidated statements of income and comprehensive income. For the purpose of the consolidated statements of cash flows, all foreign currency gains and losses recognized in the consolidated statements of income and comprehensive income are treated as cash items and included in cash flows from operating or investing activities along with movements in the principal balances.

2.6 Income taxes

The Company recognizes taxes payable or refundable for the current year and deferred taxes for the tax consequences of differences between the financial reporting and tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

2.7 Investments

Debt securities: Debt securities are classified as available-for-sale (“AFS”), held for trading (“HFT”) or held to maturity (“HTM”). AFS and HFT are carried at fair value and HTM are carried at amortized cost in the consolidated balance sheets. AFS unrealized gains or losses, net of the related tax effect, are included within other comprehensive income (loss) (“OCI”). HFT unrealized gains or losses are included within net investment gains on the consolidated statements of income and comprehensive income. Interest earned, including amortization of the premium and discount arising at acquisition, is included within net investment income on the consolidated statements of income and comprehensive income. Realized gains or losses are included within net investment gains on the consolidated statements of income and comprehensive income. Impairment losses are recognized on an individual security basis when the investment is considered to be other-than-temporarily impaired.

Equity securities: Equity securities that have readily determinable fair values are reported at fair value on the consolidated balance sheets. Unrealized and realized gains and losses are included in net investment gains on the consolidated statements of income and comprehensive income. Dividend income is recorded when declared by the investee and is included in net investment income on the consolidated statements of income and comprehensive income.

Other-than-temporary impairments: A security is impaired when the fair value is below its cost. Securities classified as AFS and HTM are reviewed on a periodic basis to determine whether a decline in fair value below cost represents other-than-temporary impairments (“OTTI”). Several factors are considered in this assessment including, but not limited to:

(i) the extent and duration of the decline,
(ii) the reason for the decline (e.g. credit spread widening, credit event),
(iii) the historical and implied future volatility of the fair value,
(iv) the financial condition and near-term prospects of the issuer and
(v) the collateral structure and credit support of the security, if applicable.

For impaired AFS and HTM debt securities where the Company intends to sell the security, or it is more likely than not that the Company will be required to sell the security before its anticipated recovery, the full amount of the impairment is charged to earnings and is included in net investment gains in the consolidated statements of income and comprehensive income. Where the Company intends to hold the impaired security, management estimates the anticipated credit loss of the security and recognizes only this portion of the impairment in income, with the remaining non-credit related balance of the impairment (i.e. related to interest rates, market conditions, etc.) recognized in OCI.

Upon recognition of an OTTI, the new cost basis for the security is the previous amortized cost for a fixed maturity or cost for an equity security less the OTTI recognized in income. The new cost basis is not adjusted for subsequent recoveries in fair value; except for fixed maturities whereby the difference between the new cost basis and the expected cash flows is accreted on a quarterly basis to net investment income over the remaining life of the fixed maturity.

In accordance with the provisions of ASC 825-10-15-4, the Company elected to carry certain financial assets at fair value. The fair value election is made on an instrument by instrument basis. The following investments are reported at fair value under this election on the consolidated balance sheets:

Investment funds: Investment funds are reported at fair value on the consolidated balance sheets. They are carried at net asset values provided by the respective entities. These entities generally carry their trading positions and investments at fair value as determined by their respective fund administrators. Unrealized and realized gains and losses are included in net investment gains on the consolidated statements of income and comprehensive income. Income earned is included within net investment income on the consolidated statements of income and comprehensive income.

Other invested assets: Other invested assets represent investments in loans. These investments are reported at fair value on the consolidated balance sheets. Unrealized and realized gains and losses are included in net investment gains on the consolidated statements of income and comprehensive income. Interest earned, including amortization of the premium and discount arising at acquisition, is included within net investment income on the consolidated statements of income and comprehensive income.

Preferred equity: Preferred equity represents non-controlling interests in limited liability companies that maintain specific ownership accounts for each investor. These investments are carried at fair value on the consolidated balance sheets. The fair value of preferred equity approximates the cost price. Unrealized and realized gains and losses are included in net investment gains on the consolidated statements of income and comprehensive income. Dividend income is recorded on an accrual basis within net investment income on the consolidated statements of income and comprehensive income.

2.8 Accounting Pronouncements

Changes to the general accounting principles are established by the Financial Accounting Standards Board ("FASB") in the form of accounting standards updates to the FASB Accounting Standards Codification. Accounting standards updates not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Company's consolidated financial statements.

Evaluation of Accounting Pronouncements currently required to be adopted by the Company

Income taxes - intra-entity transfers
(ASC 740: ASU 2016-16)
This update requires the immediate recognition of current and deferred income tax effects of intra-entity transfers of assets, other than inventory. Prior to adoption, recognition of the income tax consequence was not recognized until the asset was sold to an outside party. The Company is required to adopt this standard for fiscal years beginning after December 15, 2019. The adoption of this accounting standard in 2020 did not have any impact on the Company's consolidated financial statements due to there being no intra-entity transfers of assets made.

Fair value measurement - disclosure requirements
(ASC 820: ASU 2018-13)
The amendments in this update modify the disclosure requirements for fair value measurements by removing, modifying or adding certain disclosures. The Company is required to adopt this standard for fiscal years beginning after December 15, 2019. The Company has adopted this accounting standard during 2020 and it has not had a material impact on its consolidated financial statements.

Recently Issued Accounting Pronouncements that are not currently adopted by the Company

Derivatives and hedging - targeted improvements to the accounting for hedging activities
(ASC 815: ASU 2020-01, ASU 2019-10, ASU 2019-04, ASU 2017-12)
The updated guidance improves the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements and make certain targeted improvements to simplify the application of hedge accounting in current GAAP related to the assessment of hedge effectiveness. The Company is required to adopt the standard for fiscal years beginning after December 15, 2020. At present, this accounting standard does not have a material impact on the Company's consolidated financial statements due to there being a low balance of derivatives held in modco asset at fair value on the consolidated balance sheets. These derivatives are purchased by the primary insurer to hedge exposure to product related equity market risk. The Company is in the process of evaluating the impact of this guidance on its future consolidated financial statements.

Leases
(ASC 842: ASU 2020-05, ASU 2020-02, ASU 2019-01, ASU 2018-20, ASU 2018-11, ASU 2018-10, ASU 2018-01, ASU 2017-13, ASU 2016-02)
These updates are intended to increase transparency and comparability for lease transactions. ASU 2016-02 requires a lessee to recognize a right-of-use asset and lease liability on the consolidated balance sheets for all leases with an original term longer than twelve months and disclose key information about leasing arrangements. Lessor accounting is largely unchanged. ASU 2016-02 requires the adoption on a modified retrospective basis. However, with the issuance of ASU 2018-11, the Company has the option to recognize the cumulative effect as an adjustment to the opening balance of retained earnings in the year of adoption, while continuing to present all prior periods under the previous lease guidance. These updates provide optional practical expedients in transition. The Company is required to adopt this standard for fiscal years beginning after December 15, 2021. The Company has reviewed its existing lease contracts and noted that, at present, this update is not expected to have a material impact on its future consolidated financial statements.

Income taxes – simplifying the accounting for income taxes
(ASC 740: ASU 2019-12)
The amendments in this update simplify the accounting for income taxes by:

- Exception to the incremental approach for intra period tax allocation when there is a loss from continuing operations and income or a gain from other items (for example discontinued operations or OCI)
- Exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment
- Exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary
- Exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year

The Company is required to adopt this standard for fiscal years beginning after December 15, 2021. At present, this accounting standard does not have any impact on the Company's consolidated financial statements. The Company is in the process of evaluating the impact of this guidance on its future consolidated financial statements.

Financial instruments - credit losses
(ASC 326: ASU 2020-02, ASU 2019-11, ASU 2019-05, ASU 2019-04, ASU 2018-19, ASU 2016-13)
This update is designed to reduce complexity by limiting the number of credit impairment models used for different assets. The model will result in accelerated credit loss recognition on assets held at amortized cost. The identification of credit-deteriorated securities will include all assets that have experienced a more than significant deterioration in credit since origination. Additionally, any changes in the expected cash flows of credit deteriorated securities will be recognized immediately in the consolidated income statements. AFS fixed maturity securities are not in scope of the new credit loss model but will undergo targeted improvements to the current reporting model including the establishment of a valuation allowance for credit losses versus the current direct write down approach. The most recent update provides entities that have certain instruments within the scope credit losses - measured at amortized cost, with an option to irrevocably elect the fair value option in ASC 825-10. The fair value option election does not apply to HTM debt securities. An entity that elects the fair value options should subsequently apply the guidance as per ASC 825-10. The Company is required to adopt this standard for fiscal years beginning after December 15, 2022. The Company is in the process of evaluating the impact of this guidance on its consolidated financial statements. At present, this update does not have a material impact on the consolidated financial statements due to the low balance of assets held at amortized cost and classified as AFS on the consolidated balance sheets. The Company is in the process of evaluating the impact of this guidance on its future consolidated financial statements.

Insurance - targeted improvements to the accounting for long-duration contracts
(ASC 944: ASU 2020-11. ASU 2019-09, ASU 2018-12)
This update amends four key areas pertaining to the accounting and disclosures for long-duration insurance and investment contracts:

- The update requires cash flow assumptions used to measure the liability for future policy benefits to be updated at least annually and no longer allows a provision for adverse deviation. The remeasurement of the liability associated with the update of assumptions is required to be recognized in net income. Loss recognition testing is eliminated for traditional and limited payment contracts. The update also requires the discount rate utilized in measuring the liability to be an upper-medium grade fixed-income instrument yield, which is to be updated at each reporting date. The change in liability due to changes in the discount rate is to be recognized in OCI.
- The update simplifies the amortization of deferred acquisition costs and other balances amortized in proportion to premiums, gross profits, or gross margins, requiring such balances to be amortized on a constant

(Expressed in U.S dollars)

level basis over the expected term of the contracts. Deferred costs are required to be written off for unexpected contract terminations but are subject to impairment testing.

- The update requires certain contract features meeting the definition of market-risk benefits to be measured at fair value. Among the features included in this definition are the guaranteed lifetime withdrawal benefits (GLWB) and guaranteed minimum death benefits (GMDB) riders attached to annuity products. The change in the fair value of the market risk benefits is to be recognized in net income, excluding the portion attributable to changes in instrument- specific credit risk which is recognized in OCI.
- The update also introduces disclosure requirements which include disaggregated rollforwards of balances and information about significant inputs, judgements, assumptions and methods used in their measurement.

The Company is required to adopt this update for fiscal years beginning after December 15, 2024. At present, this accounting standard does not have an impact on the Company's consolidated financial statements due to the election of the fair value option for accounting for reinsurance contracts.

3. *Assets and liabilities associated with reinsurance contracts*

3.1 Modco asset at fair value

3.1.1 The underlying components of modco asset at fair value is as follows:

Modco asset at fair value		December 31, 2020		December 31, 2019
Asset-backed securities	$	121,889,566	$	-
Collateralized loan obligations		115,508,070		132,941,884
Commercial mortgage-backed securities		35,083,741		48,070,324
Private structured credit		34,198,512		19,078,415
Collateralized loans		10,000,000		28,000,000
Mortgage loans		6,004,620		11,909,863
Private equity		5,000,000		11,000,000
Corporate bonds		3,458,763		46,979,155
Total fixed maturity and equity investments		331,143,272		297,979,641
Net receivables (payables)		212,682,066		(1,762,148)
Cash and cash equivalents		10,517,555		9,172,829
Accrued investment income		5,165,807		4,187,739
Call options receivable		2,153,696		-
Modco asset at fair value	$	561,662,396	$	309,578,061

The net receivables (payables) is comprised of the following amounts, which were subsequently settled post year end:

1. $207,327,010 (2019: ($551,956)) due from (to) the cedent to (from) the modco asset at fair value account
2. $3,925,288 (2019: $Nil) in relation to unsettled trades
3. $1,813,980 (2019: ($156,405)) due from (to) the Company to (from) the modco asset at fair value account
4. ($384,212) (2019: ($1,053,787)) in relation to accrued asset management and commissions fees

(Expressed in U.S dollars)

3.1.2 Credit quality of modco asset at fair value

The following table summarizes the credit quality of assets within modco asset at fair value, excluding net receivables (payables), as of December 31, 2020 and 2019:

December 31, 2020

Rating	Fair value $	Percent
AA	38,284,670	11%
A	171,382,469	49%
BBB	103,518,334	30%
BB	10,929,876	3%
NR	24,864,981	7%
Total	**348,980,330**	**100%**

December 31, 2019

Rating	Fair value $	Percent
AA	15,940,357	5%
A	132,453,294	43%
BBB	121,104,686	39%
BB	18,391,672	6%
NR	23,450,200	7%
Total	**311,340,209**	**100%**

3.1.3 Financial and Capital Markets Risk exposure of modco asset at fair value

The Company is exposed to financial and capital markets risk, including changes in interest rates and credit spreads which can have an adverse effect on the Company's results of operations, financial condition and liquidity. The Company expects to face challenges and uncertainties that could adversely affect its results of operations and financial condition.

The Company's exposure to such financial and capital markets risk relates primarily to the market price and cash flow variability associated with changes in interest rates. A rise in interest rates, in the absence of countervailing changes, will increase the net unrealized loss position of the Company's modco asset at fair value and, if long term interest rates rise dramatically within a six to twelve month time period, the Company's reinsured products may be exposed to disintermediation risk. Disintermediation risk refers to the risk that policyholders may surrender their contracts in a rising interest rate environment, requiring the Company to liquidate assets in an unrealized loss position. This risk is mitigated to some extent by surrender charge protection provided by the products reinsured by the Company.

(Expressed in U.S dollars)

3.1.4 The roll-forward of modco asset at fair value is as follows:

Modco asset at fair value roll-forward		**December 31,2020**		**March 4, 2019 to December 31, 2019**
Modco asset at fair value - beginning	$	309,578,061	$	-
Contribution from assumed reinsurance		201,132,787		305,841,227
Reinsurance contract payments to cedent		35,311,068		(7,000,105)
Cash settlements to 777 Re		(830,344)		(3,612,166)
Call options receivable		2,153,696		-
Fair value changes associated with reinsurance contracts		14,317,128		14,349,105
Modco asset at fair value - ending	$	561,662,396	$	309,578,061

The roll-forward of insurance liabilities at fair value is as follows:

Insurance liabilities at fair value roll-forward		**December 31, 2020**		**March 4, 2019 to December 31, 2019**
Insurance liabilities at fair value - beginning	$	304,608,776	$	-
Change from assumed reinsurance		189,106,364		299,401,653
Reinsurance contract payments to cedent		34,668,955		(7,000,105)
Fair value changes associated with reinsurance contracts		10,678,833		12,070,939
Change in insurance liabilities due to change in own credit risk		927,030		136,289
Insurance liabilities at fair value - ending	$	539,989,958	$	304,608,776

4. *Cash and cash equivalents*

Cash and cash equivalents are held in various banks and the Company's management evaluates the financial strength and stability of these institutions on a periodic basis.

(Expressed in U.S dollars)

5. *Investments*

5.1 Components of net investment income

The major sources of net investment income in the accompanying consolidated statements of income and comprehensive income is as follows:

Net investment income		Year ended December 31, 2020		March 4, 2019 to December 31, 2019
Investment income earned on debt and equity securities	$	969,955	$	302,925
Investment income earned on other invested assets		674,818		103,882
Net amortization of premiums and accretion of discounts on debt securities		3,871		37,213
Gross investment income		1,648,644		444,020
Investment expenses		(105,058)		(46,329)
Net investment income	$	1,543,586	$	397,691

5.2 Components of net investment gains

Details underlying net investment gains reported in the accompanying consolidated statements of income and comprehensive income is as follows:

Net investment gains		Year ended December 31, 2020		March 4, 2019 to December 31, 2019
Realized (loss) gain on equity securities	$	(182,072)	$	815,572
Unrealized gain on equity securities		378,089		65,438
Realized gain (loss) on debt securities		130,811		(19,634)
Net investment gains	$	326,828	$	861,376

During 2020 there are no foreign exchange transaction gains (losses) included in the realized loss on equity securities because there were no sales of GBP denominated securities during the year.
During 2019 included in the realized gain on equity securities is a foreign exchange transaction gain of $466,772 incurred in relation to the sale of GBP denominated equity securities.
During 2020 included in the unrealized gain on equity securities is a foreign exchange transaction gain of $710,810 incurred in relation to GBP denominated equity securities held as of December 31, 2020.
During 2019 there are no foreign exchange transaction gains (losses) included in the unrealized gain on equity securities.

(Expressed in U.S dollars)

5.3 Securities classified as AFS

a) The amortized cost and fair value of investments classified as AFS is as follows as of December 31, 2020 and 2019:

December 31, 2020		Amortized Cost		Unrealized gains (losses)		Fair value
Corporates	$	3,284,930	$	-	$	3,284,930
Total debt securities	$	3,284,930	$	-	$	3,284,930

December 31, 2019		Amortized Cost		Unrealized gains (losses)		Fair value
Corporates	$	3,285,773	$	-	$	3,285,773
Total debt securities	$	3,285,773	$	-	$	3,285,773

No gain or loss was recorded in OCI in relation to investments classified as AFS during 2020 and 2019.

b) The maturity distribution of investments classified as AFS as of December 31, 2020 and 2019 is as follows:

December 31, 2020		Fair value
Within one year	$	-
From one to five years		-
From five to ten years		-
After ten years		3,284,930
Total	$	3,284,930

December 31, 2019		Fair value
Within one year	$	-
From one to five years		-
From five to ten years		-
After ten years		3,285,773
Total	$	3,285,773

c) There were no sales or maturities of investments classified as AFS during 2020 and 2019. There was a repayment on principal of $843 (2019: $875) during the year.

5.4 Securities classified as HTM

a) The costs and fair values of investments classified as HTM is as follows as of December 31, 2020 and 2019:

(Expressed in U.S dollars)

December 31, 2020 and 2019		Amortized cost		Gross unrecognized holding gains (losses)		Fair value		Net carrying amount
Corporates	$	6,000,000	$	-	$	6,000,000	$	6,000,000
Total debt securities	$	6,000,000	$	-	$	6,000,000	$	6,000,000

No OTTI was recorded in consolidated net income in relation to investments classified as HTM during 2020 and 2019.

b) The maturity distribution of investments classified as HTM as of December 31, 2020 and 2019 is as follows:

December 31, 2020 and 2019		Fair value
Within one year	$	-
From one to five years		-
From five to ten years		-
After ten years		6,000,000
Total	$	6,000,000

c) There were no sales or maturities of debt securities HTM during 2020 and 2019.

5.5 Securities classified as HFT

The costs and fair values of investments classified as HFT is as follows as of December 31, 2020 and 2019:

December 31, 2020		Amortized Cost		Unrealized Gains included in net income		Fair value
Corporates	$	3,655,731	$	-	$	3,655,731
Total debt securities		3,655,731		-		3,655,731
Equity securities		9,306,750		378,089		9,684,839
Total equity securities		9,306,750		378,089		9,684,839

December 31, 2019		Amortized Cost		Unrealized Gains (Losses) included in net income		Fair value
Corporates	$	2,915,249	$	(22,360)	$	2,892,889
Municipals		375,000		2,726		377,726
Total debt securities		3,290,249		(19,634)		3,270,615
Equity securities		9,149,769		881,010		10,030,779
Total equity securities	$	9,149,769	$	881,010	$	10,030,779

6. Fair value of financial instruments

FASB ASC 820-10, fair value measurements and disclosures, establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability.

Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded, and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3 - Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. In accordance with FASB ASC 820, the Company determines fair value based on the price 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. In determining fair value, the Company uses various methods, including the market, income and cost approaches. The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

(Expressed in U.S dollars)

The following table presents the Company's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2020 and 2019.

December 31, 2020 **Assets accounted for at fair value on a recurring basis**		**Total**		**Quoted Prices in active markets for identical assets (level 1)**		**Significant observable inputs (level 2)**		**Significant unobservable inputs (level 3)**
Corporates	$	6,940,661	$	-	$	-	$	6,940,661
Equity securities		9,684,839		9,684,839		-		-
Other invested assets		7,325,371		-		-		7,325,371
Preferred equity		5,000,000		-		-		5,000,000
Investment funds		267,714		-		-		267,714
Modco asset at fair value:								
Net receivables		212,682,066		-		212,682,066		-
Asset-backed securities		121,889,566		-		-		121,889,566
Collateralized loan obligations		115,508,070		-		106,508,070		9,000,000
Commercial mortgage-backed securities		35,083,741		-		5,098,311		29,985,430
Private structured credit		34,198,512		-		-		34,198,512
Cash and cash equivalents		10,517,555		10,517,555		-		-
Collateralized loans		10,000,000		-		-		10,000,000
Mortgage loans		6,004,620		-		-		6,004,620
Accrued investment income		5,165,807		-		5,165,807		-
Private equity		5,000,000		-		-		5,000,000
Corporate bonds		3,458,763		-		3,458,763		-
Call options receivable		2,153,696		-		2,153,696		-
Total financial assets at fair value	$	590,880,981	$	20,202,394	$	335,066,713	$	235,611,874

(Expressed in U.S dollars)

December 31, 2019 **Assets accounted for at fair value on a recurring basis**	**Total**	**Quoted Prices in active markets for identical assets (level 1)**	**Significant observable inputs (level 2)**	**Significant unobservable inputs (level 3)**
Equity securities	$ 10,030,779	$ 10,030,779	$ -	$ -
Corporates	6,178,662	-	6,178,662	-
Municipals	377,726	-	377,726	-
Modco asset at fair value:				
Collateralized loan obligations	132,941,884	-	111,019,257	21,922,627
Commercial mortgage-backed securities	48,070,324	-	48,070,324	-
Corporate bonds	46,979,155	-	46,979,155	-
Collateralized loans	28,000,000	-	-	28,000,000
Private structured credit	19,078,415	-	-	19,078,415
Mortgage loans	11,909,863	-	-	11,909,863
Private equity	11,000,000	-	-	11,000,000
Cash and cash equivalents	9,172,829	9,172,829	-	-
Accrued investment income	4,187,739	-	4,187,739	-
Net payables	(1,762,148)	-	(1,762,148)	-
Total financial assets at fair value	$ 326,165,228	$ 19,203,608	$ 215,050,715	$ 91,910,905

The following table presents the Company's fair value hierarchy for those liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019:

December 31, 2020

Liabilities accounted for at fair value on a recurring basis	**Total**	**Quoted prices in active markets for identical assets (level 1)**	**Significant observable inputs (level 2)**	**Significant unobservable inputs (level 3)**
Insurance liabilities at fair value	$ 539,989,958	$ -	$ -	$ 539,989,958
Total financial liabilities at fair value	$ 539,989,958	$ -	$ -	$ 539,989,958

(Expressed in U.S dollars)

December 31, 2019

Liabilities accounted for at fair value on a recurring basis	Total	Quoted prices in active markets for identical assets (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)
Insurance liabilities at fair value	$ 304,608,776	$ -	$ -	$ 304,608,776
Total financial liabilities at fair value	$ 304,608,776	$ -	$ -	$ 304,608,776

Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

The Company reviews the fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes of Corporates and Asset-backed securities resulted in a reclassification from Level 2 to Level 3. Such reclassifications are reported as transfers into Level 3 at the beginning fair value for the year ended December 31, 2020 in which the changes occur.

The following table summarizes changes to the Company's financial instruments carried at fair value and classified within Level 3 of the fair value hierarchy as of December 31, 2020 and 2019, respectively.

December 31, 2020

Level 3 Assets	Purchases and issuances	Transfers in (out) of level 3
	$	$
Corporates	3,655,732	3,285,773
Investment funds	267,714	-
Other invested assets	7,325,371	-
Preferred equity	5,000,000	-
Modco asset at fair value:		
Asset-backed securities	121,889,566	-
Private structured credit	21,120,098	-
Commercial mortgage-backed securities	11,884,511	18,100,914
Collateralized loans	10,000,000	-
Collateralized loan obligations	9,000,000	(12,133,588)
Private equity	5,000,000	-
Mortgage loans	2,268,527	-
Total assets at Level 3	197,411,519	9,253,099

(Expressed in U.S dollars)

December 31, 2019

Level 3 Assets	**Purchases and issuances**	**Transfers in (out) of level 3**
	$	$
Modco asset at fair value:		
Private structured credit	19,078,415	-
Collateralized loan obligations	21,922,627	-
Collateralized loans	28,000,000	-
Private equity	11,000,000	-
Mortgage loans	11,909,863	-
Total assets at Level 3	91,910,905	-

December 31, 2020

Level 3 Liabilities	**Purchases and issuances**	**Transfers in (out) of level 3**
	$	$
Insurance liabilities at fair value	223,775,319	-
Total liabilities at Level 3	223,775,319	-

December 31, 2019

Level 3 Liabilities	**Purchases and issuances**	**Transfers in (out) of level 3**
	$	$
Insurance liabilities at fair value	292,401,548	-
Total liabilities at Level 3	292,401,548	-

(Expressed in U.S dollars)

Quantitative information regarding significant unobservable inputs used for Level 3 fair value measurements of financial instruments carried at fair value as of December 31, 2020 and 2019 is as follows:

December 31, 2020	**Fair value**	**Unobservable inputs**	**Range**
Assets	$		
Corporates	6,940,661	Discount rate	6.68% - 10.88%
Other invested assets	7,325,371	Discount rate	8.00% - 9.00%
Preferred equity	5,000,000	Discount rate	18.04% - 19.04%
Investment funds	267,714	Transaction price	100.00%
Modco asset at fair value:			
Asset-backed securities	121,889,566	Discount rate	2.24% - 14.65%
Private structured credit	34,198,512	Discount rate	3.39% - 14.65%
Commercial mortgage-backed securities	29,985,430	Discount rate	6.67% - 10.69%
Collateralized loans	10,000,000	Transaction price	100.00%
Collateralized loan obligations	9,000,000	Transaction price	100.00%
Private equity	5,000,000	Discount rate	10.22% - 10.42%
Mortgage loans	6,004,620	Discount rate Constant prepayment rate Probability of default Loss severity	8.00% - 9.00% 0% 0% - 5.00% 40.00% - 70.00%
Total assets	235,611,874		
Liabilities			
Insurance liabilities at fair value	539,989,958	Non-performance risk spread	0.38% – 0.85%
		Risk margin to reflect uncertainty	0.50%
Total liabilities	539,989,958		

(Expressed in U.S dollars)

December 31, 2019	**Fair value**	**Unobservable inputs**	**Range**
Assets	$		
Modco asset at fair value:			
Private structured credit	19,078,415	Calculated prices	100.00%
Collateralized loan obligations	21,922,627	Calculated prices	99.00% - 100.00%
Mortgage loans	11,909,863	Calculated prices	100.00%
Preferred equity	11,000,000	Calculated prices	100.00%
Collateralized loans	28,000,000	Calculated prices	100.00%
Total assets	91,910,905		
Liabilities			
Insurance liabilities at fair value	304,608,776	Non-performance risk spread	0.90%
		Risk margin to reflect uncertainty	0.50%
Total liabilities	304,608,776		

7. *Other assets*

Other assets consist of the following:

Other assets		**December 31, 2020**		**December 31, 2019**
Related party promissory note	$	20,000,000	$	-
Accounts receivable from reinsurance agreements		-		156,405
Prepaid expenses and other receivables		73,251		47,720
Other assets	$	20,073,251	$	204,125

Effective December 31, 2020 there is a related party promissory note due from the Holding Company with a principal value of $20 million. The purpose of the promissory note is for making a contribution of additional paid-in capital to the Company. The promissory note accrues interest at a daily rate of 1.09% per annum on the principle. The maturity date of the promissory note is April 30, 2021. The Holding Company fully paid off in cash the related party promissory note of $20 million, including any accrued interest, on March 5, 2021.

8. *Common share capital*

Common shares are entitled to one vote per share and are entitled to receive dividends and, in the event of a capital distribution, are entitled to the surplus assets of the Company. The Company's share capital comprises 25,000,000 authorized and 25,000,000 issued and fully paid shares of $0.01 par value each.

(Expressed in U.S dollars)

9. Additional paid-in capital

Additional paid-in capital represents net amounts contributed by the Company's common shareholders in addition to par value cost of their subscription to the issued share capital. During the current year, there was a contribution of additional paid-in capital from the Company's shareholders of $27.7 million of which $20 million was contributed via a related party promissory note due from the Holding Company with a maturity date of April 30, 2021 and $7.7 million was cash. During the prior year, there was a contribution of additional paid-in capital from the Company's shareholders of $34,185,421, of which $33,900,000 was cash and $285,421 was contributed via the payment of expenses on behalf of the Company.

10. Accumulated other comprehensive loss

The other comprehensive loss included in the consolidated statements of income and comprehensive income includes on a net tax basis:

- any unrealized gains (losses) on investment securities classified as AFS, which were $Nil in both 2020 and 2019.
- the impact of the change in the fair value of the insurance liabilities attributable to the change in the Company's own credit risk during the reporting period ($732,354), comprised of ($927,030) movement with a tax impact of $194,676 (2019: ($107,668), comprised of ($136,289) movement with a tax impact of $28,621).

11. Taxation

11.1 Bermuda

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

11.2 United States

The Company has submitted an election under Section 953(d) of the Internal Revenue Code ("IRC") to be treated as a U.S. domestic life insurance corporation for tax purposes. The Company qualifies as a life insurance company under IRC §816 and, consequently, will file U.S. Federal tax returns.

The components of income tax expense is as follows:

Income tax expense		**December 31, 2020**		**Period ended December 31, 2019**
Current tax expense	$	72,997	$	-
Deferred tax expense		878,177		301,166
Total income tax expense	$	951,174	$	301,166

(Expressed in U.S dollars)

The following table is a summary of the components of deferred tax assets and liabilities:

Deferred tax assets & liabilities		**December 31, 2020**		**December 31, 2019**
Deferred tax assets:				
Deferred rent	$	780	$	768
Accrued bonus		57,715		43,659
Start-up costs		92,741		99,928
FVO credit risk change		223,297		28,621
Net operating losses		984,140		640,464
Investments		18,349		-
Capital loss carryforward		10,765		-
Total gross deferred tax assets	$	1,387,787	$	813,440
Deferred tax liabilities:				
Deferred market discount	$	1,713	$	53
Deferred modco premium revenue - FV adjustments		2,248,960		1,072,171
Unrealized gains		93,160		13,761
Total gross deferred tax liabilities	$	2,343,833	$	1,085,985
Net deferred tax liabilities	$	(956,046)	$	(272,545)

A valuation allowance is recognized if, based on the weight of available evidence, it is “more likely than not” that some portion or all the deferred tax assets will not be realized. The Company determined no valuation allowance was required as of December 31, 2020 and 2019.

(Expressed in U.S dollars)

The provision for federal and foreign income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference is as follows:

		December 31, 2020
Provision computed at the statutory rate	$	951,146
Meals and entertainment		28
Total income taxes	$	951,174

		Period ended December 31, 2019
Provision computed at the statutory rate	$	299,817
Meals and entertainment		1,349
Total income taxes	$	301,166

As of December 31, 2020 and 2019, 777 Re generated $4,686,383 and $2,963,346 of net operating losses, respectively, that can be carried forward indefinitely.

777 Re and SLAC file an 1120-L and 1120, respectively with the Internal Revenue Service ("IRS") on a separate company basis.

As of December 31, 2020 and 2019, there were no material positions for which management believes it is reasonably possible that the total amounts will significantly increase or decrease within 12 months of the reporting date.

Tax years 2020 and 2019 are open under the statute of limitations and remain subject to examination by the IRS.

12. *Related party transactions*

During 2019, the Company entered into an intercompany support services agreement with the Parent. The expense incurred of $210,000 is included in operating expenses in the consolidated statements of income and comprehensive income. This amount was fully paid during 2019.

During 2020, the expense incurred of $105,000 is included in operating expenses in the consolidated statements of income and comprehensive income in relation to this agreement. Effective April 1, 2020 the agreement was terminated, and the Company entered into an intercompany support services agreement with the Holding Company. During 2020, the expense incurred of $315,000 is included in operating expenses in the consolidated statements of income and comprehensive income in relation to this agreement. This amount was fully paid during 2020.

During 2019, the Company entered into a loan agreement with the Parent for $14,696,938. The loan earned interest income of $103,882 included in net investment income in the consolidated statements of income and comprehensive income. The loan was fully repaid by the Parent before fiscal year end. When the Parent repaid the loan, an amount of $174,628 was paid above the outstanding balance. This overpayment is included in accounts payable and accrued expenses on the consolidated balance sheets.

(Expressed in U.S dollars)

Effective January 2, 2020, the Company entered into a revolving loan facility agreement as lender with the Parent as borrower, with a maximum limit of $15 million. The loan is secured by common shares held in a public entity by the Holding Company. During 2020, the Parent requested drawdowns up to $7.5 million. The loan earned interest income of $674,818 included in net investment income in the consolidated statements of income and comprehensive income. The loan of $7,325,371 (the over payment of $174,628 from the Parent incurred in 2019 was netted off against the drawdowns from the revolving loan facility agreement incurred in 2020) is included in other invested assets at fair value and accrued investment income of $674,818 is included in accrued investment income on the consolidated balance sheets.

During 2019, the Company incurred operating expenses of and $195,927 paid by the Parent on behalf of the Company. This amount is included as a payable in accounts payable and accrued expenses on the consolidated balance sheets as of December 31, 2019.

No expenses were paid by the Parent on behalf of the Company during 2020.

Effective December 31, 2020 there is a related party promissory note due from the Holding Company with a principal value of $20 million. The purpose of the promissory note is for making a contribution of additional paid-in capital to the Company. The promissory note accrues interest on the principle and has a maturity date of April 30, 2021. The $20 million due from the Holding Company is included in other assets on the consolidated balance sheets.

Included in modco asset at fair value on the consolidated balance sheets as of December 31, 2019 are two related party investments. A loan to the Parent with a market value of $25 million and accrued interest of $421,743 as well as with FFI Holdings with a market value of $3 million and accrued interest of $86,955 and are classified as corporates in modco asset at fair value. No fair value gain or loss is recorded on these securities during 2019. Net investment income earned of $543,938 in relation to related party assets held in the modco account is included in fair value changes associated with reinsurance contracts on the consolidated statements of income and comprehensive income for the period ended December 31, 2019.

Included in modco asset at fair value on the consolidated balance sheet as of December 31, 2020 is the below related party investments:

Related party name	**Asset classification**	**Market value** **$**	**Accrued interest** **$**
777 Re Investments, LLC	Asset-backed securities	60,000,000	160,000
Brickell Insurance Holdings, LLC	Collateralized loans	10,000,000	251,507
SPSS 2020-1, LLC	Asset-backed securities	47,389,564	32,909

No fair value gain or loss is recorded on related party assets held in the modco account during 2020. Net investment income earned of $2,263,601 in relation to related party assets held in the modco account is included in fair value changes associated with reinsurance contracts on the consolidated statements of income and comprehensive income for the year ended December 31, 2020.

Also included in modco asset at fair value on the consolidated balance sheets and in fair value changes associated with reinsurance contracts on the consolidated statements of income and comprehensive income is an amount of $13,822 incurred on asset management fees payable to 777 Asset Management, LLC for the year ended December 31, 2020.

(Expressed in U.S dollars)

The consolidated balance sheets and consolidated statements of income and comprehensive income transactions and balances associated with related party transactions is summarized as follows as of December 31, 2020 and 2019:

	December 31, 2020	**March 4, 2019 to December 31, 2019**
Assets	$	$
Modco asset at fair value	117,833,980	28,508,698
Other assets	20,000,000	-
Other invested assets at fair value	7,325,371	-
Accrued investment income	674,818	-
Liabilities		
Accounts payable and accrued expenses	-	370,555
Revenues		
Fair value changes associated with reinsurance contracts	2,263,601	543,938
Net investment income	674,818	103,882
Expenses		
Operating expenses	420,000	210,000

13. *Statutory requirements*

The Company is licensed by the Bermuda Monetary Authority ("BMA") as a long-term insurer and is subject to the Bermuda Insurance Act 1978, as amended ("the Act") and regulations promulgated thereunder. The Company is registered as a Class D insurer, which is defined by regulation as having total assets of $250 million or more, but less than $500 million. The total assets of the Company surpassed the upper threshold for this category class effective December 31, 2020. The Company communicated this to the BMA and intends on applying to become a Class E insurer during 2021, which is defined by regulation as having total assets of more than $500 million. The BMA implemented the Economic Balances Sheet framework into the Bermuda Solvency Capital Requirement ("BSCR"), which was granted equivalence to the European Union's Directive (2009/138/EC).

Under the Act, long-term insurers are required to maintain minimum statutory capital and surplus to meet the Minimum Margin of Solvency ("MMS") and the Enhanced Capital Requirement ("ECR"). As a Class D insurer, the MMS is equal to the greater of 1.5% of the statutory assets of the Company or $500,000. The Company is required to calculate the ECR and Target Capital Level ("TCL") as prescribed by or under rules made under Section 6A of the Act, which are additional capital and surplus requirements to the MMS. The Company's ECR is the higher of the BSCR and the MMS. The TCL is calculated as 120% of the ECR. As of December 31, 2020 and 2019, the Company has met the requirements.

(Expressed in U.S dollars)

14. Litigation, claims and assessments

As of December 31, 2020 and 2019, there were no matters arising outside of the normal course of business.

15. Commitments

The Company leases office space under an operating lease agreement that can only be terminated after 18 months from commencement. The lease terminates during 2023. Future minimum office space annual rental payments over the term of the lease is as follows:

Year	Annual Rental Payments
	$
2021	34,125
2022	35,035
2023	17,745

Rent expense, including utilities, was $44,810 and $29,117 for 2020 and 2019, respectively.

16. Risks and Uncertainties

Unless otherwise indicated, all information included in these consolidated financial statements is as of December 31, 2020 and 2019 and you should not assume that valuations of assets, including assets within the modco asset account, or other matters are current as of any later date. The recent Covid-19 pandemic has had serious and adverse consequences to business conditions in North America, the principal geographic area in which the assets, including assets within the modco asset account, reside, and elsewhere around the globe following December 31, 2020 and 2019, including limitations on travel, transportation, education, production of goods, provision of services and businesses operations generally. Further, the equity and other securities markets have experienced significant volatility, with substantial losses in the equity markets as compared to year end. Although the long-term economic fallout of Covid-19 is difficult to predict, the challenging business conditions currently faced by the Company's investments are highly likely to have adverse effects on the financial performance and, as a result, likely to adversely impact valuations of the Company's investments for future periods, which may be material.

17. Subsequent events

Subsequent events have been evaluated up to May 3, 2021, the date the consolidated financial statements were approved and available to be issued. The following subsequent events have occurred:

The Holding Company fully paid off in cash the related party promissory note of $20 million, including any accrued interest, that was included in other assets on the consolidated balance sheets as of December 31, 2020.

In connection with the revolving loan facility agreement described in Note 12, the Parent drew an additional $7.25 million from the Company. This increased the outstanding loan balance to $14,575,371, the maximum amount of the loan facility being $15 million.

There was contributions of additional paid-in capital from the Holding Company of $13,661,740.