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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
American Fidelity International (Bermuda) Ltd.

We have audited the accompanying condensed financial statements of American Fidelity International (Bermuda) Ltd. (the "Company"), which comprise the condensed balance sheet as of December 31, 2018, and the related condensed statement of income and condensed statement of capital and surplus for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Condensed Financial Statements

Management is responsible for the preparation and fair presentation of the condensed financial statements based on the financial reporting provisions of The Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to Condensed General Purpose Financial Statements (the "Legislation"). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these condensed financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the condensed financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the condensed financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the condensed financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the condensed financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 3 to the condensed financial statements, the condensed financial statements are prepared by the Company on the basis of the accounting practices prescribed or permitted by the Legislation, which is a basis of accounting other than U.S. generally accepted accounting principles.

The effects on the condensed financial statements of the variances between the basis of accounting described in Note 3 and U.S. generally accepted accounting principles are material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. generally accepted accounting principles" paragraph, the condensed financial statements referred to above do not present fairly, in accordance with U.S. generally accepted accounting principles, the financial position of the Company as of December 31, 2018, or the results of its operations or its cash flows for the year then ended.

Opinion on Condensed Financial Statements

In our opinion, the condensed financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and the results of its operations for the year then ended, in accordance with the accounting practices prescribed or permitted by the Legislation described in Note 3.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 29, 2018

CONDENSED CONSOLIDATED BALANCE SHEET

American Fidelity International (Bermuda) Ltd.

As at **December 31, 2018**

expressed in '000s **United States Dollars**

LINE No.		2018	2017
1.	CASH AND CASH EQUIVALENTS	43,177	25,818
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other	156,858	162,257
(b)	Total Bonds and Debentures	156,858	162,257
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks	12,215	13,640
	iii. Mutual funds		
(d)	Total equities	12,215	13,640
(e)	Other quoted investments		
(f)	Total quoted investments	169,074	175,897
3.	UNQUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other		
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii . Mutual funds		
(d)	Total equities	-	-
(e)	Other unquoted investments		
(f)	Total unquoted investments	-	-
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES		
(a)	Unregulated entities that conduct ancillary services		
(b)	Unregulated non-financial operating entities		
(c)	Unregulated financial operating entities		
(d)	Regulated non-insurance financial operating entities		
(e)	Regulated insurance financial operating entities		
(f)	Total investments in affiliates	-	-
(g)	Advances to affiliates		
(h)	Total investments in and advances to affiliates	-	-
5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a)	First liens		
(b)	Other than first liens		
(c)	Total investments in mortgage loans on real estate	-	-
6.	POLICY LOANS	218	206
7.	REAL ESTATE:		
(a)	Occupied by the company (less encumbrances)		
(b)	Other properties (less encumbrances)		
(c)	Total real estate	-	-
8.	COLLATERAL LOANS		
9.	INVESTMENT INCOME DUE AND ACCRUED	1,594	1,417
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	622	562
(b)	Deferred - not yet due	-	-
(c)	Receivables from retrocessional contracts		
(d)	Total accounts and premiums receivable	622	562
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates		
(b)	Domestic affiliates		
(c)	Pools & associations		
(d)	All other insurers	550	1,490
(e)	Total reinsurance balance receivable	550	1,490
12.	FUNDS HELD BY CEDING REINSURERS		
13.	SUNDRY ASSETS:		
(a)	Derivative instruments		
(b)	Segregated accounts companies - long-term business - variable annuities		
(c)	Segregated accounts companies - long-term business - other		
(d)	Segregated accounts companies - general business		
(e)	Deposit assets	1,863	1,975

CONDENSED CONSOLIDATED BALANCE SHEET

American Fidelity International (Bermuda) Ltd.

As at **December 31, 2018**

expressed in '000s **United States Dollars**

LINE No.		2018	2017
(f)	Deferred acquisition costs	67,173	61,695
(g)	Net receivables for investments sold	-	
(h)	Other Sundry Assets (Specify)		
(i)	Other Sundry Assets (Specify)		
(j)	Other Sundry Assets (Specify)		
(k)	Total sundry assets	69,036	63,670
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit	-	-
(b)	Guarantees	-	-
(c)	Other instruments	-	-
(e)	Total letters of credit, guarantees and other instruments	-	-
15.	TOTAL	284,271	269,060
	TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves		
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other insurers		
(c)	Total ceded unearned premium reserve	-	-
(d)	Net unearned premium reserve	-	-
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions		
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other reinsurers		
(c)	Total reinsurance recoverable balance	-	-
(d)	Net loss and loss expense provisions	-	-
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES		
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	-	-
	LONG-TERM BUSINESS INSURANCE RESERVES		
20.	RESERVE FOR REPORTED CLAIMS	605	390
21.	RESERVE FOR UNREPORTED CLAIMS	134	137
22.	POLICY RESERVES - LIFE	247,082	229,314
23.	POLICY RESERVES - ACCIDENT AND HEALTH		-
24.	POLICYHOLDERS' FUNDS ON DEPOSIT		-
25.	LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS		-
26.	OTHER LONG-TERM BUSINESS INSURANCE RESERVES		

CONDENSED CONSOLIDATED BALANCE SHEET

American Fidelity International (Bermuda) Ltd.

As at **December 31, 2018**

expressed in '000s **United States Dollars**

LINE No.		2018	2017
27.	TOTAL LONG-TERM BUSINESS INSURANCE RESERVES		
(a)	Total Gross Long-Term Business Insurance Reserves	242,366	227,404
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign Affiliates		-
	(ii) Domestic Affiliates		
	(iii) Pools and Associations		
	(iv) All Other Insurers	(5,455)	(2,437)
(c)	Total Reinsurance Recoverable Balance	(5,455)	(2,437)
(d)	**Total Net Long-Term Business Insurance Reserves**	247,821	229,841
	OTHER LIABILITIES		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	148	-
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE		
30.	LOANS AND NOTES PAYABLE		
31.	(a) INCOME TAXES PAYABLE		
	(b) DEFERRED INCOME TAXES		
32.	AMOUNTS DUE TO AFFILIATES	196	192
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	1,949	2,990
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:		
35.	DIVIDENDS PAYABLE		
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments		
(b)	Segregated accounts companies		
(c)	Deposit liabilities	1,863	1,975
(d)	Net payable for investments purchased	-	-
(e)	Premiums Received in Advance	1,476	867
(f)	OFAC Blocked Account	75	
(g)	Other sundry liabilities (specify)		
(h)	Total sundry liabilities	3,414	2,842
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS:		
(a)	Letters of credit		-
(b)	Guarantees		-
(c)	Other instruments		
(d)	Total letters of credit, guarantees and other instruments	-	-
38.	TOTAL OTHER LIABILITIES	5,708	6,024
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	253,528	235,865
	CAPITAL AND SURPLUS		
40.	TOTAL CAPITAL AND SURPLUS	30,743	33,195
41.	TOTAL	284,271	269,060
		TRUE	TRUE
		-	-

CONDENSED CONSOLIDATED STATEMENT OF INCOME

American Fidelity International (Bermuda) Ltd.
As at **December 31, 2018**
expressed in '000s **United States Dollars**

LINE No.		2018	2017
	GENERAL BUSINESS UNDERWRITING INCOME	#	
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written		
	(b) Assumed gross premiums written		
	(c) Total gross premiums written	-	-
2.	REINSURANCE PREMIUMS CEDED		
3.	NET PREMIUMS WRITTEN	-	-
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS		
5.	NET PREMIUMS EARNED	-	-
6.	OTHER INSURANCE INCOME		
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	-	-
	GENERAL BUSINESS UNDERWRITING EXPENSES		
8.	INCURRED		
9.	COMMISSIONS AND BROKERAGE		
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	-	-
11.	**NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS**	-	-
	LONG-TERM BUSINESS INCOME		
12.	GROSS PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Direct gross premiums and other considerations	22,620	22,264
	(b) Assumed gross premiums and other considerations	2,155	2,313
	(c) Total gross premiums and other considerations	24,775	24,577
13.	PREMIUMS CEDED	(10,246)	(9,456)
14.	NET PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Life	14,529	15,121
	(b) Annuities		
	(c) Accident and health		
	(d) Total net premiums and other considerations	14,529	15,121
15.	OTHER INSURANCE INCOME	20,302	20,060
16.	TOTAL LONG-TERM BUSINESS INCOME	34,831	35,181
	LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES		
17.	CLAIMS - LIFE	2,518	2,633
18.	POLICYHOLDERS' DIVIDENDS		
19.	SURRENDERS	-	-
20.	MATURITIES		
21.	ANNUITIES		
22.	ACCIDENT AND HEALTH BENEFITS		
23.	COMMISSIONS	13,808	12,208
24.	OTHER	4,728	4,352
25.	TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES	21,054	19,192

CONDENSED CONSOLIDATED STATEMENT OF INCOME

American Fidelity International (Bermuda) Ltd.
As at **December 31, 2018**
expressed in '000s **United States Dollars**

LINE No.		2018	2017
26.	INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES):		
	(a) Life	13,896	13,114
	(b) Annuities		
	(c) Accident and health		
	(d) Total increase (decrease) in policy reserves	13,896	13,114
27.	TOTAL LONG-TERM BUSINESS EXPENSES	34,950	32,306
28.	**NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS**	(119)	2,875
29.	**COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS**	(119)	2,875
	UNDERNOTED ITEMS		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	2,709	2,712
	(b) Personnel cost		
	(c) Other		
	(d) Total combined operating expenses	2,709	2,712
31.	COMBINED INVESTMENT INCOME - NET	7,233	6,113
32.	COMBINED OTHER INCOME (DEDUCTIONS)		
33.	COMBINED INCOME BEFORE TAXES	4,404	6,276
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current		
	(b) Deferred		
	(c) Total	-	-
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	4,404	6,276
36.	COMBINED REALIZED GAINS (LOSSES)	(1,036)	541
37.	COMBINED INTEREST CHARGES		
38.	NET INCOME	3,368	6,817

CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

American Fidelity International (Bermuda) Ltd.
As at **December 31, 2018**
expressed in '000s **United States Dollars**

LINE No.		2018	2017
1.	**CAPITAL:**		
(a)	Capital Stock		
	(i) Common Shares authorized - shares of par value $ - each issued and fully paid - shares	-	-
	(ii) (A) Preferred shares: authorized shares of par value each issued and fully paid shares aggregate liquidation value for — 2018 2017		
	(B) Preferred shares issued by a subsidiary: authorized shares of par value each issued and fully paid shares aggregate liquidation value for — 2018 2017		
	(iii) Treasury Shares repurchased shares of par value each issued		
(b)	Contributed surplus	6,023	6,023
(c)	Any other fixed capital		
	(i) Hybrid capital instruments		
	(ii) Guarantees and others		
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	6,023	6,023
2.	**SURPLUS:**		
(a)	Surplus - Beginning of Year	27,172	16,965
(b)	Add: Income for the year	3,368	6,817
(c)	Less: Dividends paid and payable		
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments	(5,916)	3,494
(e)	Add (Deduct) change in any other surplus	96	(104)
(f)	Surplus - End of Year	24,720	27,172
3.	**MINORITY INTEREST**		
4.	**TOTAL CAPITAL AND SURPLUS**	30,743	33,195

AMERICAN FIDELITY INTERNATIONAL (BERMUDA) LTD.

NOTES TO CONDENSED CONSOLIDATED GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2018

Part I – General Notes

1. The Company was incorporated under the laws of Bermuda on June 5, 2000 and is licensed as a long-term insurer under the Insurance Act 1978 of Bermuda and related regulations. The Company is a wholly owned subsidiary of the American Fidelity Corporation (incorporated in the United States). During 2011, the Company was reclassed as a long-term Class C insurer by the Bermuda Monetary Authority (BMA).

2. Effective September 2000, the Company began writing investment policies. All the policies issued have variable contribution terms, and the death benefit is the greater of the contributions paid less any partial surrender, or the surrender value of the plan. The Company's net liability on the death of a policyholder is limited to the difference between the surrender value (being invested assets) of the plan, and contributions received.

   Effective April 2003, the Company began writing universal life insurance policies. These policies have planned annual premiums based on the face value of the coverage written. Premiums less contract charges plus interest are credited to the policyholders account value. The death benefit for these policies, as determined by the policyholder, is either the face value of the policy or the face value of the policy plus the account value at the date of death. The Company entered into several quota share reinsurance arrangements on a series of Universal Life products sold through AFIBL. From 2003 through 2012, the Company retained 10% of the risk on each insured life, and ceded 90% to a pool of third party reinsurers. Once the Company reached its per life retention of $500,000, 100% of the remaining amount was reinsured to the same pool of third party reinsurers. Beginning in 2013, the Company created a new reinsurance structure on UL products developed after that date. The Company retained the first $150,000 of risk on each of these policies, and then retained 10% of the risk exceeding that amount. The remaining 90% was ceded to a pool of third party reinsurers. The maximum retention of the Company remained at $500,000 per insured life

   Effective 2004, the Company began writing term life insurance policies. These policies have planned annual premiums for a fixed period based on the face value of the coverage written. The death benefit for these policies is the face value of the policy. The Company entered into several quota share reinsurance arrangements on a series of Term products sold through AFIBL. From 2004 through 2014, the Company retained 10% of the risk on each insured life, and ceded 90% to a pool of third party reinsurers. Once the Company reached its per life retention of $500,000, 100% of the remaining amount was reinsured to the same pool of third party reinsurers. Beginning in 2015, the Company created a new reinsurance structure on Term products developed after that date. The Company retained the first $150,000 of risk on each of these policies, and then retained 10% of the risk exceeding that amount. The remaining 90% was ceded to a pool of third party reinsurers. The maximum retention of the Company remained at $500,000 per insured life.

Effective September 15, 2003, the Company entered into a reinsurance arrangement whereby the Company reinsures all US term life insurance policies issued by an affiliated Company. The Company also cedes 90% of the risk for all base policies having face values exceeding $100,000 to a third party retrocessionaire.

3. Accounting Standards

These condensed general purpose financial statements are prepared in accordance with financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Accounts Rules 2016 with respect to condensed general purpose financial statements (the "Legislation"). The recognition and measurement principles applied are in line with accounting principles generally accepted in the United States of America ("US GAAP"). The presentation of these financial statements in accordance with the guidance prescribed under the legislation differs from US GAAP in certain respects as follows:

- The format of the financial statements is prescribed by schedules IX and X of the Insurance Accounts Rules 2016.
- Statement of Cash Flows or equivalent is not included; and
- Certain disclosures required by US GAAP are not included
- Comprehensive income and its components are not presented in the condensed statement of income.
- Policy reserves-life are to be reported net of reinsured amounts.

The effects of the foregoing variances from US GAAP on the accompanying condensed general purpose financial statements have not been determined, but are presumed to be material.

4.-5. Basis of Accounting Policies

These financial statements are presented on the basis that the company is a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company recorded net income of $3,368,000 (line 38 of statement of income) in 2018.

At December 31, 2018 the Company has recorded Deferred acquisition costs (DAC) of $67,173,000 (line 13(f) of balance sheet), which management believes is the estimated recoverable amount. In addition, the Company has reported long-term business insurance reserves of $247,821,000 (line 27 of balance sheet). The assessment of the recoverability of DAC and adequacy of long-term business insurance reserves is based on numerous assumptions, including the estimated future levels of premium persistency, lapse rates and expenses and are based on internal experience studies, reinsurer's experience, and professional judgment. In the event of actual experience being different to assumptions currently employed, DAC write-downs or policy reserve increases may be required in future periods which could put significant strain on the Company's capital and surplus.

The Company remains independent from financial support provided by its Parent and has an appropriate amount of capital and surplus should additional write-downs of DAC or policy reserve increases be required in the future periods.

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

a) Cash and time deposits

Cash and time deposits include amounts held in banks and short-term investments having maturities within three months of the date of purchase by the Company.

b) Investment policies

The Company writes investment policies that permit the policyholder to vary the timing and amount of premium payments, within contractual limits. Revenues for policies include policy charges for administration. The charges are subject to periodic adjustment by the Company. Premiums received on investment policies are treated as policyholder deposits rather than revenues. The liability for policyholder account balances represents the accumulated amounts, which accrue to the benefit of the policyholders and reflect the change in the value of the underlying assets of the fund in which the policyholder has elected to invest.

The Company charges recurring and non-recurring policy fees, and pays agents commissions for policies written. Non-recurring fees are recognized in income and commissions are expensed at the inception of the policy. Recurring policy fees are recognized over the term of the policy. The company stopped writing new investment policies in 2006.

c) Premiums written and ceded

The amounts collected from policyholders on universal life-type contracts are considered deposits and are not included in revenue.

Fee income and policy charges for universal life-type contracts consist of asset fees, cost of insurance charges, administrative fees and surrender charges that have been earned and assessed against policyholder account balances during the period. The timing of revenue recognition as it relates to fees assessed is determined based on the nature of such fees. Asset fees, cost of insurance charges and administrative fees are assessed on a daily, monthly or quarterly basis and recognized as revenue when assessed and earned. Surrender charges are recognized upon surrender or partial surrender of a policy in accordance with contractual terms.

Term life premiums written are booked as income when due provided all conditions for policy acceptance have been met. Ceded reinsurance premiums are booked as written when ceded.

d) Deferred acquisition costs (DAC)

The Company recorded Deferred Acquisition Costs (DAC) of $67,173,000, which management believes is the estimated recoverable amount.

Calculations of DAC

Costs of acquiring new business, which vary with and are related directly to the successful acquisition of new business, have been deferred to the extent that such costs are deemed recoverable from future premiums or gross profits. Such costs include commissions and allowances as well as certain costs of policy issuance and underwriting.

- For term life policies, deferred acquisition costs are amortized in proportion to anticipated premiums over the estimated life of the policies using assumptions consistent with those used in estimating reserves for future policy benefits. Deviations from estimated experience are reflected in earnings in period such deviation occurs.

- For universal life contracts, deferred policy acquisition costs are amortized over the expected average life of the contracts in proportion to historical and anticipated gross profits arising from surrenders charges and margins in the interest rate, mortality and expenses. At the end of each accounting period, an unlocking process refreshes both the historical and anticipated gross profits. The unlocking effect on amortization of deferred policy acquisition costs from revisions to gross profits are reflected in earnings in the period such estimated gross profits are revised.

Loss Recognition Analysis

On an annual basis, the Company performs loss recognition analysis to determine whether the DAC balances are recoverable from future estimated cash flows. The Company used a gross premium valuation ("GPV") approach whereby net GAAP liability, Net GAAP Reserves less DAC Assets, are compared against future estimated cash flows related to the book. Future cash flows are projected using best-estimate assumptions for premiums, credited interest, mortality, lapses and expenses to project the present value of future benefits and expenses less the present value of future premium.

If the excess of benefits and expenses over premiums exceeds the net GAAP liability, net GAAP liability is increased by first writing down DAC, and if needed increasing the GAAP reserves. If financial performance significantly deteriorates to the point where a premium deficiency exists, a cumulative charge to current operations will be recorded. No such adjustments were made during period ended December 31, 2018.

e) Policy Reserves Calculations

Term Life Policies

Liabilities are calculated in accordance of FASB 60 methodology. A liability for future policy benefits relating to long-duration contracts shall be accrued when premium revenue is recognized. The liability, which represents the present value of future benefits to be paid to or on behalf of policyholders and related expenses less the present value of future net premiums (portion of gross premiums required to be provide for all benefits and expenses), shall be estimated using methods that include assumptions, such as estimates of expected investment yields, mortality, morbidity, terminations, and expenses, applicable at the time the insurance contracts are made.

The assumptions are consistent with the Company's own experience supplemented with information provided by reinsurers. If assumptions reflective of the current environment differ materially from those originally assumed, a new GAAP era with revised assumptions is generally established. When assumptions are set, a provision for adverse deviation (PAD) is included. The assumptions are locked-in at issue and will not change, unless there are insufficiencies discovered during the annual loss recognition analysis. The assumptions are documented in the pricing memorandums. The discount rates used to determine DAC assets and SOP liabilities correspond to the Net Investment Yield, ranging from 4-5.5% varying by GAAP era. Noting the variations between GAAP eras, the mortality assumptions include a 10% PAD which is applied to a base mortality corresponding Mortality studies provided by the reinsure.

Universal Life Contacts

Liabilities are calculated in accordance of FASB 97 methodology, where the retrospective deposit is applied. UL contract have explicit account balance, therefore the basic benefit reserve liability is the account balance. In addition to the account values, SOP liability is held for the no lapse guarantee feature and for profits followed by losses. The contracts do not create unearned revenue liabilities.

The level of calculation is performed using the same cohort as DAC calculations, based on product and issue year. The SOP liability is equal to excess of: the current benefit ratio multiplied by the cumulative assessments less the cumulative excess payment plus accrued interest. The ratio is determined as the present value of total expected payments over the life of the contract over the present value of the total expected assessments over the life of the contract. Total expected assessments are the aggregate of all charges, including those for administration, mortality, expenses, surrender, and interest margin.

The actuarial assumptions used to determine SOP liability are the same best-estimate assumptions used in calculating DAC assets. That is those related to earned and credit interest; COI and mortality rates; product loads and maintenance expenses; premiums persistency; and withdrawal rates. The discount rates used to determine DAC assets and SOP liabilities correspond to the credited interest rates ranging from 3-4.5% varying by product and issue.

Comparable to the unlocking process for DAC asses, the SOP liability should be regularly updated to reflect actual historical experience (retrospective unlocking) and updated to assumed future experience (prospective unlocking).

f) Reinsurance

The calculation of the Company's reserves for future policy benefits is based on its net retention after reinsurance ceded. Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible. The Company evaluates the financial conditions of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

g) Income Taxes

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

h) Quoted Investments includes amounts primarily invested in corporate bonds and US treasury securities. These are carried at market value on an aggregate basis, with changes in market value recorded as an unrealized loss/gain in the statement of capital and surplus.

Quoted investments with unrealized losses considered by management to be other than temporary impaired are written down to fair value, creating a new cost basis for the security.

Quoted investments comprises of:

i. The amortized cost and fair value of quoted investments are as follows:

	2018	
	Amortized cost/cost	Fair value
Fixed maturity securities	$159,320,802	$156,858,330
Equity Securities	$ 13,182,966	$ 12,215,274
	$172,503,768	$169,073,604

Fixed maturity and equity securities are included on statement line number 2(a)(ii) and 2(c)(i), respectively within the balance sheet

ii. Investment Income

Investment income is accrued to the balance sheet date and includes interest and dividends and is shown net of investment management fees.

6.-12. N/A

13. Fair value measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including available-for-sale securities. Fair value is the price the Company would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. The Company uses the three-level hierarchy established by the FASB that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach and cost approach). The levels of the fair value hierarchy are described below:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical assets or liabilities in markets that are not active.

Level 3: Unobservable inputs for which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The Company's assessment of the significance of an input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset. Financial assets are classified in their entirety based on the most conservative level of input that is significant to the fair value measurement.

The following table presents assets, which include the Company's investment securities, that are measured at fair value on a recurring basis at December 31, 2018:

		Fair Value Measurements at Reporting Date Using		
		Level 1	Level 2	Level 3
2018:				
U.S. treasury obligations	$ 1,001,836	$ 1,001,836	$ -	$ -
U.S. government agencies	37,530,939	-	37,530,939	-
Municipal	4,436,763	-	4,436,763	-
International government	3,061,510	-	3,061,510	-
Corporate debt securities	93,784,707	-	93,784,707	-
Residential Mortgage Backed Securities	17,042,575	-	17,042,575	-
Equities	12,215,274	12,215,274	-	-
Total	$ 169,073,604	$ 13,217,110	$ 155,856,494	$ -

Pricing vendors are utilized for certain Level 1 and Level 2 investments. These vendors either provide a quoted market price in an active market or use observable inputs without applying significant adjustments in their pricing. Observable inputs include broker quotes, interest rates and yield curves observable at commonly quoted intervals, volatilities and credit risks.

14. Maturity profile

A summary of the amortized cost and fair value of investments in debt securities as of December 31, 2018, by contractual maturity, is as follows:

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ -	$ -
One year to five years	47,983,997	46,958,003
Five years to ten years	24,007,159	24,123,617
After ten years	86,312,647	84,880,460
Total	$158,303,803	$155,962,080

Actual maturities may differ from stated due dates because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. As reported in 13 above, all assets without a contractual maturity profile are excluded from this summary in 14. For 2018, contract without a maturity date include $12,215,274 of preferred stocks and $896,250 of perpetual bonds.

15. Related Party Transactions

Refer to Part I, Note 2 and Part III, Note 32

16.-17. NA

Part II – Capital and Surplus Notes

1. a) N/ A

1. b) AFIBL has contributed capital or surplus in the amount of $6,023,000.

1. c) N/A

2. c) N/A

Part III – Balance Sheet Notes

1. See Note 4 (a) to Part I

2. See Note 13 to Part I

3.-5. None

6. Outstanding policy loans balances total $218,000. These are loans against the cash surrender value of the in-force UL policies, where policyholders will either the blackness is paid back, deducted from proceeds when surrendered, or deducted from proceeds if a death claim is paid.

7.-8. None

9. Investment income dues and accrued on existing assets currently total $1,594,000.

10. Accounts receivable do not include any collateralized balances or any balances with affiliates

11. Reinsurance Balances receivable consist of amounts recoverable from reinsurers against paid losses.

12. None.

13. See Note 3(b) for Part I for Policyholder assets and Deferred Acquisition Costs.

14.-18. N/A

20.-22. Policy reserves – refer to Note 4(e) to Part I

23-26. N/A

27. Refer to Notes 4 and 5 for further details

28. Balance is reinsurance premiums – refer to Note 2 for details

29-31. N/A

32. Amounts due to affiliated companies at year end represent advances to the Company, and expenses paid on behalf of the Company of $196,000. The amounts due are unsecured and have no fixed repayment terms. No interest is charged on amounts related to expenses paid by affiliated companies on behalf of the Company.

33. Accounts payable totaled $1,949,000

34. None.

36. See Part I, notes 3 a) and b) for policyholder deposit liabilities. Premiums received in advance relate to premiums received but unearned at year end.

37. Not Applicable

Part IV – Statement of Income Notes

6. None

15. Other insurance income represents recurring and non-recurring policy fees earned on the Company's investment policies in force, and policy fees earned on the Company's reinsurance of term life insurance policies issued by an affiliated Company (as described in Part 1, note 2). Majority of this other income comes from COI charges, Product Loads, and Surrender Charges associated with UL polices.

32. None

36. The Company had net realized losses of $1,036 during the year.