



KUVARE

Kuvare Life Re Ltd.

Financial Condition Report

For the year ended 31 December 2021

Table of Contents

1. BUSINESS AND PERFORMANCE	3
2. GOVERNANCE STRUCTURE	5
3. RISK PROFILE	9
4. SOLVENCY VALUATION	10
5. CAPITAL MANAGEMENT	11
6. SUBSEQUENT EVENTS	13
7. DECLARATION ON FINANCIAL CONDITION REPORT	14

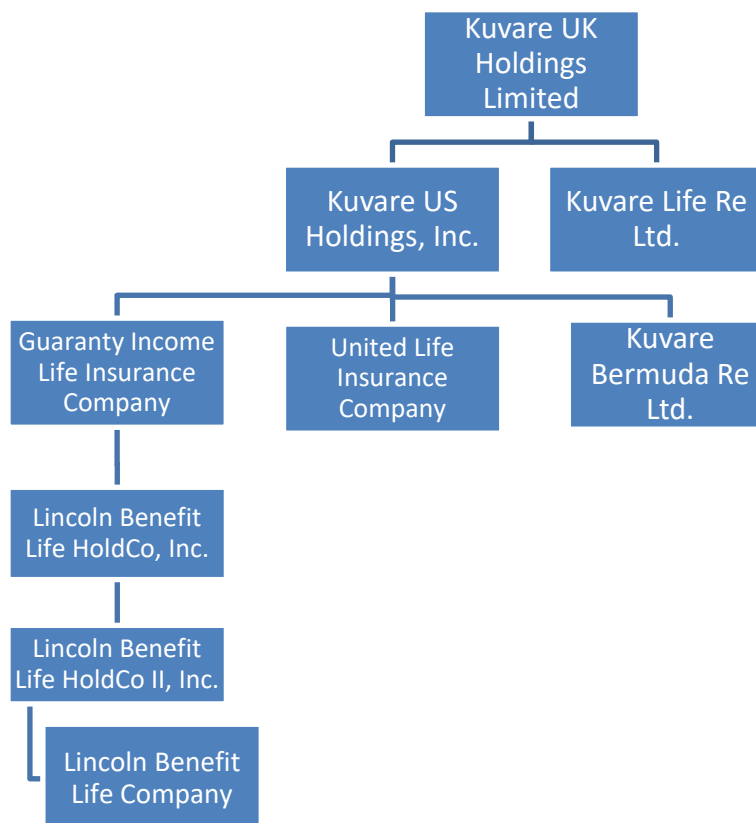
Kuvare Life Re Ltd. (“KLR” or “the Company”) was incorporated as a Bermuda exempted company with limited liability on May 27, 2016 and registered as a Class E insurer under The Insurance Act 1978 of Bermuda, effective October 3, 2016.

1. BUSINESS AND PERFORMANCE

- a. Name of Insurer
Kuvare Life Re Ltd.
- b. Supervisor
Bermuda Monetary Authority
BMA House
43 Victoria Street, Hamilton
Bermuda
- c. Approved Auditor
Statutory Reporting & GAAP Reporting
EY Bermuda Ltd.
3 Bermudiana Road
Hamilton, HM08
Bermuda
- d. Ownership Details
KLR is solely owned by Kuvare UK Holdings Limited, a holding company incorporated under the laws of England and Wales. Kuvare Holdings LP, a Cayman Islands exempted limited partnership is the direct shareholder of Kuvare UK Holdings Limited and ultimate parent of KLR. Kuvare Holdings LP is ultimately owned by a group that includes senior management of the Company along with long-term institutional investors including family office, sovereign wealth funds and endowment investors.

e. Group Structure

The ownership structure up to KLR's ultimate beneficial owners is outlined in the chart below.



f. Insurance Business Written by Business Segment and by Geographical Region

KLR seeks to opportunistically reinsure well written fixed annuity business from non-related third party cedents up to 100% quote share, via various structures that may include reinsurance via general account, coinsurance, modified coinsurance, or funds withheld structures. KLR will also selectively write life insurance business and other long-term business. As of April 2022, KLR has written approximately \$3.1 billion of unrelated business, entirely from Bermuda or U.S. counterparties, backing USD denominated life and annuity liabilities. Factors that are considered when assessing transactions include:

- i) quality of assets-in-kind received to support liabilities
- ii) quality of counterparty (i.e. preference for B+ or better by AM Best or another NRSRO, or registered with / reviewed by BMA)
- iii) degree of certainty with respect to underlying liabilities

KLR believes that there is a significant opportunity to build an insurance platform by acquiring and supporting the enduring growth of life insurance and annuity business and engaging in reinsurance partnerships.

g. Performance of Investments for reporting period

Investments

KLR strives to maintain a well-diversified investment portfolio that is characterized by the absence of abrupt changes in overall quality, average maturity, security characteristics, and industry concentration. Management of the portfolio is governed by the prudent person rule and agreed upon investment guidelines included in the retrocession reinsurance agreements. As of December 31, 2021, the Company's investment portfolio comprised of fixed maturity securities and other investments in the form of limited partnerships or similar legal structures, recorded at fair value of \$135 million (2020: \$122.3 million). The net investment income, realized gains and unrealized gains for the year ended December 31, 2021 was \$7.0 million (2020: \$7.9 million).

Funds withheld and modified coinsurance

As part of the Company's retrocession reinsurance agreements, the Cedants hold funds withheld or modified coinsurance balances representing assets offsetting the Company's deposit liability and policy benefit reserves. These assets consist primarily of investment grade assets and are managed either by the Cedants, well-established reinsurance group and insurance companies with A ratings from AM Best, or by Kuvare Insurance Services LP, an affiliate of the Company that manages assets across the Kuvare companies, including overseeing third party manager relationships with high quality independent third-party managers including Guggenheim Investment Partners and Goldman Sachs Asset Management. Net results from funds withheld, modified coinsurance and related liabilities, representing the net results of the transactions including realized, unrealized gains on investments and excluding embedded derivatives, was \$45.2 million (2020: \$57.3 million).

h. Material Income & Expenses for the Reporting Period

The Company's primary income will come in the form of investment income, and the Company's primary expenses come in the form of claims and other insurance expenses and interest credited to policy holder account balances and Deposit liability expenses, as noted in section g.

i. Any Other Material Information

There are no other material items to note.

2. GOVERNANCE STRUCTURE

KLR has developed risk and governance framework proportionate to the nature, scale and complexity of its current business.

a. Board and Senior Executive

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

The Board of Directors' (the Board) role is to exercise oversight in relation to the organization.

The Board consists of 3 directors, which consists of 2 executive directors and 1 non-executive director.

The key executives responsible for KLR's operations are:

- Dhiren Jhaveri, Chief Executive Officer
- Kevin Hovi, President, Chief Financial Officer and Principal Representative
- David Graham, Chief Risk Officer

KLR is also supported by group resources as required, including certain operational and investment functions.

ii. Remuneration Policy:

Determinations about employee compensation are made by the Compensation Committee of the Group. Therefore, no employee policies or remuneration decisions are made directly by the Company. As a result, no specific remuneration policies exist for the Company.

iii. Pension or Early Retirement Schemes for Members, Board and Senior Employees:
Not Applicable

iv. Shareholder Controllers, Persons who Exercise Significant Influence, the Board or Senior Executive Material Transactions:

There are no material transactions to note.

b. Fitness and Proprietary Requirements

i. Fit and Proper Process in assessing the Board and Senior Executive

The Company appoints members of the Board based on the individual's expertise and work experience, role within the group (if applicable) as well as professional judgment.

ii. Board and Senior Executives Professional Qualifications, Skills and Expertise

Dhiren Jhaveri – Executive Director

Dhiren Jhaveri brings substantial insurance industry expertise having led strategy, capital management, M&A and investment risk for Sammons Financial Group and its affiliates (Sammons), which is affiliated with the largest investor in Guggenheim Partners. Dhiren has deep experience managing annuity & life insurance businesses including the underwriting of fixed annuities, pricing and managing annuity & life insurance reinsurance transactions, and re-underwriting annuity and life insurance blocks of businesses on acquired insurance businesses.

Kevin Hovi – Executive Director

Kevin Hovi brings strong investment, finance and insurance expertise having years of experience in progressively senior financial and investment roles in Bermuda with Longitude RE Limited and XL Catlin. Kevin has twenty years of Bermuda market experience, including experience as a Senior Vice-President with XL Catlin and Chief Financial Officer of Longitude RE Limited.

Adam Hopkin – Non-Executive Director

Adam Hopkin is a Director at the Continental Management Limited, a licensed Corporate Services Provider in Bermuda. He is a former partner of Arthur Morris & Company Limited, a Bermuda-based audit and financial services group. He has over 18 years' experience in the financial services industry in both audit and corporate management. He acts as a director for a number of Bermuda and Irish-regulated entities, including investment managers, investment funds, trust companies, SPV's and insurance companies.

David Goldberg - Alternate Director to Dhiren Jhaveri

David Goldberg brings more than 20 years of broad commercial law and senior executive experience, having started his legal career in 1993 at the Sidley & Austin firm in Chicago. He has served in numerous corporate General Counsel roles, including insurance sector roles at Coregis Insurance, a specialty property and casualty company, as well as life and health companies Combined Insurance (and its worldwide affiliates) and Sterling Life Insurance Company. Most recently he served as General Counsel to the Illinois State Toll Highway Authority.

c. Risk Management and Solvency Self-Assessment

i. *Risk Management Process & Procedures to Identify, Measure, Manage and Report on Risk Exposures*

The nature of the Company heavily influences its risk management strategy. Most of the risks assumed are long-term in nature and transaction specific. Accordingly, the primary source of risk management consists of the initial transaction analysis, after which the Company is bound by the terms. At this point in the Company's development, capital deployment is contingent on approval of the group Board's Transaction Committee; accordingly, the second line of risk management consists of this approval process which is ultimately external to the Company and the Board. It is expected that the Company will agree on terms and guidelines with its counterparties, which will provide an additional line of defense in several manners.

Given this construct, the primary risk management objectives of the Company's management are:

1. Ensure quality of original transaction underwriting
2. Ensure appropriate group approvals are in place for original transaction approval
3. Monitor ongoing risks primarily via transaction monitoring procedures
4. Establish and review high level metrics that are less detailed than transaction level guidelines but focus Board level attention to ensure an independent assessment of key risks.

ii. *Risk Management and Solvency Self-Assessment Systems Implementation*

The Company's risk management framework is implemented and integrated into its operations through the systems, processes and procedures, and controls developed by management proportionately applied cognizant of the Company's current risk profile. The Board has approved a Risk Governance Framework covering the key risks of the Company.

iii. Relationship Between Solvency Self-Assessment, Solvency Needs & Capital, and Risk Management

The Company monitors its risk primarily using an internal view of risk and capital as governed by the CISSA. The Company has also developed the Bermuda Statutory model alongside measuring its capital on a NAIC equivalent basis to supplement the above-noted internal based approach. This allows the Company to monitor its risks using multiple regulatory frameworks. The Company is confident it can continue to meet its regulatory capital requirements over its planning horizon given its strong capital position under all measures along with its strong base of available additional committed capital to supports its operations on both existing and future transactions. With an independent Chief Risk Officer in place, the separation of the risk function from operations enhances the control environment.

iv. Solvency Self-Assessment Approval Process

The Company's model for self-assessment as noted above primarily relies on two separate statutory based views on capital. The Company also has an internal capital framework that is used for the CISSA process.

d. Internal Controls

i. Internal Control System

The Company has outsourced a number of operations to group entities and its appointed service providers. Further details are outlined in section g.

ii. Compliance Function

The Company monitors its ongoing compliance on an ongoing basis and reports regularly to the Board on compliance matters as governed by this document.

e. Internal Audit

The Company has considered if it should maintain an internal audit policy as part of the Risk Governance process. The Kuvare group of companies has engaged KPMG as its internal auditor.

f. Actuarial Function

Each transaction is subject to a detailed actuarial analysis (if applicable) and is subject to sophisticated modelling from both a cash flow and investment return perspective. This analysis is carried out by the company's internal actuarial team, consultants of KLR and the approved actuary (PwC) for additional third-party actuarial support. PwC serves as the Appointed Actuary of the Company for purposes of the Bermuda statutory actuarial opinion.

g. Outsourcing

i. Outsourcing Policy and Key Functions that have been Outsourced

The Company has developed an outsourcing policy that outlines Board delegation regarding various functions.

ii. *Material Intra-Group Outsourcing*

Currently several services are provided by the group including investment management and actuarial support.

h. Other Material Information

No other material information to report.

3. RISK PROFILE

i. Material Risks the Insurer is Exposed to During the Reporting Period

The key risk categories that the Company is exposed to include Underwriting Risks, Investment Risk and Operational Risks. The Company's Underwriting Risks consist primarily of risks associated with policyholder behavior, but also is exposed to longevity and mortality exposure through two of its transactions. The Company has further defined these along with its risk tolerances in its Risk Governance Manual.

j. Risk Mitigation in the Organization

The Company has established risk tolerances and management has established quarterly compliance monitoring to ensure it operates within these risk tolerances.

k. Material Risk Concentrations

The company manages investment concentration risk in compliance with both its counter-party investment guidelines and policy monitored by the Board as part of its Risk Governance framework.

l. Investment in Assets in Accordance with the Prudent Person Principles of the Code of Conduct

KLR strives to maintain a well-diversified investment portfolio that is characterized by the absence of abrupt changes in overall quality, average maturity, security characteristics, and industry concentration. Management of the portfolio is governed by the prudent person rule and investment guidelines that form part of the Funds Withheld and Modified Coinsurance Retrocession agreements. Rather than focusing primarily on the prudence of each individual investment decision in isolation from the portfolio under management, KLR utilizes the broader interpretation of the prudent person rule. This interpretation permits the investment manager to focus on the impact of individual investment decisions on the prudence of the overall investment portfolio. The portfolio primarily invests in a wide range of fixed income instruments selected from, but not limited to, U.S. government and agency securities, corporate bonds, municipal bonds, residential mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities. Additionally, the portfolio may invest in collateralized mortgage obligations, collateralized debt obligations, mortgage derivatives, mezzanine and preferred securities, convertible debt, bank loans, direct mortgage loans, direct investments in real estate, credit tenant loans, collateral loans and limited partnerships or similar legal structures.

m. Stress Testing and Sensitivity Analysis to Assess Material Risks

The Company performs regular stress and scenario testing to ensure that regulatory requirements can be met. The Company uses deterministic analysis and more complex stochastic techniques to model its key risks. The tests consider the immediate impact on regulatory requirements; and also,

longer term impacts on dividend paying ability. The stress tests highlighted the resilience of the Company.

4. SOLVENCY VALUATION

a. Valuation Bases, Assumptions and Methods to Derive the Value of Each Asset Class

The Company has used the valuation principles outlined by Bermuda Monetary Authority's "Guidance Note for Statutory Reporting Regime" for the reporting period's statutory filing. The economic valuation principles outlined in this document are to measure assets and liabilities on a fair value basis (which is the value that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date).

b. Valuation Bases, Assumptions and Methods to Derive the Value of Technical Provisions

The Company's technical provisions were valued based on best estimate cash flows, adjusted to reflect the time value of money using the BMA's Scenario Based Approach whereby 8 different interest rate stress scenarios prescribed by the BMA were applied to the December 31, 2021 risk-free spot curve. The best estimate cash flows were then discounted to reflect the projected performance of the Company's assets under the most severe interest rate stress scenario.

The Company also recorded a risk margin to reflect the level of uncertainty inherent in the underlying cash flows which was calculated using the cost of capital approach and discounted using risk-free spot rate prescribed by the BMA as of December 31, 2021. At December 31, 2021, the total Technical Provisions amounted to \$3,01 billion comprising of the following:

	USD '000'
Best Estimate Long Term Business Insurance Provisions	2,980,140
Risk Margin - Long Term Insurance business	26,547
Total	<u>3,006,687</u>

c. Description of Recoverables from Reinsurance Contracts

Not applicable. The Company does not have any ceded insurance.

d. Valuation Bases, Assumptions and Methods to Derive the Value of Other Liabilities

See point a. The Company's liabilities are valued at fair value in accordance with the valuation principles outlined by the BMA's "Guidance Note for Statutory Reporting Regime".

e. Any Other Material Information

No additional material information to report.

5. CAPITAL MANAGEMENT

a. Eligible capital

i. *Capital Management Policy and Process for Capital Needs, How Capital is Managed and Material Changes During the Reporting Period*

The primary capital management objectives of the Company are to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. The Company's capital and risk management strategy are primarily unchanged from the business plan submitted for licensing.

ii. *Eligible Capital Categorised by Tiers in Accordance to the Eligible Capital Rules Used to Meet ECR and MSM Requirements of the Insurance Act*

At the end of the reporting period, the Company's Eligible Capital for its Enhanced Capital Requirement (ECR) was categorized as follows:

	December 31, 2021 in USD '000'
Tier 1	247,869
Tier 2	-
Tier 3	-
Total	<u>247,869</u>

Tier 1 capital, the highest quality capital, consists of capital stock of \$250,000, contributed surplus of \$132,119,428 and statutory economic surplus of \$115,500,059.

The Company is licensed as a Class E Long term insurer under the Act and is required to maintain a minimum statutory solvency margin equal to the greater of a minimum solvency margin (MSM) and a percentage of the Enhanced Capital Requirement (ECR). The MSM is equal to the greater of (i) \$8 million (ii) 2% of the first \$500 million of assets plus 1.5% of assets above \$500 million or (iii) 25% of ECR. The ECR is calculated based on a standard risk-based capital model developed by the Bermuda Monetary Authority (BMA). As at December 31, 2021, the company is required to maintain an estimated minimum statutory capital and surplus (MSM) of \$48,673,809. The actual statutory capital and surplus, as determined using statutory accounting principles, is \$260,585,065 as at December 31, 2021.

iii. *Confirmation of Eligible Capital That is Subject to Transitional Arrangements*

Not applicable. The Company had no capital subject to transitional arrangements.

iv. *Identification of Any Factors Affecting Encumbrances on the Availability and Transferability of Capital to Meet the ECR*

Not applicable. There were no encumbrances on the availability and transferability of capital to meet the ECR.

v. *Identification of Ancillary Capital Instruments Approved by the Authority*

Not applicable. The Company had no ancillary capital instruments approved by the BMA.

vi. *Identification of Differences in Shareholder's Equity as Stated in the Financial Statements Versus the Available Capital and Surplus*

The differences between the Shareholder's Equity reported in the GAAP financial statements versus the available capital and surplus include the following:

As of December 31, 2021	in USD '000'
Shareholders' equity - US GAAP	466,189
Statutory capital and surplus - statutory financial statements	260,585
Available capital and surplus - economic balance sheet	247,869

b. Regulatory capital requirements

i. *ECR and MSM Requirements at the End of the Reporting Period*

As at December 31, 2021, the Company's regulatory capital requirements were assessed as follows:

Requirement	in USD '000'
Minimum Margin of Solvency (MSM)	48,674
Transition Enhanced Capital Requirement	106,017
Transition Enhanced Capital Requirement Ratio	234%

During Q4 2021 the Company reduced its exposure to interest rates by shortening duration; this tactical positioning was done based on the Company's view that persisting increases in inflation were inconsistent with low interest rates; the Company expects that its ECR ratio will benefit from (1) the impact of rising interest rates in Q1 leading to assets outperforming liabilities and (2) reduced ALM charges from closing the duration gap. We note that the duration mismatch of the Company remained within its internal risk limits.

ii. *Identification of Any Non-Compliance with the MSM and the ECR*

The Company was compliant with the MSM and ECR requirements as at December 31, 2021. Available statutory economic capital and surplus exceeded ECR by \$141.9 million, with the transitional BSCR ratio at 234%.

iii. *A Description of the Amount and Circumstances Surrounding the Non - Compliance, the Remedial Measures and Their Effectiveness*

Not applicable.

iv. *Where the Non-Compliance is not Resolved, a Description of the Amount of the Non-Compliance*

Not applicable.

- c. Approved Internal Capital Model
- i. *Description of the Purpose and Scope of the Business and Risk Areas Where the Internal Model is Used*
Not applicable.
 - ii. *Where a Partial Internal Model is Used, Description of the Integration with the BSCR Model*
Not applicable.
 - iii. *Description of Methods Used in the Internal Model to Calculate the ECR*
Not applicable.
 - iv. *Description of Aggregation Methodologies and Diversification Effects*
Not applicable.
 - v. *Description of the Main Differences in the Methods and Assumptions Used for the Risk Areas in the Internal Model Versus the BSCR Model*
Not applicable.
 - vi. *Description of the Nature & Suitability of the Data Used in the Internal Model*
Not applicable.
 - vii. *Any Other Material Information*
Not applicable.

6. SUBSEQUENT EVENTS

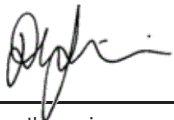
There were no material events that occurred subsequent to December 31, 2021.

7. DECLARATION ON FINANCIAL CONDITION REPORT

(Prepared in accordance with section 5 of the Insurance (Public Disclosure) Rules 2015)

For the year ending – December 31, 2021

We, the undersigned Directors of the Company declare that to the best of our knowledge and belief, that this report fairly represents the financial condition of the Company in all material respects.



Dhiren Jhaveri
CEO



Kevin Hovi
CFO