Resolution Re Ltd. Financial Condition Report

April 30, 2023

Resolution Life

Contents

1. Executive Summary

This Financial Condition Report has been prepared in accordance with the Insurance (Public Disclosure) Rules as promulgated by the Bermuda Monetary Authority ("BMA") under the Bermuda Insurance Act 1978 (the "Act"). This report outlines the financial condition of Resolution Re Ltd. ("Resolution Re" or the "Company"), including information about its corporate governance, risk profile, solvency valuation and capital management for the reporting period January 1 to December 31, 2022.

Resolution Re was incorporated as a Bermuda exempt company on May 25, 2017 and registered as a Class E long-term insurer, focused on life and annuity reinsurance and other risk transfer solutions to both third parties and affiliates. The Company is a wholly owned subsidiary of Resolution Life Group Holdings Ltd. ("RLGH"), the Bermuda domiciled holding company of the Resolution Life Group (the "Group").

1.1 Key Highlights

During the financial year ending December 31, 2022, despite on-going market volatility throughout, the Company's solvency position remained strong, with a BSCR ratio of 216% as of year-end 2022.

In the first half of 2022, Resolution Re closed a reinsurance transaction with Dai-Ichi Life, an established and reputable Japanese Life Insurance counterparty, for the transfer of a closed book of whole of life policies with US$1.5b in total liabilities. This marked the first Japanese reinsurance transaction for Resolution Re, which represents the first step in establishing Resolution Life's brand in Japan, a strategic market with potential for significant growth for the Group.

To date the Company has written several reinsurance transactions in three different jurisdictions, bringing overall assets under management to ~$25bln.

In October 2022, Resolution Life and Blackstone announced a strategic partnership whereby Blackstone will become Resolution Life's investment manager for certain key areas, including directly originated assets across private credit, real estate and asset-based-finance markets. This partnership solidifies Resolution Life's position as a leader in the multi-trillion-dollar global life and annuity consolidation market by combining Resolution Life's global liability management platforms and Blackstone's insurance asset management capabilities.

Resolution Life and Blackstone plan to raise $3 billion of new equity capital commitments – including a $500 million strategic investment from Blackstone – bringing their overall equity capital base to more than $8 billion. The $3 billion in capital would be raised through a newly established perpetual capital vehicle with Blackstone serving as the General Partner and the majority of Resolution Life's existing investors expected to roll their investments into this vehicle.

Nippon Life, the largest existing investor in Resolution Life, supports the strategic partnership and welcomes Blackstone's investment and asset management expertise which will contribute meaningfully to the growth and development of Resolution Life. In January 2023, Nippon agreed to invest an additional commitment of $1 billion in Resolution Life bringing the cumulative investment to $1.65 billion.

The enhanced capital base will allow Resolution Life to rapidly scale its growth path in a highly active acquisition market – continuing its mission of being a global custodian to life insurance and annuity policyholders. Resolution Life remains Group regulated by the BMA with a strong group capital position, high solvency ratios and investment grade ratings.

As noted in section ***2.9 Other Material Information*** the Company's credit rating was reaffirmed as A3 and A- by Moody's and Fitch respectively, with "Stable" outlook.

1.2 Governance Structure

Resolution Re is committed to ensuring that an established, well maintained and robust corporate governance and Risk Management Framework ("RMF") exists within the Company, which meets the requirements set out by the BMA and established market practice.

The Company has structured roles, responsibilities and accountability for risk taking in accordance with the three lines of defense principles, which ensures appropriate segregation of duties under the oversight and supervision of the Company's Board of Directors (the "Board").

Over the course of 2022, the Company continued to enhance its's governance and Enterprise Risk Management ("ERM") frameworks via the development and strengthening of internal policies and procedures as well as the recruitment of additional staff.

1.3 Risk Profile

The Company is exposed to a number of internal and external risks as a life and annuity reinsurer. To effectively manage these risks the Board has formalized and approved the Company's Risk Appetite and RMF policies, which define the Company's total risk capacity, risk preferences and governance arrangements for taking, mitigating and avoiding risk.

A formalized incident management reporting process exists within the Company to ensure timely and effective reporting of operational risks to the appropriate governance level.

1.4 Solvency

The Company evaluates its assets and liabilities on a market consistent basis in accordance with the Bermuda Economic Balance Sheet ("EBS") valuation principles.

1.5 Capital Management

The principles and guidelines for governing the Company's capital management practices is established through a Board-approved Capital Management Policy, which provides for the prudent management of capital resources in compliance with the EBS rules set out by the BMA.

The Company recognizes that in order to maintain the confidence of stakeholders and to effectively pursue its business strategy, capital in excess of its minimum regulatory capital requirements needs to be maintained. As a result, the Company sets Target Capital Ratios ("TCR") that enable it to meet the expectations of rating agencies and shareholders. The TCRs are regularly reviewed to ensure their adequacy in light of potential/actual changes in the external and internal environment.

As at December 31, 2022 the Bermuda Solvency Capital Requirement ('BSCR') ratio is 216%.

1.6 Subsequent Events

See section ***7 Subsequent Events***.

2. Business And Performance

2.1 Name of Insurer

Resolution Re Ltd.
Wessex House
2nd Floor, 45 Reid Street,
Hamilton, HM 12, Bermuda

2.2 Supervisor

Insurance Regulator:

Bermuda Monetary Authority
BMA House
43 Victoria Street,
Hamilton HM 12, Bermuda
+1 441 295 5278

2.3 Approved Auditor

Independent Auditor:

Deloitte & Touche Ltd.
Corner House
20 Parliament Street
Hamilton HM 12, Bermuda
+1 441 292 1500

2.4 Ownership Details

Resolution Re is a wholly owned subsidiary of Resolution Re Finance (Bermuda) Ltd. Its ultimate controlling organization is Resolution Life Group Holdings L.P., a Bermuda partnership privately owned by institutional investors.

2.5 Group Structure

The simplified structure for the Group, focusing on regulated entities as at December 31, 2022 is provided in Appendix A: Resolution Life Group Structure.

2.6 Insurance Business Written by Business Segment and By Geographical Region

The Company is a wholesale provider of life and annuity reinsurance and other risk transfer solutions to both third parties and affiliates. Forms of reinsurance include co-insurance, with or without funds withheld, and modified coinsurance.

Reinsurance coverage is generally bespoke for in-force portfolios, although will include some or all the following:

- Longevity, mortality, lapse risk;
- Asset risk; and
- Interest rate risk

The table below illustrates the geographical distribution of business written in the period ranging as of December 31, 2021 and December 31, 2022.

Gross Premiums Written (US$'s in thousands)	**2021**		**2022**		
	US	**Switzerland**	**US**	**Switzerland**	**JPY**
Life	-	3,291,834	-	103,144	1,209,616
Annuities	110	365,759	105	12,002	-
Accident and health	-	-	-	-	
Total	**110**	**3,657,593**	**105**	**115,146**	**1,209,616**

We note that the majority of Resolution Re's business consists of fixed indexed annuity business written within the US and accounting for roughly 60% of the Company's technical provisions, which is accounted for under the deposit accounting rules.

2.7 Performance of Investments, by Asset Class and Details on Material Income and Expenses Incurred for the Reporting Period

Performance of Investments

The Company invests in a combination of high quality, diversified fixed income securities, primarily being fixed income bonds, mortgage-backed securities and asset-backed securities. The overarching investment principle of the Company is to invest available funds in a diversified portfolio of assets to ensure policyholder commitments are met while contributing to the overall growth and profitability of the Company.

Resolution Re employs an investment risk-based strategy consistent with insurance industry norms, driven by the nature and duration of liabilities and which reflects the constraints arising from our Risk Appetite Framework.

The table below summarizes the total investment income by asset class as of December 31, 2021 and December 31, 2022. The change in investment income over the period is driven by the growth in the Company's assets under management, driven by the new reinsurance transactions entered into during the year.

Investment income (US$'s in thousands)	2021	2022
Fixed maturity securities	32,383	86,986
Funds withheld asset	224,500	749,396
Cash, cash equivalents and short-term investments	13	12,679
Equity securities at fair value	2,353	5,698
Investment expenses	(7,054)	(20,298)
Net investment income	**252,195**	**834,461**

Investment income (US$'s in thousands)	2021	2022
Realized gains on fixed maturity securities	39,165	(19,476)
Unrealized gains on equity securities at fair value	634	(20,195)
Funds withheld asset:		
Realized gains	(28,116)	(265,380)
Change in embedded derivative	106,555	(4,288,990)
Realized gain on derivative instruments	(135,317)	(532,547)
Investment related gains, net	**(17,079)**	**(5,126,589)**

2.8 Material Income & Expenses for the Reporting Period

The Company's main source of revenue is derived from investment income and premiums from reinsurance contracts. The Company's main expenses arise from the cost of operations, insurance payouts and acquisition expenses.

For further details, please refer to the Company's audited financial statements for the reporting period.

2.9 Other Material Information

Resolution Re has an A3 Insurance Financial Strength Rating[1] (IFSR) from Moody's Investors Service ("Moody's") with stable outlook in November 2022. This reflects the Company's good diversification of reserves by product type and geography, growing track record in concluding in-force reinsurance transactions and good financial profile. The stable outlook reflects Moody's expectation that Resolution Re will continue to strengthen its business profile through reinsurance of additional reserves, whilst maintaining a measured risk appetite and strong financial profile, including appropriate liquidity buffers against its collateral margin requirements.

[1] ***Moody's upgrades Resolution Life's issuer rating and affirms Resolution Re; outlooks stable | Resolution Life***

3. Governance Structure

The Company has established a corporate governance structure to support its core values by ensuring:

- the Company is managed in the interests of all its stakeholders;
- robust protection of the Company through a system of controls, aligned within the Group based on the risks it carries;
- the promotion of transparency and accountability; and
- the Company operates in an efficient and effective manner with appropriately high standards of ERM.

The underpinnings of the governance structure are rooted in the principles of fairness, independence, honesty, integrity and responsibility.

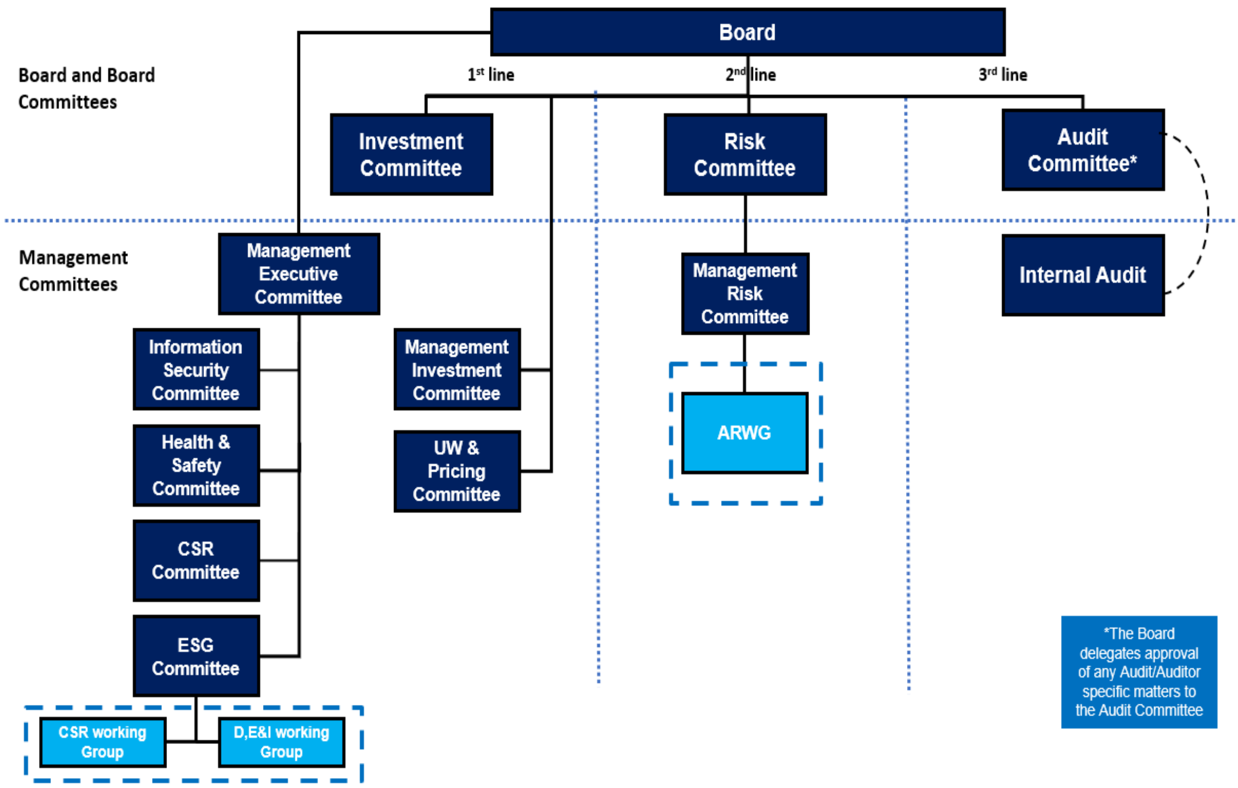
3.1 Board and Senior Executive Structure, roles, responsibilities, and segregation of responsibilities

3.1.1 Board of Directors

The Board provides oversight and direction to the implementation of the Company's RMF. To assist in exercising its responsibilities, the Board has established a number of committees as detailed in **3.1.2 Board Committees**.

The Company has also established a number of Management Committees where the Chief Executive Officer ("CEO") and his Management team work to implement the Board's strategic agenda. Roles and responsibilities of each Committee are described in their respective Charters, which are regularly reviewed.

Set out below is a visual representation of the Company's governance structure:



As of December 31, 2022 the Board consists of four directors, comprised of one independent non-executive and three executive directors, whose Board duties include, but are not limited to:

- Setting the corporate strategy and overseeing its effective implementation;
- Overseeing the effectiveness of the framework in place to implement the corporate strategy;
- Providing suitable prudential oversight of the Company's risk management and internal control framework;
- Reviewing and approving significant policies and procedures promoting effective corporate governance across the organization;
- Ensuring compliance with regulatory requirements; and
- Selecting senior executives who meet the requirements under the Resolution Re Fit and Proper Policy.

3.1.2 Board Committees

The Board has established a Board Audit Committee, Investment Committee and Risk Committee, which have been delegated oversight responsibilities as set forth in their respective charters. Each Committee is comprised of one independent non-executive director (who also chairs the Audit Committee) and three executive directors. Under the terms of their charters, the key responsibilities of each of the Committees are summarized below.

Audit Committee

- Ensuring the integrity of Company's consolidated financial statements and financial and accounting processes;
- Overseeing compliance with the audit, accounting and internal controls requirements by the Company;
- Ensuring the independent auditor's qualifications, independence and performance;
- Overseeing, the performance of the internal control over financial reporting of the Company; and
- Reviewing and monitoring the Company's legal and regulatory compliance and ethical standards.

Investment Committee

- Develop and maintain an applicable investment strategy;
- Appoint or terminate investment managers and, as required, investment advisors;
- Monitor the performance of the investment managers and investment advisors; and
- Report accordingly on the above matters to the Board.

Risk Committee

- Assist the Board and the other Board committees in overseeing the identification and review of risks that could have a material impact on the Company;
- Assess the potential impact of all material risks, including material risks affecting capital requirements and capital management, short-term and long-term liquidity requirements, reinsurance transaction obligations, and operational strategies and objectives;
- Review, with management, strategies to mitigate risk and conduct activities within approved tolerance levels;
- Oversee the development and implementation of appropriate enterprise-wide strategies and policies;
- Report accordingly on the above matters to the Board.

3.1.3 Management Committees

The Management Executive Committee ("MEC"), chaired by the Company's CEO, oversees the day-to-day management of the Company, including monitoring the effectiveness of its operations, controls and governance. The MEC assists the Board in executing corporate strategies; monitoring and managing operational and financial performance of the Company; and monitoring the Company's compliance, risk management and internal control frameworks.

The Company established the Underwriting and Pricing Committee ("UPC") to assist the MEC in the selection of reinsurance counterparties and in the execution of reinsurance transactions which align with the strategic objectives set out by the Company's Board. The UPC is chaired by the Head of Pricing who presents the analysis performed on each prospective reinsurance transaction. A representative from Head Office or other platforms, as deemed appropriate, is invited to contribute to the UPC discussion to ensure the Committee effectively discharges the responsibilities set out in its Charter.

The Management Investment Committee ("MIC") is chaired by the Company's CEO and is responsible for monitoring the management of the Company's investments in relation to their performance, execution and compliance with the investment strategy of the Company. The MIC authorizes investment transactions within the scope of the Company investment guidelines and makes recommendations to the MEC with respect to those investments which fall outside these guidelines.

The Health and Safety Committee's remit is to assist the MEC in overseeing the effectiveness of the health and safety programs and initiatives of the Company, bringing employees and management together on a regular basis in a cooperative effort to promote safety and health in the workplace.

The Environmental, Social and Governance ("ESG") Committee is to assist the MEC in providing oversight and guidance over the Company's ESG strategy. Its primary function is to provide oversight of planned business activities ensuring they are conducted in accordance with Group policies and standards. Resolution Re understands its responsibility towards sustainability, the environment and societal challenges faced. The Company demonstrates this understanding by integrating ESG considerations into the policies and principles that govern its business, showcasing its commitment to sustainable growth.

The ESG Committee is supported by the Corporate and Social Responsibility ("CSR") and the Diversity, Equity and Inclusion ("DEI") working groups in driving the Company's agenda in relation to CSR and DEI matters.

The Management Risk Committee ("MRC") is the main forum for the monitoring of the Company's risk profile, exposures and trends. The MRC is chaired by the Company's Chief Risk Officer ("CRO") who, via the CRO Report, provides an overview of the Company's risk exposures against the risk appetite approved by the Board, including any developments in the internal and external environment which could have an impact on the Company's ability to meet its strategic objectives. The MRC is supported by the Actuarial Review Working Group ("ARWG") as described in section ***3.6 Actuarial Function***.

Full composition of the MEC, UPC, MIC and MRC is noted below, including standing invitees.

Management Committee Membership				
	MEC	**UPC**	**MIC**	**MRC**
Resolution Re Executives				
Chief Executive Officer	C	M	C	M
Chief Financial Officer	M	M	M	M
Chief Operating Officer	M	M	M	M
Chief Risk Officer	M	M	M	C
(Acting) Chief Investment Officer	-	I	I	M
Head of Corporate Services	M	S	S	S
Head of Pricing	-	C	-	-
Head of Reinsurance Operations	-	M	-	-
Non-executive functions (actuary, finance, operations)	-	-	-	I
Group Executives				
Group CFO	-	-	-	I
Group Chief Risk Officer	-	-	-	I
Group Chief Investment Officer	-	-	I	-

C = chair; M = member; I = standing invitee S = Secretary

3.1.4 Remuneration Policy and Practices

The Company's practice regarding remuneration aims to build a competitive and innovative environment that attracts, retains, motivates and rewards high-performing employees, promote an ethical culture by ensuring remuneration is based on qualitative, not just quantitative assessment and promote the achievement of strategic objectives. This practice follows the Group's remuneration policy, also designed to attract and retain highly qualified employees thereby ensuring effective and inclusive leadership qualities in its managers. The Company's remuneration framework addresses the need to provide competitive wages and benefits; ensure enhanced communication; and foster a culture that encourages collaboration, growth and progress.

The Company's remuneration framework provides for a fixed base salary and an annual discretionary, performance-based bonus, which varies in accordance with the performance of the individual and Company. Participation in the Group's long-term incentive plans is also available for selected members of Staff.

In addition to quarterly performance reviews, the MEC conducts reviews of compensation levels, at least annually, to ensure remuneration is in line with standard market practices and appropriate for the risk profile and performance of the Company.

Independent Board members receive fees for their work as directors; they do not receive bonuses. Executive Directors are not entitled to additional compensation for services rendered as members of the Board.

3.1.5 Pension or Early Retirement Schemes for Members, Board and Senior Employees

The Company provides all employees with pension benefits through a defined contribution pension scheme, administered by a third party. The Company provides matching contributions, consistent with the employee's level of contribution, up to a pre-determined amount. There is no pension plan for Board members.

The Company does not have an early retirement scheme.

3.1.6 Material Transactions with Shareholder Controllers, Persons who Exercise Significant Influence, the Board or Senior Executive

No material transactions were executed during the reporting period January 1 to December 31, 2022 with Board members, Senior Executives, or other individuals who exert significant influence over the Company.

3.2 Fitness and Proprietary Requirements

3.2.1 Fit and Proper Process in assessing the Board and Senior Executives

Subject to shareholder approval, the Company appoints members of the Board based on the individual's expertise and experience, as well as the professional judgment of the Chairman of the Board and recommendations from third party firms experienced in recruiting Board members. Before being appointed to the Board, all candidates must undergo a rigorous interviewing and background screening process. The Company adheres to a Fit and Proper Policy to ensure it meets its obligations under the BMA Fitness and Propriety framework.

The Company's CEO, in close collaboration with the Chairman of the Board, is responsible for the selection of senior members of the Company who are deemed fit and proper with the requisite knowledge and skills, given the nature, scale and complexity of the Company's business. Senior executives are formally appointed by the Board.

As mandated by the Bermuda Insurance Code of Conduct, the Board assesses its directors and officers no less frequently than every three years. The Company undertook its last assessment in July 2022, which was subsequently submitted to the BMA.

3.2.2 Board and Senior Executives Professional Qualifications, Skills and Expertise

Board Members	Professional Qualifications, Skills and Expertise
John Hele Group President and Chief Operating Officer Chairman of the Board	Mr. Hele serves as the President and Chief Operating Officer of RLGH. Mr. Hele has held various senior positions in the insurance industry, including as EVP for MetLife, Inc., Chief Financial Officer ("CFO") at ING Groep NV, and CFO, Treasurer & Executive VP for Arch Capital Group Ltd, Bermuda. Mr. Hele spent a number of years working at Merrill Lynch & Co. in Investment Banking, Financial Institutions Group. Mr. Hele is a Member of The American Academy of Actuaries, and a Fellow of the Society of Actuaries and of the Canadian Institute of Actuaries and holds a Bachelor of Math degree from The University of Waterloo.
Jason Carne Independent Non-Executive Director	Mr. Carne is an independent non-executive director of Resolution Re Ltd. and has worked for over 30 in the Bermuda reinsurance market. He has significant experience in the Life and Annuity, Insurance Linked Securities and traditional P&C sectors. Former roles include Managing Director at KPMG in Bermuda and a Partner & CFO of Hudson Structured Capital Management Limited (HSCM), an SEC Registered Investment Advisor (RIA). Post retirement, Mr. Carne acts as an Independent Non-Executive Director, Audit and/or Risk Committee chair to several companies including the Integral Funds Group, Triangle Life Ltd. and AEL Re Bermuda Ltd (a subsidiary of American Equity Investment Life Group), and currently sits on the Advisory Board to HSCM. Mr. Carne is a Fellow of the Institute of Chartered Accountants of England and Wales, a member of the Chartered Professional Accountants of Bermuda and holds an Associate in Reinsurance designation.
Jonathan Moss Group Chief Risk Officer	Mr. Moss serves as the Group Chief Risk Officer of RLGH. Prior to this, he was the CFO at AVIVA France SA, a unit of Aviva plc, from 2015. Mr. Moss also served as the CEO of the Heritage Division of Friends Life Group Ltd. and Group CEO of Pearl Group Services Ltd. During his earlier career, Mr. Moss held executive positions at AMP Life, London Life and National Provident Life, as well as Pearl Group Holdings and Phoenix Group Holdings. Mr. Moss has been a fellow of the Institute and Faculty of Actuaries since 1990.
Weldon Wilson Group Vice Chairman	Mr. Wilson is Vice Chairman of RLGH. Prior to joining Resolution Life in the United States, he served as an Executive Board member of the Swiss Re Group and was responsible for Admin Re® in the U.S. and U.K. Prior to Swiss Re, Weldon was General Counsel of Life Re Corporation, which was acquired by Swiss Re in 1998. Mr. Wilson started his career as an attorney for two private law firms in Texas, representing the life insurance industry.

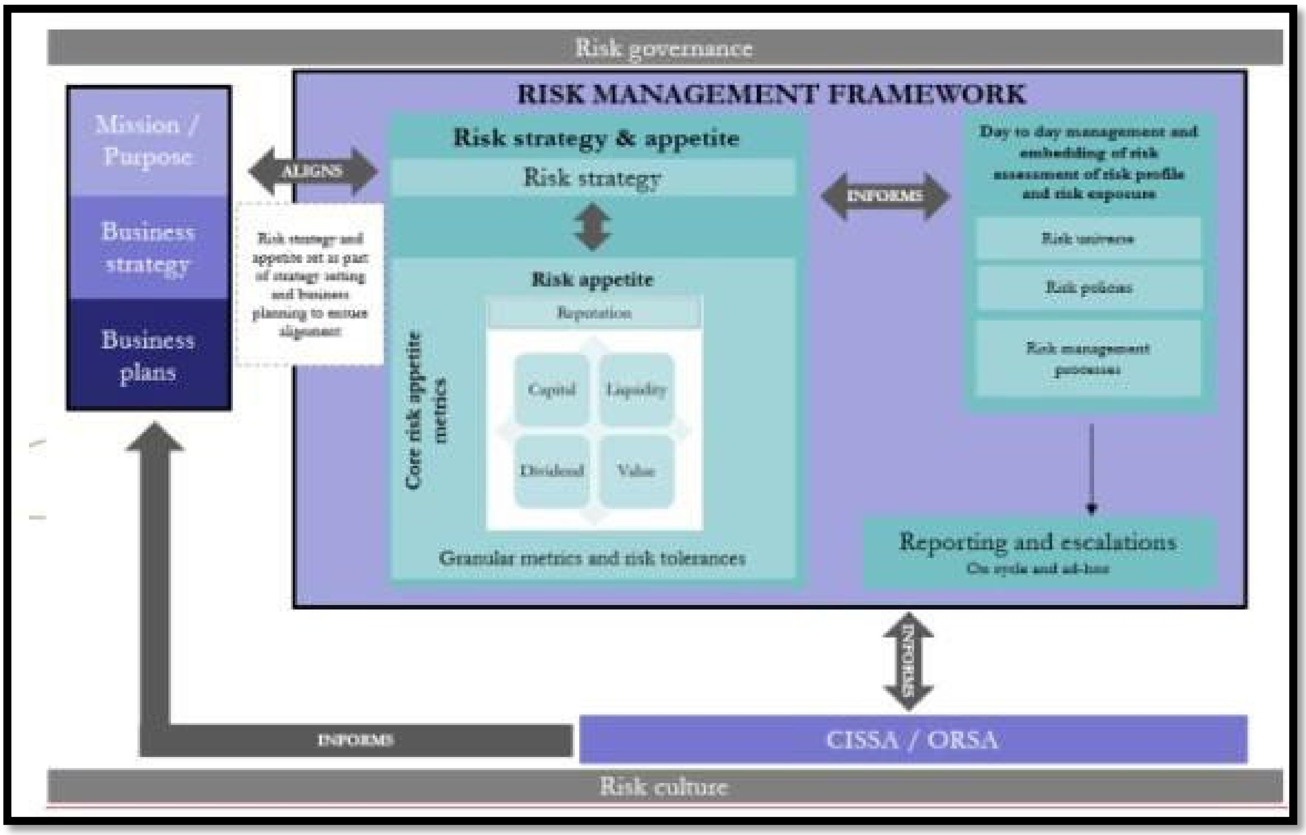
MEC Members	Professional Qualifications, Skills and Expertise
Steve Hales Chief Executive Officer	Mr. Hales is CEO of Resolution Re Ltd. and joined the Group in 2018 as Executive Director in Europe. Mr. Hales joined Assicurazioni Generali in 2013 to head up the newly created Global Life business line. Mr. Hales also held the role of Group Head of Connected Insurance, heading up the Data Science and Internet of Things capabilities across the group. Previously, Mr. Hales was Head of the Life business for AXA Spain and then Head of Life and Health business for the AXA Southern Europe, Latin America and MENA markets, combining operational and strategic responsibilities. Mr. Hales started his career as an actuarial consultant in Tillinghast where he worked in the London and Madrid offices. Mr. Hales has a BA, Economics (PPE) from the University of Oxford and is a Fellow with the Institute of Actuaries.
Mike White SVP, Reinsurance & Chief Financial Officer	Mr. White serves as the senior vice president and CFO of Resolution Re Ltd. Mr. White is a UK qualified life insurance actuary with 20 years of experience. Prior to joining the Group, Mr. White was the Group CFO of BF&M Insurance Group, a Bermuda based life and general insurance company from 2013 to 2019. Prior to working at BF&M, Mr. White held various roles with Sun Life Financial, including CFO of the Bermuda operations and AVP, Financial Risk Management, and also worked as a consultant with PricewaterhouseCoopers. Mr. White has a Bachelor of Mathematics from the University of Oxford and is a Fellow with the Institute of Actuaries.
Karen Schulz-Kiske Chief Operating Officer	Ms. Schulz-Kiske joined the Group in 2018 as Head of Operations, Europe and transitioned to Chief Operations Officer for Resolution Re Ltd. in 2020. She is a fully qualified lawyer under the laws of Germany with license to practice in all fields of law and in all legal roles. Prior to joining the Group, Ms. Schulz-Kiske worked for more than 15 years for the Generali Group. Ms. Schulz-Kiske led large operational units in Germany and Italy, including as head of Group life insurance functions such as the Life Portfolio Management and Global Protection & Underwriting. Ms. Schulz- Kiske has a Master's Degree in Insurance and Risk Management from the MIB School of Management, and Juristisches Staatsexamen, Law (First State Examination in Law) from the University of Bonn.
Paolo Fiandesio Chief Risk Officer	Mr. Fiandesio joined Resolution Re in November 2021 as CRO. Prior to joining Resolution Re, Mr. Fiandesio spent 3 years at Somerset Reinsurance Ltd, where he was responsible for the design and implementation of Somerset's RMF, working closely with Senior Management and the Board. Mr. Fiandesio has over 10 years of management consulting experience at EY, where he worked with CROs and executive management teams across continental Europe and the UK to design and implement RMFs in compliance with Solvency II. Upon joining EY Bermuda in 2016, Mr. Fiandesio was responsible for the delivery of EY's risk and regulatory services, with a focus on assisting new (re)insurance start-ups wanting to register under the Act and its related regulations. Mr. Fiandesio holds a Bachelor of International Markets Economics and a Master's Degree in Management of Financial Intermediates.

Dodi Mason Head of Corporate Services	Ms. Mason is responsible for the Corporate Services functions of Resolution Re. She also serves as Company Secretary and Compliance Officer ("CO") for Resolution Re and Company Secretary for its parent, RLGH. Ms. Mason has over ten years of reinsurance experience having held a number of legal and compliance positions within the Bermuda reinsurance sector, including with Athene Life Re and Athora Re. Ms. Mason is a graduate of the University of Louisville with a Bachelor of Political Science.

3.3 Risk Management and Solvency Self-Assessment

3.3.1 Risk Management Process & Procedures to Identify, Measure, Manage and Report on Risk Exposures

The following illustration outlines the Company's RMF, which is consistent with the Group's, with its key elements set out below:



Risk Governance: The Board has adopted a comprehensive set of Risk Management Policies (collectively, the "Policies") and oversight processes and has charged the CEO with establishing processes to ensure the business plan is delivered within the Board's risk appetite.

Roles, responsibilities and accountabilities for making key decisions are structured in alignment with the Three Lines of Defense principles, with supervision by the Board or its delegates, thereby achieving effective segregation of duties.

Risk Appetite: The risk appetite is an expression of the Company's desire or willingness to take, retain or avoid risks using a set of qualitative principles and quantitative limits that establish the Company's risk preferences, risk tolerances and risk limits in alignment to the strategic objectives defined in the business plan.

Risk Identification: All employees of the Company have a responsibility to identify risks in their area, engage the correct personnel to ensure they are appropriately assessed and that controls exist to manage risks within the set risk appetite. The CRO report includes detailed information on each risk exposure relative to its risk appetite, with commentary and supporting analysis over the current and prospective risk profile. All risks and controls impacting key processes are captured in the Company's risk register, which forms the basis for regular risk and control self-assessments (RCSA).

Risk Measurement: The Company has processes to evaluate and measure all identified risks, at least annually. The Company adopts quantitative methods to measure its exposure to quantifiable risks (e.g. market risk, insurance risk, credit risk) and uses stress and scenario testing to determine the potential impact that an increase in risk exposure may have on its capital, earnings and liquidity position.

Risk Response: Appropriate risk responses are developed through discussions with senior management where risk evaluation, along with proposed risk mitigation strategies, occurs through periodic review of risk exposures in relation to the risk appetite and consideration of the optimal risk return positioning.

Risk Reporting and Control: Risk reporting ensures that all material risks are regularly monitored and reported. Where appropriate, control points are established for heightened monitoring, and limits are established that should not be breached. Risks that have progressed beyond the set risk appetite limits must be escalated to the appropriate forum(s) and managed in line with the documented management actions to ensure visibility is provided at the right levels with respect to ensuring mitigating actions are implemented.

Compliance: Compliance requirements set out the attestations needed from Executive Officers who are responsible for ensuring implementation of the various Policies.

3.3.2 Risk Management and Solvency Self-Assessment Systems Implementation

The Board has a comprehensive suite of Policies to ensure that all material risks which the Company is exposed to are well understood and managed. The Board reviews and approves these Policies, at least annually, to ensure they remain appropriate.

The Board has charged the CRO with responsibility over the effective implementation of the Company's risk policies and to ensure each Policy is kept up to date, as detailed in section ***4.2 Risk Mitigation in the Organization***.

The CRO will also consider the need to establish Implementation Guidelines, as appropriate, to set out the specific procedures or methods by which each Policy is to be complied with, particularly as the Company continues to grow both in size and complexity.

On a quarterly basis, the CRO works collaboratively with each functional area to develop the CRO report to the MRC. For each risk within the risk universe, the CRO report sets out their relative exposure against risk appetite, with commentary and supporting analysis over the current and forward-looking risk profile. As part of this exercise, a list of top risks is also maintained and refreshed periodically.

The Company's Commercial Insurers' Solvency Self-Assessment ("CISSA") Report is the final output of the self-assessment process and provides a comprehensive description of the risk management activities that occurred throughout the year and key expected future developments. The CISSA is subject to review and approval by the Board Risk Committee ("BRC") and the Board prior to its submission to the BMA. Whilst the CISSA Report is produced annually for regulatory purposes, the underlying risk analysis that takes place, at least quarterly, forms a core component of the CISSA process at the Company. This ensures that the CISSA is embedded in the business and is used to inform decision making by Management.

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

The Company manages its business objectives, capital needs and liquidity requirements with the objective of withstanding pre-defined shocks. The Company uses its stress testing framework to establish a TCR, which is calibrated to a minimum post-shock BSCR ratio. In the event the Company's capital at risk is projected to fall below minimum thresholds in any of the stress scenarios, the Company, with input from the MRC, will develop an appropriate risk response, with proposed risk mitigation strategies, which is presented to the BRC for approval.

The Company's solvency self-assessment process is a key element of the Company's RMF and reviewed at least annually and/or when new transactions are considered.

3.3.4 Solvency Self-Assessment Approval Process

The solvency self-assessment, as discussed above in section ***3.3.2 Risk Management and Solvency Self-Assessment Systems Implementation,*** is reviewed and approved by the BRC and the Board.

3.4 Internal Controls

3.4.1 Internal Control System

During 2022 the Company further developed its internal control framework in-line with the principles prescribed in the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The COSO 2013 framework is used as the criteria for evaluating the effectiveness of the Company's internal controls, in order to effectively manage against identified risks and provide reasonable assurance regarding the reliability of its financial reporting. The COSO 2013 framework includes the following components:

- Control Environment;
- Risk Assessment;
- Control Activities;
- Information and Communications; and
- Monitoring Activities.

Internal controls are documented and reviewed on a regular basis by control owners and the appropriate Management Committees. All internal controls are designed to ensure segregation of duties between preparer and reviewer.

3.4.2 Compliance Function

The Board retains the ultimate responsibility for Compliance; however it has delegated the day-to-day responsibilities to Resolution Re's CO. In this capacity, the CO's role is to ensure that the Company carries out operations in accordance with legal and regulatory requirements, and to monitor compliance with organizational policies and procedures.

The CO develops policies, procedures and processes to support these activities, including plans to address any identified deficiencies or non-compliance. The CO also supports management in the implementation of any new rules or regulations which includes delivering training to employees, on a no less than annual basis, to ensure employees remain up to date on new or updated policies, regulations and guidelines.

The CO is a member of the MEC, in her capacity as Head of Corporate Services and provides quarterly updates to the Audit Committee, Risk Committee and the Board, as appropriate.

3.5 Internal Audit

The Company has co-sourced its Internal Audit function with EY Bermuda, with oversight responsibilities by the Group Head of Internal Audit. Internal Audit has unrestricted access to all areas and property of the organization, including personnel records, records held by third-party service providers, and has direct access to the Board through the Board's Audit Committee. To ensure Internal Audit remains independent, its employees are not authorized to perform any operational duties or approve any transactions in the organization. Internal Audit's responsibilities are outlined in the Internal Audit Charter as approved by the Audit Committee.

The Internal Audit function provides independent, objective assurance and consulting services designed to add value and improve the Company's operations. It assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to the evaluation and improvement of the effectiveness of risk management, internal controls and governance processes.

The Internal Audit Plan is presented and approved on an annual basis by the Audit Committee and all findings of their reviews are reported to the Audit Committee.

3.6 Actuarial Function

The Company's CFO is responsible for setting, monitoring and adjusting actuarially determined GAAP reserves, including technical provisions consisting of the best estimate liabilities and a risk margin. Any changes being proposed to the assumptions or methodology used in calculating the GAAP reserves and technical provisions must be approved by the ARWG and the MRC. The Company has designed and executed internal controls over the data and software models used by the Actuarial Function in their day-to-day functions.

The GAAP reserves and technical provisions are also reviewed by the MRC as part of the quarterly review of the financial statements and annual regulatory filings. The Company has outsourced their Approved Actuary function to Deloitte Bermuda, an independent third party that reviews and opines on the technical provisions included in the Bermuda regulatory return.

3.7 Outsourcing

3.7.1 Key Functions and Outsourcing Guideline

The Company's Outsourcing Policy establishes the principles and procedures for managing outsourcing risk at the Company and allows for a consistent approach to outsourcing whilst maintaining appropriate control to minimize risks that could adversely impact the business. The Policy is owned by the Head of Corporate Services at Resolution Re.

The Company takes a risk-based approach to all outsourcing decisions, including the vendor selection process, the outsourcing agreement and the subsequent on-going operational management of the agreement. The vendor selection process is designed to mitigate the risk that services from outsourcers are not appropriately rendered. The Company retains oversight and clear accountability for outsourced functions as follows:

- outsourced services are financially managed by monitoring budgeted costs against actual costs;
- outsourced service providers report to the Company on the achievement of the key performance indicators set out in the outsourcing contract; and
- management performs an annual review of the outsourced service which they report to the Audit Committee.

The Company outsources its investment management and other investment related services to third party service providers. This includes investment management, custody and investment accounting services, for which decision-making power remains with Resolution Re management in Bermuda.

The Company also outsources its IT support function, its payroll and legal functions and, as detailed in section ***3.6 Actuarial Function***, a professional services firm is engaged as the Company's Approved Actuary. The Company does not consider any of the outsourced functions to present material risks to the achievement of the Company's business objectives.

3.7.2 Material Intra-Group Outsourcing

The Company has intercompany services agreements in place with other Group companies that enable the Company to access professionals in other parts of the Group. The services agreements provide that all companies within the Group are expected to comply with the Group policies and would replicate the approach taken by the Company if it performed the services directly.

The services agreements pertain to support with activities such as:
- (i) assisting with client relationship management;
- (ii) providing due diligence support and analysis on new reinsurance transactions;
- (iii) collecting and analyzing information on the performance of Resolution Re's portfolio investments;
- (iv) assisting in connection with other research, operational and administrative matters relating to Resolution Re;
- (v) assisting with M&A and related activities; and
- (vi) providing strategic advice in relation to these activities.

In the case of M&A services, the Company and the service provider execute a statement of work for every potential transaction in which the scope of the required support is clearly outlined.

3.8 Other Material Information

No other material information to report.

4. Risk Profile

4.1 Material Risks the Insurer is Exposed to During the Reporting Period

As previously mentioned in this report, the CRO of the Company works collaboratively with each functional area to develop the CRO Report ahead of the quarterly meetings of the MRC and BRC. The CRO report, for each risk within the risk universe, sets out their relative exposure against risk appetite, with commentary and supporting analysis over the current and forward-looking risk profile.

There are nine risk categories making up the Company's risk universe, each with several sub-categories, as shown below:

Risk category	Sub-category	Risk description
Strategic risk	▪ Competitors and Industry Structure ▪ Customers ▪ Reinsurance ▪ Ratings Environment ▪ Political Environment ▪ Tax Environment ▪ Reputation / Franchise Value	Uncertainty or loss due to strategic positioning, in particular due to changes in the external macro environment
Market risk	▪ Equity ▪ Interest rate ▪ Credit spreads ▪ Real Estate ▪ Foreign Exchange	Uncertainty or loss arising from changes in market prices or volatility of assets or market indices, including the impact of credit spreads and costs of embedded financial options and guarantees
Liquidity risk	▪ Regulated Entity Liquidity ▪ Holding Company Liquidity	Inability to meet future liquidity demands they become due because the Company cannot obtain new funding or the inability to sell or transform its assets into cash without significant losses
Counterparty risk	▪ Counterparty exposures	Uncertainty or loss relating to asset defaults or credit downgrades on deposits owned by the Company or its separate accounts, or in respect of counterparties (e.g. reinsurance and derivative contracts, guarantors, general insurers)
Insurance risk	▪ Mortality ▪ Longevity ▪ Morbidity ▪ Policyholder behavior ▪ Expense	Uncertainty or loss relating to underwriting outcomes impacting insurance revenues, claims, benefits paid, expenses or the cost of insurance options or guarantees

Risk category	Sub-category	Risk description
Operational risk	▪ Internal & External Fraud ▪ Data Protection / Cyber Security ▪ Damage to Assets ▪ Business Disruption ▪ Reliance on Suppliers ▪ Model Risk ▪ Employment & Workplace Practices ▪ Business Practices & Compliance	Uncertainty or loss arising from failed internal processes, controls, people, systems or external events
M&A / Transaction	▪ Due diligence failures ▪ Confidentiality breaches ▪ Business separation ▪ Transition management ▪ Regulatory approvals and ▪ Conditions	Uncertainty or loss arising from not fully understanding or appreciating the size, scope and complexities of business we acquire. Risk is short term in nature, and after transition, risk will be avoided or will migrate to one of the aforementioned risk categories
Regulatory and Compliance	▪ Regulatory updates ▪ Changes in accounting framework ▪ Changes in legal framework	Risk of financial loss or adverse consequences as a result of non-compliance with existing and upcoming laws and regulations
Climate Change risk *(added in Q1 2023)*	▪ Transition risks ▪ Physical risks	Transition risks are risks that may arise from the transition to a low-carbon economy, which may, for example, lead to reassessment of asset values in climate-sensitive sectors. Physical risks are risks which arise from the physical impacts of climate change

In addition to the quarterly updates provided in the CRO Report, the Company's CRO, in collaboration with the Group CRO and other CROs across the Group, agrees a list of emerging risks which shall be monitored according to their relative materiality to the Company's strategic objectives.

The Company views Emerging Risks as newly developing or changing risks which are difficult to quantify, and which may have a material impact on the Company, or the Group, if they materialize. These are identified across a full spectrum of risk categories.

4.2 Risk Mitigation in the Organization

As noted in section ***3.3.2 Risk Management and Solvency Self-Assessment Systems Implementation,*** the Board has adopted a comprehensive set of Policies and has charged the CRO with establishing oversight processes to ensure that all risks to which the Company is exposed are well understood and managed. Within the Policies, the Board has established the risk appetite, which is a set of qualitive principles and quantitative limits that establish the Company's risk preferences, risk tolerances and risk limits.

Each Policy is assigned to an (internal) executive policy owner who is responsible for recommending changes, where required, and ensuring the policy is current. Moreover, the executive policy owners are tasked with establishing guidelines that set out the specific procedures or methods by which the policy is to be complied with and ensuring the Company has processes in place to implement the policies and guidelines. The executive policy owner monitors and reports to the BRC, on a quarterly basis, on risks in their area, including risk evaluation and response.

Risk evaluation occurs through periodic review of risk exposures in relation to the risk appetite, discussion by senior management and consideration of the optimal risk return positioning. Risk exposures are considered on a gross basis, prior to risk mitigation, as well as net of risk mitigation. This is because risk mitigation often results in transformation of risk in contrast to risk elimination. The appropriate risk mitigation response is developed from discussion and consideration of alternative strategies, including consideration of cost versus reward.

Common risk management strategies include:

- Hedging
- Asset-liability management actions
- Repositioning of the investment portfolio or changing allocation of new assets
- Enhanced training or acquisition expertise, resources or tools
- Enhanced monitoring or contingency planning
- Allocation of additional risk capital
- Product management or re-pricing actions
- Expense management actions
- Renegotiation of contracts
- Business portfolio management through reinsurance, acquisition or divestitures
- Maintenance of a liquidity cushion
- Active involvement with industry bodies and monitoring regulatory updates

To enable effective monitoring by the executive policy owners, the Company maintains a comprehensive process for reporting on all material risks to the BRC, including a comparison of risk exposures to the risk limits, which include early-warning indicators, and reporting on breaches. Each policy details a set of standardized reports which must be provided to the BRC and the Board on a quarterly basis.

Each executive policy owner provides an annual attestation to the BRC whether the Company is, in their opinion, in material compliance with the requirements of the policy.

4.3 Material Risk Concentrations

The Company has policies governing risk concentrations in relation to counterparties, credit quality and asset classes. Adherence to these policies is monitored by the BRC and the Board. The Company is compliant with this policy and has not determined any material risk concentrations.

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

The prudent person principle as outlined in the Insurance Code of Conduct, provides that a Bermuda registered insurer, in determining the appropriate investment strategy and policy, may only assume investment risks that it can properly identify, measure, respond to, monitor, control, and report while taking into consideration its capital requirements and adequacy, short-term and long-term liquidity requirements, and policyholder obligations.

The Company’s fundamental investment principle is to invest available funds – in a diversified portfolio of assets, acknowledging our commitment to environmental and social responsibility to ensure policyholder commitments are met while contributing to the overall growth and profitability of the Company.

Consistent with our fiduciary duties to our policyholders, cedents and investors, the Board has approved a Responsible Investment Policy, which is intended to protect and enhance the value of our investments in the long term. As a long-term investor, we believe that the goal of any company should be to generate and deliver sustainable long-term financial value, which will be helped by having long-term owners to whom the Company is accountable and by having owners that are clear about their expectations. As such, the incorporation of ESG factors in the acquisition process and in improving the companies in which we invest is a part of our strategic priorities.

The Risk Appetite Framework establishes allowable asset risk, exposures and limits for investment related asset classes. These are approved annually by the BRC and provide the ultimate portfolio constraints on the Company's assets.

To execute the Company's investment strategy, the Company employs the services and expertise of external investment management strategic partners who are bound by comprehensive Investment Management Agreements and Investment Guidelines for asset classes and limits. Compliance with these Guidelines is reported on a quarterly basis by the investment managers.

4.4.1 Stress Testing and Sensitivity Analysis to Assess Material Risks

The Company's risk appetite is set out in the Risk Appetite and Stress Testing policy, which is approved annually by the Board. The risk appetite specifies the maximum allowable economic loss for each risk type individually and for various combinations of risk types, assuming a series of pre-defined loss scenarios with pre-defined severity levels. The risk appetite and tolerance limits allow for correlation and diversification effects.

The Risk Appetite and Stress Testing Policy describes the stress scenarios to be used and require stress testing to be performed at least quarterly with the results reported to the BRC. The stress scenarios are designed to assess the most material risks faced by the Company and ensure the Company remains within its overall risk capacity as defined by the Board. Risk capacity is measured by evaluating the impact of predefined stresses on the Company's capital, liquidity and dividend capacity positions.

Risk capacity is defined at potential severity levels as shown below:

- Adverse Stress Scenario: measures the impact of the average recession/stress period on all risk measures and may be thought of as a 1 in ~10 scenario.
- Severe Stress Scenario: measures the impact of a more severe recession/stress period on all risk measures and may be thought of as a 1 in ~40 scenario (similar to the 2008/2009 period).
- Extreme Stress Scenario: may be thought of as a 1 in ~200 scenario for both economic and non-market risks and focused on measuring capital (solvency) only.
- Reverse Stress Testing: reverse stress testing on the Statutory Balance Sheet is performed on an annual basis per the BMA guidelines and is meant to document an assumption set that causes insolvency.

The Company was compliant with the Risk Appetite and Stress Testing policy and its risk appetite and tolerance limits at the end of the reporting period.

4.5 Other Material Information

There is no other material information to be disclosed.

5. Solvency Valuation

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

The Company has used the valuation principles outlined by BMA's "Guidance Note for Statutory Reporting Regime" for the reporting year's statutory filing. The economic valuation principles outlined in this document are to measure assets and liabilities on a fair value basis.

Fair value is the price the Company would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy for inputs used in determining fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. The Company determines fair value based on the following fair value hierarchy:

- **Level 1 Inputs**: Quoted prices for identical assets in an active market that the Company can access at the measurement date. A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustments to measure fair value whenever available.
- **Level 2 Inputs**: Directly or indirectly observable inputs other than quoted market prices for similar assets or market-corroborated inputs.
- **Level 3**: Unobservable inputs developed using information available to the Company in circumstances where there is very little, if any, market activity for the asset at the measurement date.

The Company uses the following valuation methods and assumptions to determine fair value for assets held directly and assets supporting funds withheld at interest.

Fixed Maturity Securities: The fair values of public fixed maturity securities are based on prices obtained from the Company's external investment managers, which have been validated against independent pricing services. These are classified as Level 1 assets. The investment managers obtain market quotations for identical securities in an active market or similar securities in an active market or identical securities in an inactive market. In certain instances, the investment managers will apply their own proprietary internal model which is based on observable market inputs for determining the fair value of securities that are not actively traded. This category typically includes U.S. and non-U.S. corporate bonds, U.S. agency and government guaranteed securities, CLO, ABS, CMBS and RMBS.

The investment managers maintain a price source hierarchy which prioritizes market prices obtained in active and reliable primary markets. To validate the prices supplied by the investment managers, the Company's review process includes a comparison to prices obtained from independent pricing sources for the same investments. Where the price comparison exceeds the Company's pricing tolerance limits, the Company will obtain additional price quotes to determine which price is an outlier and select the price which most accurately reflects market values. Where the pricing comparison exceeds the tolerances and there is no further tertiary source available the more conservative price is selected.

The Company's management reviews and approves the pricing comparison each quarter.

Other Investments: The fair value of non-public securities, which include commercial mortgage loans, private placements, and alternative investments, are determined using generally accepted valuation methodologies and inputs and assumptions appropriate to each security. For example, the valuation of commercial mortgage loans is based on a discounted cashflow valuation approach, where the cash flows used in the calculation consider the regular interest, amortization and prepayment provisions of the loan.

Investment Funds: Certain of the Company's investment in investment funds are priced based on market-accepted valuation models and use significant unobservable inputs, which include material non-public financial information, estimated future cash flows and demographic assumptions. These are classified as Level 3 assets.

Cash and Cash Equivalents: Includes cash on hand, amounts due from banks, and certain money market securities, held in the ordinary course of business with maturities of three months or less when purchased. The carrying amount of cash equals fair value. The fair value of cash equivalents is based on quoted market prices.

Derivatives: These assets consist of forward starting interest rate swaps and Foreign Exchange Forwards and are valued at quoted market prices, which are classified as Level 1. In the absence of an active market, prices are based on observable market inputs. The majority of Company derivatives trade in liquid markets and can be modeled without significant judgement. These usually fall under level 2 assets.

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

Technical Provisions represent the value of in force liabilities as at December 31, 2022 which are calculated in line with the EBS valuation principles as defined in the BMA's "Guidance Note for Statutory Reporting Regime". The Company believes that the techniques used in determining the insurance technical provisions are in line with the BMA guidance.

Technical provisions are calculated as the sum of the Best Estimate Liabilities and Risk Margin. The table below contains the Company's Gross Technical Provisions at December 31, 2021 and 2022.

Technical Provisions ($'s in thousands)	2021	2022
Best Estimate Liabilities	38,478,894	29,979,618
Risk Margin	337,317	254,811
Technical Provisions	**38,816,211**	**30,234,429**

The valuation method used to determine the best estimate liabilities is the BMA's Scenario Based Approach using best estimate cash flows and the projected performance of the Company's assets under the most severe interest rate stress scenario. The risk-free interest rate scenarios are prescribed by the BMA.

The Company holds a risk margin to reflect the uncertainty inherent in the underlying cash flows which is calculated using the cost of capital approach and a risk-free discount rate term structure. The discount rate term structures are prescribed by the BMA.

5.2.1 Description of Recoverables from Reinsurance Contracts

On December 31, 2021 Resolution Re executed a retrocession agreement with Talcott Life Re Ltd. (formally known as Sutton Life Re Ltd., "TLR") to reinsure a portion of the risks associated with its fixed indexed annuity book of business. The following table summarizes the Company's reinsurance recoverables as at December 31, 2021 and 2022:

Reinsurance Recoverables ($'s in thousands)	2021	2022
Sutton Life Re (2021) / TLR (2022)	12,627,154	9,202,017
Reinsurance Recoverable	12,627,154	9,202,017

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

Similar to the valuation principles for assets, the valuation of the Company's Other Liabilities follows the valuations principles outlined by BMA's "Guidance Note for Statutory Reporting Regime", which values liabilities on a fair value basis. As of December 31, 2022, there were no material Other Liabilities to be discussed.

5.2.3 Any Other Material Information

No additional material information to report.

6. Capital Management

6.1 Eligible capital

6.1.1 Capital Management Policy and Process for Determining Capital Needs, How Capital is Managed and Material Changes During the Reporting Period

The primary capital management objectives of the Company are to:

- prudently manage the Company's capital resources to meet regulatory capital requirements,
- ensure payment of policyholder benefits and other obligations in defined stress scenarios, and
- maintain the confidence of stakeholders.

The Company recognizes that, to maintain the confidence of stakeholders and to effectively pursue its business strategy, it will need to maintain capital in excess of the minimum regulatory capital requirements at all times.

The Company also has capital targets that must be met after stress events, as defined by the Company's Risk Appetite and Stress Testing policy. The Board has approved a target operating capital range that allows the Company to satisfy these requirements and is within an operating range considered reasonable for a regulated life reinsurance entity.

Under the Company's stated business model, excess capital will be returned to its parent, RLGH, as it is made available, taking into account applicable regulatory constraints and capital adequacy threshold as specified in the Risk Appetite and Stress Testing policy. Generally, it is expected that if actual capital is needed in order to achieve the target operating capital range, this will be done by deferring dividends, using proceeds of debt issuance, using reinsurance or implementing other management actions.

Capital needs, for business planning purposes, are determined through stress testing in the pre-defined stress test scenarios described in the Risk Appetite and Stress Testing Policy. For each pre-defined stress test scenario, the Company is required to meet minimum capital levels. The Company performs its stress testing on a regular basis and reports to the MRC and the BRC on the forecasted level of capital and capital ratios; if forecasted to be in breach of the minimum capital levels, Management proposes strategies to resolve any breaches to the minimum levels.

There have been no material changes in the capital management policy and process in 2022.

6.1.2 Eligible Capital Categorized by Tiers in Accordance with the Eligible Capital Rules

As of December 31, 2022, all of the eligible capital used by the Company to meet the Minimum Margin of Solvency ("MSM") and Enhanced Capital Ratio ("ECR") is Tier 1 Capital.

Eligible Capital Categorized by Tier (EBS Basis in '000)	2021	2022
Tier 1	2,102,119	1,882,881
Tier 2	-	-
Tier 3	-	-
Total Eligible Capital	**2,102,119**	**1,882,881**

6.1.3 Eligible Capital Categorized by Tiers in Accordance with the Eligible Capital Rules Used to Meet ECR and MSM Requirements of the Insurance Act

The ECR is entirely covered by the Company's Tier 1 capital.

6.1.4 Confirmation of Eligible Capital That is Subject to Transitional Arrangements

As agreed in the Company's regulatory filing application, the Company adopted the "Insurance (Prudential Standards) (Class C, Class D and Class E Solvency Requirement) Amendment Rules 2018" for its first filing for the 2018 reporting period.

There are no transitional arrangements as the Company was not previously regulated under the 2011 Rules.

6.1.5 Identification of Any Factors Affecting Encumbrances on the Availability and Transferability of Capital to Meet the ECR

There are no encumbrances affecting the availability and transferability of capital to meet the ECR.

6.1.6 Identification of Ancillary Capital Instruments Approved by the Authority

Not applicable.

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

The difference between the shareholder's equity per the US GAAP Financial Statements versus the available capital and surplus per the Statutory Financial Statements is due to the effect of the accounting requirement under FAS 133 DIG B-36.

The Company obtained permission from the BMA to account for fixed income securities within the modified coinsurance agreement on an amortized cost basis (as opposed to fair value, which is required by DIG B-36) as this is consistent with the Company's buy and hold investment strategy. See table below:

Description ($'s in thousands)	2021	2022
Shareholder's equity per US GAAP FS	3,491,011	(1,278,983)
Available Capital and Surplus per Statutory FS	3,035,083	2,446,957
DIG B-36 ending reserve at 12/31/2021 & 2022	455,928	3,725,940

6.2 Regulatory capital requirements

6.2.1 ECR and MSM Requirements at the End of the Reporting Period

At the end of the reporting period, the Company's regulatory capital requirements were assessed as follows:

Description ($'s in thousands)	2021	2022
Actual Statutory Economic Capital and Surplus	2,102,119	1,882,881
ECR Requirement	926,819	871,218
MSM Requirement	625,789	590,072
BSCR ratio	227%	216%
ECR ratio	227%	216%

6.2.2 Identification of Any Non-Compliance with the MSM and the ECR

The Company was compliant with the MSM and ECR requirements as at and during the year ended December 31, 2022.

6.2.3 Description of the Amount and Circumstances Surrounding the Non-Compliance, the Remedial Measures and Their Effectiveness

Not applicable.

6.2.4 Where the Non-Compliance is not Resolved, a Description of the Amount of the Non- Compliance at Year End

Not applicable.

6.3 Approved Internal Capital Model

Not applicable.

7. Subsequent Events

The Company has evaluated subsequent events for recognition or disclosure through to April 30, 2023. The following items were material events that occurred subsequent to December 31, 2022:

- As described in section ***5.2.1 Description of Recoverables from Reinsurance Contracts*** during the year ended December 31, 2021, the Company entered into a modco reinsurance agreement to assume 45% of a closed block of FIA business and simultaneously entered into a Modco retrocession agreement to cede 20% of this business to a Bermuda domiciled reinsurer. This arrangement resulted in net retained risk of 25% of the Reinsurance business. Effective January 1, 2023, the Company terminated the Modco retrocession agreement with TLR and simultaneously amended the Modco reinsurance agreement to 25% of the subject business (previously 45%).
- UBS, Switzerland's biggest bank, has agreed to buy Credit Suisse in a rescue deal aimed at stemming panic in financial markets sparked by the collapse of two US banks earlier March 2023. The Company holds corporate bonds issued by Credit Suisse and the current book and market value is as follows:

Description ($'s in thousands)				
Investment	**Dec 31, 2022**		**March 22, 2023**	
	Book value	**Market value**	**Book value**	**Market value**
Bonds	120,495	93,596	117,373	96,643
Other investments	-	2,679	-	3,794

8. Declaration

8.1 Declaration on 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, 2022.

Steve Hales
Chief Executive Officer Resolution Re Ltd.

Mike White
Chief Financial Officer and Principal Representative Resolution Re Ltd.

Paolo Fiandesio
Chief Risk Officer Resolution Re Ltd.

Appendices

Appendix A: Resolution Life Group Structure