

**Custodian Life Limited
Financial Condition Report**

For the twelve-month period ending December 31, 2020

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1. EXECUTIVE SUMMARY

This financial condition report (“**FCR**”) of Custodian Life Limited (“**Custodian**”, the “**Company**”, “**we**” or “**our**”) is produced in accordance with the Insurance (Public Disclosure) Rules 2015, B3.3 and the Insurance (Public Disclosure) Amendment Rules 2016 (the “**Rules**”) under the Bermuda Insurance Act 1978 of Bermuda and related regulations (the “**Act**”).

This FCR outlines the financial condition of Custodian as at 31 December, 2020, and contains qualitative and quantitative information about Custodian’s business and performance, governance structure, risk profile, solvency valuation and capital management, among other required disclosures.

Custodian recognises that Bermuda is a jurisdiction committed to the principles of transparency to policyholders, beneficiaries and counterparties, and this FCR details how the Company meets these standards. It measures the governing of the business operations, outlines corporate governance framework, and discusses the solvency and financial performance of the Company as of 31 December 2020.

The Board views the FCR as an opportunity to describe its business to the public in relation to the Company’s business model, whereby the public may make an informed assessment on whether the business is run in a prudent manner. The presentation of the FCR is in accordance with the Rules, and a copy will be published on the Company’s website within 14 days of the date on which it is filed with the BMA.

2. BUSINESS AND PERFORMANCE

Custodian is a privately held insurance company incorporated on June 13, 2011 under the laws of Bermuda. The Company is licensed as a Class C long term insurer under the Act. The Company is registered as a segregated accounts company under the Segregated Accounts Companies Act 2000 (the “SAC Act”), effective 17 October, 2013. The registered office of the Company is located at Victoria Place, 31 Victoria Street, Hamilton, Bermuda. The financial statements extract of the Company included in this FCR were prepared in accordance with International Financial Reporting Standards (“IFRS”).

2.1 Organisational Structure

a. **Supervisor**

Bermuda Monetary Authority (“BMA”)
 BMA House
 43 Victoria Street, Hamilton
 Bermuda

b. **Approved Auditor**

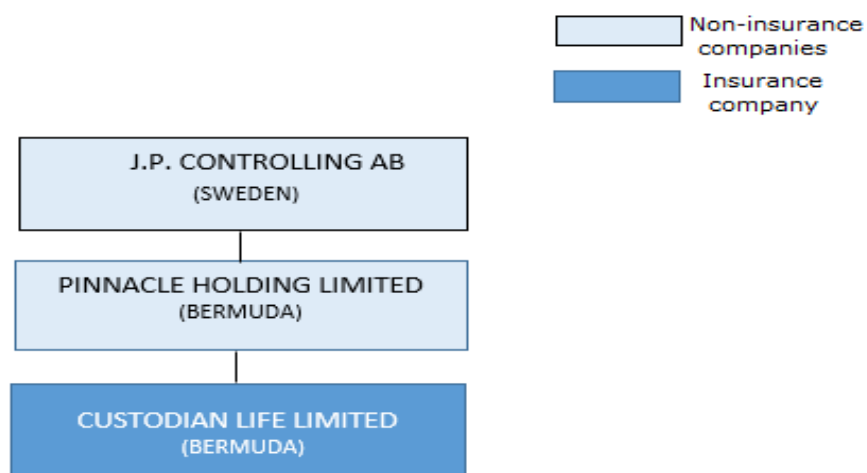
Statutory and IFRS Reporting:
 KPMG Audit Limited
 Crown House
 4 Par-la-Ville Road
 Hamilton HM 08 Bermuda

c. **Ownership**

The Company is a wholly owned subsidiary of Pinnacle Holding Limited of Victoria Place, 31 Victoria Street, Hamilton, Bermuda and its ultimate controller is J.P. Controlling AB of 62tr Södra Torggatan, Kungsbacka, Halland, Sweden.

d. **Group Structure**

The following provides details of the Company in the Group Structure:



The sole business of the Company consists of offering life insurance policies with flexible unit-linked characteristics in which Policyholders are provided the opportunity to place their premium funds in

segregated accounts and allocate the respective funds to investments of their choosing, in order to obtain investment returns.

As the total return on the underlying investments held in a Policyholder's segregated account increases or decreases, the death benefit or encashment value of the respective life policy may increase or decrease. In the event of death, the benefit paid to the Policyholder's beneficiary is 101% of the underlying policy fund value at the time of death (**Encashment Value**). For joint policies, the death benefit is paid following death of the last life assured.

All investment returns earned on the segregated accounts are accounted for as an adjustment to the Policyholder's respective segregated account assets and liabilities, net of the Company's fees for management of these segregated accounts. Consistent with prior years, the Company writes direct policies and does not participate in any reinsurance business.

The principal geographic region of business written by the group for the year ended 31 December 2020 is Northern Europe.

2.3 Financial Performance – 31 December, 2020 & 2019

Statements of Net Income

For the year ended December 31, 2020
(Expressed in US Dollars)

	Note	2020	2019
Revenue:			
Fee income	12	4,545,679	3,847,321
Investment income (loss)	5	(633,381)	(70,641)
Other income		<u>594,699</u>	<u>383,780</u>
Total revenue		\$ 4,506,997	\$ 4,160,460
Expenses:			
Acquisition cost		2,420,729	2,070,236
Change in provisions for future policy benefits		43,749	66,943
General and administrative expenses		1,270,867	1,157,540
Other operating expenses		<u>572,480</u>	<u>428,568</u>
Total expenses		\$ 4,307,825	\$ 3,723,287
Net income		\$ 199,172	\$ 437,173

(the above is an extract from the Company's December 31 2020 audited financial results)

3. GOVERNANCE STRUCTURE

The Company's governance framework has regard for international best practice on effective corporate governance of insurance companies. Corporate governance includes principles of corporate discipline, accountability, responsibility, compliance, and oversight. The Company has established and maintains a sound corporate governance framework, which provides for appropriate oversight of the Company's business and adequately recognises and protects the interests of Policyholders. The governance framework is designed to support the Company's core values of transparency, fairness and accountability. The governance structure considers the nature, scale and complexity of the company and systems are in place to ensure that appropriate reviews and amendments are carried out.

Independent Financial Advisers (**IFA**) are the intermediaries between the Policyholders and the Company, they are not employees of the Company, however, they are subject to ongoing monitoring and review to ensure that they meet the standards of the Company.

The Company's segregated accounts are fully funded and ring fenced from each other and from the general account. Each Policyholder, is the owner of the segregated account associated with their policy, and makes the investment decisions. Although the Company bears no responsibility for the performance of the segregated accounts, policyholder protection and care is of utmost importance to the Board. As such, oversight of the IFA's, its services providers including Custodians and Bankers, and a robust and user-friendly complaint handling policy are priorities in the operations of the Company. Segregated accounts liabilities are measured based on the value of the segregated accounts assets. Investment returns on segregated fund assets belong to Policyholders and the Company does not bear the risk associated with the performance of these assets. Accordingly, investment income earned by segregated accounts and expenses incurred by segregated accounts are offset.

3.1 Board and Executive Management

i. Board and Senior Executive Structure, role, responsibilities and segregation of responsibilities

The business and affairs of the Company are overseen by the Company's Board of Directors ("**Board**"). The Board maintains responsibility for the strategic direction, performance, management and oversight of the Company. The Board also has responsibility to ensure that the Company meets and exceeds the requirements of the Insurance Code of Conduct ("**Code**"), including oversight of service providers, complaint handling, and the operations of IFA's.

As of 31 December, 2020, the Board consisted of 4 directors, of which one is an executive director and three are non-executive directors. Their roles and responsibilities are outlined in the Company's Corporate Governance Guidelines and byelaws. During 2019, the Company established three board committees - Risk & Compliance Committee; Operations & Underwriting Committee; and the Audit Committees (together, "**Committees**").

During 2021, the Board added a governance committee, and a Chief Financial Officer who is based in Bermuda. One of the non-executive Directors became an executive director. These changes are designed to improve the Company's overall governance culture.

The Committees comprise of appropriate members of executive and senior management who have been delegated certain responsibilities relating to Company's risk management, compliance and operational review and monitoring as set forth in the respective Committee charters. *For avoidance of doubt, the Board retains overall responsibility for all duties delegated to the Committees and delegation of authority to Board committees, chief and senior executives, or external parties does not absolve the Board of its ultimate responsibilities.*

Together, the Board and Committees provide oversight and monitoring of the Company's affairs, to ensure alignment with its operational plan and long-term strategy.

ii. Remuneration Policy

- a. At 31 December 2020, the Company does not have any direct employees. Back office operational functions are fulfilled through a services agreement by employees of affiliated company J.P. Controlling AB.
- b. Board members receive a fixed fee, where appropriate, in accordance with established policies approved by the Board.
- c. No supplementary pension or retirement schemes are provided to board members
- d. There was no material transaction between the Company and shareholder controllers, persons who exercise significant influence, board members or senior executives in the year ended 31 December 2020.

3.2 Fitness and Propriety, Board and Senior Executive Qualifications

i. *Fit and Proper Process in assessing the Board and Senior Executives*

The Board has an appropriate number and mix of directors to ensure that there is an appropriate level of experience, knowledge, skills and expertise commensurate with the nature, scale and complexity of the Company's business. The bye-laws of the Company provides for minimum of 2 Directors and a maximum of 10.

The Board is responsible for ensuring corporate governance policies and practices are developed and applied in a prudent manner that promotes the efficient, objective and independent judgment and decision making by the Board, and as such, the members consider the fact that conflicts, or potential conflicts of interest, may on occasion preclude the involvement of specific individual board members on particular issues or decisions.

The Board has adequate powers and resources to enable it to discharge its duties fully and effectively. The Company seeks board members who combine a broad spectrum of experience and expertise with a reputation for integrity. The Directors are each experienced in positions with a high degree of responsibility, are leaders in the companies or institutions with which they are affiliated and are selected based upon the contribution they make to the Board and management.

The Company's Governance policy documents its processes and procedures for assessing fitness and propriety of Board members, including qualifications, skills and work experience. Senior Executive level appointments require approval by the Board, and after appointment, ongoing performance monitoring and general oversight is also provided by the Board.

ii. *Directors & Senior Executives Biographies (as of 31 December, 2020):*

Robert Pain - Director

Robert Pain has over 35 years of experience within the financial services industry, having worked in numerous roles in sales, marketing, customer services and business process outsourcing at Target Group, Axa, Friends Life and Investors Trust Assurance. He is the CEO of the Association of International Life Offices, the trade body that represents the international cross-border life insurance industry, having previously served for several years as its chairman and chief executive of Cadel Consulting which offers management consultancy services to the financial services industry. In 2018, Bob was credited to be one of the industry's most influential by International Adviser.

Joakim Samuelsson- Executive Director & Chief Executive Officer

Joakim Samuelsson has worked in the insurance industry for the past 15 years. Joakim is the founder, ultimate majority shareholder, Director and Operations Manager of the Company. Joakim is also the ultimate majority beneficial shareholder and Director of the Bermuda based holding company Pinnacle Holding Limited holding 100% of the shares in the Company. Earlier in his career he worked as a CEO at JOOL Insurance and Head of Insurance at JOOL Capital Partner AB building up and developed their cooperation with a European based insurance company. Joakim holds Master of Science degree in Financial Economics. In 2018, Joakim was credited to be one of the industry's most influential by International Adviser.

Philip Anderson- Director and Chairman

Phil is an Accountant with 20 years' experience in the offshore trust, insurance, and investment industry. Prior to joining Zobec, Phil was previously a director of the Ocorian Group. He was Client Director on a range of entities including licensed and exempted funds, private trust companies and partnerships of various types. Activity of entities ranged from shipping, investment holding, insurance/reinsurance, insurance linked securities (ILS), commercial real estate, mutual funds, pharmaceutical, aircraft, technology, energy & mining, telecommunications and manufacturing. Phil's practice includes specialising in providing solutions to and working with companies, individuals and families on corporate, investment and trust matters, and involvement in the management, administration and accounting of financial structures covering the jurisdictions of Bermuda, BVI, Cayman and Marshall Islands. Phil is a Fellow of the Chartered Association of Certified Accountants (FCCA) and a member of the Society of Trust and Estate Professionals (TEP).

George Jones - Director

George N.H. Jones, PMSC, ED, BA, MBA, LLB, LPC has over 30 years' experience in the legal and financial services industries, having worked with leading organisations in Bermuda, Mauritius, Chile and the United States. He is currently General Counsel and Company Secretary to several licensed insurance and investment management entities that comprise one of Bermuda's oldest and largest local insurance groups. He holds a Bachelor of Laws (LLB Hons), is a qualified Solicitor and has been a practicing member of the Bermuda Bar since 2006 and prior to moving in house was a practicing attorney at leading global offshore law firm within their Corporate & Commercial Practice Group focusing on insurance, investment management and investment fund industries. He currently sits on various charitable and other boards and is the Honorary Secretary and an Executive Member of the Bermuda Bar Council, the elected body governing the Bermuda Bar Association and responsible for regulating the Bermuda legal profession. He also formerly sat on the Barristers & Accountants AML/ATF Board and assisted in preparing for the island's peer evaluation by the Caribbean Financial Action Task Force in 2018.

Ian Mutch – Compliance Officer and MLRO

Ian is the Principal Advisor in the Mazars Bermuda office for Governance, Risk, and Compliance services. He has over 15 years of Global and Bermuda experience in (re)insurance, banking, fiduciary services, and international financial services. He has extensive compliance, anti-money laundering and risk expertise, having managed international and teams providing financial crime, compliance and risk advisory services to clients operating in Europe, the U.S.A, Bermuda and the Caribbean. Ian is a member of the Chartered Institute of Auditors, the Chartered Banker Institute and a certified Anti money laundering specialist. BA (Honours) and Postgraduate Diploma from Edinburgh Napier University

3.3 Risk Management and Solvency Self-Assessment

- i. The Company's risk management policies provide detailed guidance on the Company's risk management and internal controls. The Board is responsible for oversight of the Company's risk management and control functions. The risk management policy includes details of the Company's identified risks, responses to these risks as well monitoring and reporting processes aimed to ensure that risks are continuously assessed. The risk management policy also includes clearly defined roles and responsibilities of the respective process owners responsible for ensuring effective implementation of the Company's risk management and internal control procedures. The Board recognizes that the Company is in a period of growth and development and accordingly board committees are in place to assist the Board with certain aspects of risk management and compliance monitoring.
- ii. The Company holds capital in relation to its risk profile to guarantee that it has enough financial resources to withstand financial difficulties if they arise whilst maintaining its solvency. The risk framework assesses the potential impact of all material risks, including material risks affecting capital requirements and capital management, short-term and long-term liquidity requirements, policyholder obligations, and operational strategies and objectives.
- iii. For the year ended 31 December 2020, the Company used the regulatory capital as calculated by the BMA's BSCR formulas for its solvency self-assessment. The Board re-assesses whether it is still appropriate to use regulatory capital for its solvency self-assessment on an annual basis, and is committed to moving to an internal capital model if it becomes more appropriate for the Company.

3.4 Internal Controls and Internal Audit

- i. Internal Audit

The Company does not have an internal audit function and will develop one in 2021.

ii. Internal Controls

are embedded in the Company's operations and its enterprise resource planning system, "Policy Manager", is used extensively to manage and integrate key parts of its business. The main processes needed to operate the Company is integrated into the Policy Manager system, and controls are built into the system to ensure that Company policies related to planning, sales, marketing, compliance and financial reporting is carried out within the set guidelines established by the Board. Monitoring of adherence to organizational policies and internal controls is delegated to the Chief Executive Officer with oversight from the Board. Certain aspects of these function are also incorporated into the terms of reference of Custodian's Risk and Compliance Committee, Audit committee and its Operations and Underwriting Committee.

iii. Actuarial Functions:

a. BMA Approved Actuary

William C. Hines, FSA., MAAA, is a member in good standing of the Society of Actuaries and the American Academy of Actuaries. He also holds a BBA, Finance degree from University of Massachusetts, Amherst. Since 2001, Mr. Hines is a principal and consulting actuary with the Boston office of Milliman Inc. Prior to joining Milliman Inc., William worked at John Hancock in Boston, where he gained experience in GAAP and statutory financial reporting, valuation, dividend scale development, profitability analysis, and projection, as well as many aspects of demutualization. William has consulted extensively on financial reporting issues involving IFRS, US GAAP, and US. Statutory accounting, as well as embedded value issues. He was appointed as the Company's approved actuary in 2013 and continues to serves as appointed actuary for several life insurers in the United States, Bermuda and the Cayman Islands.

b. Internal Actuary

The Company does not currently have an internal actuary. Milliman Inc serves as the Approved Actuary pursuant to the Act, and prepares the annual actuarial opinions required.

Milliman Inc. is actively involved in the calculations of the general reserves and the Economic Balance Sheet (EBS) technical provisions reported each year by the Company. Based on their analysis, they issue an opinion on the general reserves and EBS technical provisions held in support of the long-term polices of the Company which the Board reviews and approves each year.

3.5 Outsourcing

The Company uses outsourced service providers under the guidance of its Outsourcing Policy, the Insurance Code of Conduct, and other applicable legislation.

Some key functions that have been outsourced include the following:

i. Ian Mutch – Bermuda based Compliance Officer & MLRO

October, 2019 – the Board approved the appointment of Ian Mutch (Mazars, Bermuda) as the Company's Bermuda based compliance officer and MLRO. The terms of reference for the appointment includes assisting with remediation of identified compliance gaps; assistance with updating the Company's policies and procedures; implementing advice and guidance from the 2019 Deloitte compliance report; and other related functions.

ii. J.P Consulting - Compliance function

Custodian maintains policies and procedures at operational level to ensure compliance with applicable regulations including AML/ATF. This is function is provided by the back office in Sweden via the Company's outsource partner, J.P Consulting.

iii. J.P Consulting – Back Office support

The Company's outsource partner, J.P Consulting also provides general back office support in Sweden on an outsourced basis. This includes banking support and day to day dealing with the IFA's, and policyholder queries where necessary.

iv. Insurance Management and Corporate Administration are outsourced to licensed entities in Bermuda.

4. RISK PROFILE

The Company has a risk framework embedded in its organisational structure and its operational and strategic goals and objectives. The risk framework is supported by appropriate controls, policies and procedures and includes techniques necessary to identify, measure, respond to, monitor, and report, on a continuous basis, and both on an individual and aggregate level, all material risks (e.g. financial and non-financial, on and off-balance sheet items, current and contingent exposures, etc.). The risk framework includes regular reviews of the operating environment to ensure material risks are appropriately assessed and monitored, and appropriate actions is taken to manage exposures, identified issues and potential adverse developments

The risk framework includes objectives, risk appetite and tolerance levels, and appropriate delegation of oversight, reporting, and operating responsibilities across all functions, and includes documentation of significant policies and procedures. The policies and procedures are reviewed and approved by the Board and the chief and senior executives of the Company on a risk basis.

The Company has identified following material risks relevant to its business operations:

i. Insurance risk:

Generally, Class C insurers that issue life insurance policies will have risks such as morbidity risks, mortality risk persistency and lapse risks. Custodian, however does not have the same insurance risk profile because its life insurance business is limited to a 1% death benefit linked to the Encashment Value of the Policyholder's segregated account.

Insurance risk arises if the Company's underwriting strategies are not aligned with the overall organizational strategy or not appropriately managed to mitigate insurance exposures. The Company has established internal policies and procedures to reduce these risks by identifying and evaluating risks arising from insurance policy obligations. The Company also establishes adequate insurance reserves relating to its exposures. The Company also has regular monitoring in place to review new developments such as Covid-19 with the potential to materially change assumptions used by actuaries to determine reserves.

In order to minimize its insurance risk, the Company has also established segregated accounts for Policyholders in accordance with the Segregated Accounts Companies Act 2000. Each Policyholder's segregated account contains the policy assets and liabilities that are legally separated from the assets and liabilities of the Company's general account and other segregated accounts. The Company maintains reserves in the general account for future policy death benefits representing management's best estimate of the Company's liability for death claims on underlying policies.

The Company's reserves are also assessed by the Approved Actuary pursuant to the Act and as well as reported in accordance with Bermuda statutory filing guidelines. Reinsurance to cover the death benefit exposure is an option available to the Company, although it has not currently used.

Management has given special consideration to the Company's mortality risks due to the COVID-19 pandemic, and has concluded that there has been no significant impact as of the first half of 2021.

ii. Investment & liquidity risk:

The investments of the Company are managed in alignment with its overall organizational strategy. Investment risk is mitigated by the Company such that it operates legally segregated accounts designed to ensure that each Policyholder's assets are insulated from the assets and liabilities of other Policyholders. Therefore, the actual investment risk relates to Company's own investments, which is assessed to be minimal.

Liquidity risk relates to Custodian not being able to meet its payment obligations on due dates. The risk of Custodian not being able to pay overdue bills or meet other payment obligations is estimated as low. Custodian has access to real-time reports on its liquidity situation and prepares detailed and accurate cash flow projections and budgets which are reviewed against actual performance. Parental support is a measure of last resort available to the Company should it be required.

iii. Market risk:

Market risk includes changes in interest rates, exchange rates and equity prices which may lead to depreciation of Custodian's assets. Custodian is also indirectly exposed to market risks through a downturn in security prices leading to the value of customers' assets declining, which in turn leads to reduced revenues. The risk of revenue decreases to Custodian's survival is assessed as low as Policyholders' investments are diverse, and declines in one part of the market may not necessarily impact other parts of the market.

iv. Credit risk:

Credit or counterparty risk is the risk of a counterparty or borrower, not fulfilling its commitments to Custodian and the risk of collateral held under a customer policy not covering a claim made on that policy. Before execution and transfer of an order, the ultimate policyholder must pay the premium and associated fees in order to purchase the securities. In the case of a sale, the proceeds will be paid out to the customer after deducting the fees. Charges are deducted from the assets of the client's account that is under discretionary portfolio management. During 2020 one of the Company's custodian institutions entered special administration and the Company moved swiftly to transfer most of its assets and protect the balance. The remaining balance is fully protected the majority of Custodian's assets are deposited in banks and other institutions with high credit ratings. The overall credit and counterparty risk of the Company is therefore considered remote.

v. Operational risk:

Operational risk is the risk of loss resulting from inadequate or failed internal procedures or processes, human and system errors or from external events. The Company's risk management activities include monitoring the operational risk the Company is exposed to in order to identify any additional operational risks and take actions to adequately manage exposures that could lead to potential adverse developments. If key personnel leave the company there is a risk that important specialist knowledge will be lost. To reduce this risk, the administrative staff engage in on-going training in various services so that more people can perform various job functions. The Company may hire specialist, outsourced support should the vacancy arise at a critical time to mitigate this risk. System related risks may arise when the Company is unable to fulfil its obligations as a result of the failure of technical systems or data breach. These system related risks are managed in accordance with Custodian's Business Continuity Plan. Any incident occurring in the IT environment is directly reported to the senior management who will investigate and propose measures to remediate any problems. Furthermore, to minimize system risks, Custodian has contracted an external IT support company to review and recommend on a full suite of protection measures.

vi. Strategic risk:

Strategic risk relates to changes in general market conditions and institutional changes that may impact Custodian's potential to achieve its strategic goals. In conjunction with this, the Board also regularly reviews the performance of the senior management to ensure that strategic goals and objectives set by the Board are adequately implemented and achieved.

vi. Reputational risk:

Reputational risk is the threat or danger to the good name or standing of the Company, and can occur due to actions of the Company, actions of an employee or employees or tangentially through other peripheral parties, such as outsourced services partners or suppliers. The reputational risk component of the

Company's risk management framework includes procedures to identify and monitor potential reputational risks; and methodologies to understand the impact of other material risks as they relate to the Company's reputation.

The Company's internal regulations, including guidelines for dealing with complaints and ethical guidelines, is required reading and guides employees' behaviour when dealing with customers. The Company regularly reviews, monitors the environment to ensure that any reputational risk to the Company is proactively identified and adequately addressed to mitigate the risk.

vii. Legal risk:

Legal risks may arise due to changes in the legal or regulatory environment or the risk that legal rulings relevant to the Company's business model may change and create additional loss costs or expenses not anticipated and not priced into the Company's product. Regulatory initiatives designed to reduce insurer profits or new also legal theories may create costs for the insurer beyond those recorded in the financial statements or the Company may not continue in its current form due to amended legislation.

The Company's legal risk is managed in accordance with its compliance guidelines and compliance function, which is responsible for identifying potential adverse legislative developments that may impact the Company. Action is proactively taken to mitigate this risk through monitoring and review of regulatory legislation amendments, in order to minimize adverse impact of these risks.

The Company also uses sides A,B and C Directors and Officers insurance as a defence against potential financial liability arising from civil action brought against the Company and/or its Directors.

5. SOLVENCY VALUATION

The Company has considered the valuation principles outlined in guidance provided by the BMA and the Company's economic valuation principles are to measure assets on a fair value basis. Fair value is defined as the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction (not a forced liquidation or distress sale) between market participants at the measurement date, that is, an exit value.

The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 – Fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date reflecting market transactions.

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc.) and inputs that are derived from or corroborated by observable market data.

Level 3 – Fair value measurements using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable, including assumptions about risk.

The Company use a number of valuation sources to determine fair values. Valuation sources may include quoted market prices; third-party commercial pricing services; third-party brokers; industry standard, vendor modelling software that uses market observable inputs; and other modelling techniques based on projected cash flows.

The principles for determining technical provisions are made with respect to mortality tables, investment returns, rates of policy termination and operating expenses. Actual experience is monitored to ensure that assumptions underlying these provisions remain appropriate. The Company has varied the mortality assumption by region by grouping policies and assigning publicly available mortality tables. Due to the small mortality risk associated with the policies, the provision for future policy death benefits is assessed as not being very sensitive to the mortality assumption. The technical provisions are recorded lower than overall fund value and total reserve reported in the Company's Statutory Balance Sheet. The Company does not retain the investment risk on the performance of the assets underlying the contract fund value and anticipated fees are generally expected to be higher than anticipated expenses. The Company's Approved Actuary Milliman Inc. is actively involved in the calculations of the technical provisions. Based on their analysis and review they issue an opinion on Company's technical provisions held in support of the long-term policies of the Company.

6. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain policyholder, creditors and market confidence and to sustain future development of the business. To enable the BMA to better assess the quality of the insurer's capital resources, a Class C insurer is required to disclose the makeup of its capital in accordance with the '3-tiered capital system'. Highest quality capital is classified as Tier 1 Capital, lesser quality capital is classified as either Tier 2 or Tier 3 Capital. The Act requires that Class C insurers have Tier 1 Capital equal to or greater than 50% of the value of its enhanced capital requirement ("ECR") and Tier 3 Capital of not more than 17.65% of the aggregate of its Tier 1 Capital and Tier 2 Capital.

As of December 31, 2020, all of the eligible capital used by the Company to meet the minimum margin of solvency ("MMS") and ECR was Tier 1 Capital.

7. SIGNIFICANT EVENTS

Impact of COVID-19

The Company's Q2, 2021 results indicate that there was no negative impact on the Company's business from the COVID-19 pandemic. Management believes it is too early to determine the full impact of the pandemic for the year 2021 and beyond. While improbably, there remains the possibility that the Company could experience a reduction in the rate of new business if there is a widespread economic slowdown or global recession, and an increase in early withdrawals. Management will continue to monitor the ongoing impact of COVID-19 closely.

Regulatory Onsite

The Company is subject to periodic reviews by the BMA which regulates all insurance companies in Bermuda. The last such review is still ongoing. As at the date of this FCR, the Company has not been subject to any regulatory action by regulators in any jurisdiction including the BMA.

8. DECLARATION

Declaration of the Financial Condition Report.

We, the undersigned, declare that to the best of our knowledge and belief, the financial condition report fairly represents the financial condition of the Company in all material respects as at December 31, 2020.

Executive Director
Joakim Samuelsson

8. DECLARATION

Declaration of the Financial Condition Report.

We, the undersigned, declare that to the best of our knowledge and belief, the financial condition report fairly represents the financial condition of the Company in all material respects as at December 31, 2020.

Joakim Samuelsson

Executive Director
Joakim Samuelsson

Date signed: 27 July 2021

Philip Anderson

Philip Anderson
Director

Date signed: 27. July. 2021