



AXCELUS FINANCIAL LIFE
INSURANCE COMPANY (BERMUDA)
LTD.

(Formerly Lombard International Life
Assurance Company (Bermuda) Ltd.)

Financial Condition Report
For the Year Ended December 31, 2024

Issued: April 16, 2025

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INTRODUCTION

Axcelus Financial Life Insurance Company (Bermuda) Ltd. (the "Company") is a Class C Long-Term insurer under the Insurance Act 1978 (the "Insurance Act"). The Company is incorporated as a Bermuda exempted Limited Liability Company and is also registered as a segregated accounts company pursuant to the Segregated Accounts Companies Act 2000 (the "SAC Act").

A separate segregated account of the Company is linked to each life insurance and annuity product issued to each policyholder who requires US compliant private placement life insurance, annuity products and group variable annuity products.

This document is the Financial Condition Report for the Company for the period ending December 31, 2024. The format of the report follows the guidelines published in the Bermuda Monetary Authority's *Insurance (Public Disclosure) Rules 2015*.

A. BUSINESS AND PERFORMANCE

i. Name of Insurer

Axcelus Financial Life Insurance Company (Bermuda) Ltd. (formerly known as Lombard International Life Assurance Company (Bermuda) Ltd.). The Company changed its name and rebranded as of January 22, 2024.

ii. Supervisors

Insurance Supervisor

Name: Bermuda Monetary Authority ("BMA")

Jurisdiction: Bermuda

Email: insuranceinfo@bma.bm

Phone: +1 (441) 295-5278

Group Supervisor Not applicable

iii. Approved Auditor

Organisation: Ernst & Young

Ltd. Jurisdiction: Bermuda

Address:

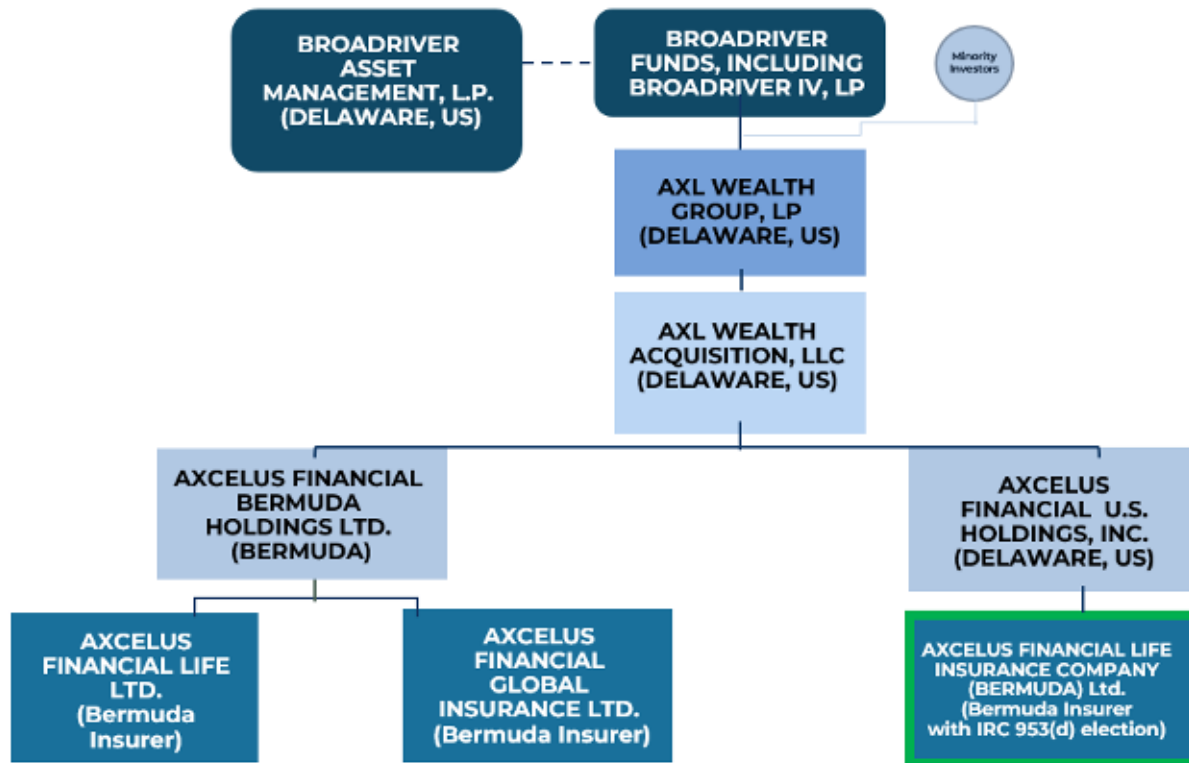
3 Bermudiana Road
Hamilton HM 08,
Bermuda

Phone: +1 441 295 7000

iv. Ownership Details

The Company is directly owned by Axcelus Financial US Holdings Inc., incorporated in the state of Delaware, in the United States of America. On November 30, 2023, Lombard International Group closed on a definitive agreement to sell its US and Bermuda businesses including Lombard International Life Assurance Company (Bermuda) Ltd. to BroadRiver Asset Management L.P. The change of control received a Notice of No Objection from the Bermuda Monetary Authority on November 17, 2022.

v. Group Structure



vi. Insurance Business written by line of business and geographical region

The Company offers Variable Universal Life and Variable Annuity products. All products are linked to a separate segregated account. The Company does not offer general account policies nor is there a general account option within the variable policies.

In accordance with applicable accounting standards, policyholder premiums received by the Company for its segregated account variable life insurance and variable annuity products are treated as policyholder deposits; therefore, the Company does not report direct gross premiums in its statutory or condensed general purpose financial statements.

The following summarizes policyholder deposits received during the year ended December 31, 2024 based on geographic region of the policyholder:

<u>Zone</u>	<u>Amount</u> <u>(000's USD)</u>
12 Carribean	\$ 8,161
	\$ 8,161

vii. Performance, Investments, Material Income and Expenses for year ending December 31 2024

Material Income and Expenses:

The amounts below summarize highlights of the Company's financial results including financial position for the year ending December 31, 2024, on a statutory accounting basis as prescribed in the Bermuda Monetary Authority's *Insurance Account Rules 2016*.

Amounts in 000's - US Dollars**Income Statement****For the year ending December 31, 2024****Income:**

Direct gross premium	\$ -
Reinsurance ceded	(531)
Net investment income	37
Other insurance income	1,008
Total revenues	<u>514</u>

Deductions

Commissions	72
Operating expenses	362
Increase in policy reserves - life	0
Total deductions	<u>434</u>

Net income (loss) before income taxes80

Income taxes	-
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Net income (loss)\$ 80**Amounts in 000's - US Dollars****Balance Sheet****As at 31 December 2024****Assets**

Cash and time deposits	\$ 757
Policy loans	7,199
Amounts due to general account from segregated accounts	85
Segregated account assets	97,347
Total assets	<u>\$ 105,388</u>

Liabilities

Policy reserves and incurred but not reported reserves	\$ 1
Other liabilities	62
Policy loan collateral offset	7,199
Segregated account liabilities	97,347
Total liabilities	<u>104,609</u>

Statutory Capital and Surplus779**Total Liabilities and Statutory Capital and Surplus**\$ 105,388

Performance of Investments:

Investment performance achieved within the segregated accounts is credited directly to policyholder accounts, and does not impact net income or capital and surplus of the Company. In accordance with applicable accounting standards, the Company does not reflect segregated account asset performance or crediting to policyholder accounts within its income statement.

The Company's general account cash is held in an interest bearing Corporate Money Fund account with HSBC.

viii. Any Other Material Information

There is no other material information.

B. GOVERNANCE STRUCTURE

i. Board and Senior Executives

a) *Directors and Officers, and responsibilities*

The directors and officers of the Company are detailed in the table below:

Directors	Position
Tom Considine	Chairman and Independent Director
Keith Stock	Director
Charles Nachman	Director
Mike Farrell	Director
Andrew Plevin	Director
Robin Peters	Independent Non-Executive Director

Officers	Position
Keith Stock	Chief Executive Officer
Henry Komansky	Chief Risk Officer, Reporting Officer and Data Privacy Officer, Group Compliance Officer
Robert Holliday	Approved Actuary (Service Provider)
Satish Bhat	Chief Information Security Officer
Appleby Global Corporate Services (Bermuda) Ltd.	Secretary
Artex Risk Solutions (Bermuda) Ltd.	Principal Representative/Insurance Manager
Artex Risk Solutions (Bermuda) Ltd. – Francesca Thomas	Compliance Officer

Ultimate responsibility for sound and prudent management of the Company rests with the Board of Directors (the “Board”). The Board is responsible for ensuring that corporate governance policies and practices are developed and applied in a prudent manner. The Board has delegated its authority to its affiliated company Axcelus Financial Life Insurance Company (US - Pennsylvania) (“AFLIC” or “Axcelus Financial”) to assist it in discharging the following responsibilities:

- AFLIC - Finance Department
 - Includes assistance in preparation of financial statements and annual reporting.
- AFLIC - Investment Committee
 - Includes assistance with performing due diligence on investment managers and funds.
- AFLIC – Chief Actuary
- AFLIC – Internal Audit Department
 - Evaluation and testing of internal controls related to the Company

The Company further delegates final oversight of AML/Know Your Customer (KYC) policies to Artex.

The Board at all times maintains oversight of the functions carried out by each of the affiliates, third party service providers and statutory function holders listed above. Keith Stock is the senior executive officer responsible for oversight of the actuarial, compliance, internal audit and risk management functions as they relate to the Company.

The Board is responsible for the Company's Governance Framework, together with all relevant Guidelines, Procedures and Controls, and reviews the same with the Company's service providers to ensure compliance in the discharge by such service providers of their delegated functions.

b) Description of Remuneration Policy

Independent Non-Executive Directors' ("INEDs") remuneration is designed to attract and maintain high quality board members while ensuring their independence. INEDs and non-executive director ("NED") fees are set at appropriate levels to reflect individual responsibilities and time commitment. Such fees are detailed in service agreements, noting that INEDs and NEDs are not entitled to performance-based payments or incentives.

The Board relies on the Human Resources department of the Axcelus Financial enterprise-wide organization to oversee compensation processes for senior executives and employees. The Human Resources department reviews compensation in connection with employment matters for employees on an annual basis, and as part of trigger events that may require a change in compensation such as promotion, transfer, and change in work responsibilities. Multiple data sources are used to ensure that any revised compensations are in line with Axcelus Financial's enterprise-wide compensation philosophy. Remuneration arrangements are carefully considered to ensure they do not encourage risk-taking in excess of the Company's risk management appetite.

Human Resources work with Senior Management of the Axcelus Financial enterprise-wide organization to set employee, team/department-wide goals and objectives, as well as administer the tools used by managers to appraise individual employee performance. Company-wide goals and objectives are determined by Senior Management and Board of the Axcelus Financial enterprise-wide organization.

Performance reviews are conducted annually as part of the annual merit and bonus programs. While performance reviews are considered during managers' compensation reviews and recommendations, performance reviews alone do not form part of the compensation program. Manager recommendations regarding salary increases and bonus payouts are then reviewed by the Human Resources department and Senior Management of the Axcelus Financial enterprise-wide organization prior to submission for approval. The CEO of the Axcelus Financial enterprise-wide organization, in conjunction with its Board of Directors, provides approval for increases in salaries above any cost of living increase. All compensation changes for Senior Management of the Axcelus enterprise-wide organization, or compensation changes for other employees that exceed a certain salary threshold, regardless of entity, are approved by the CEO and Board of Directors of the Axcelus Financial enterprise-wide organization.

The Human Resources department maintains global and country-specific policies, documents, and handbooks as applicable. When material changes are made to these materials (excluding required statutory changes), they are reviewed by the responsible Senior Management and approved by the Board of Directors of the Axcelus Financial enterprise-wide organization.

c) *Supplementary Pension or Early Retirement Schemes for Members, Board and Senior Employees*

There is no supplementary pension or early retirement scheme for members of the Board or shareholders/members.

The Company has a registered pension plan administered by BF&M Limited for all employees in accordance with Bermuda Pension requirements. The Company does not provide retiree benefits outside of statutory requirements.

d) *Details of any material transactions with Shareholder Controllers, Persons who exercise significant influence, the Board and Senior Executive*

Not applicable.

ii. Fitness and Propriety Requirements

a) *Fit and Proper Process in assessing the Board and Senior Executives*

All Directors and Senior Management go through a thorough due diligence process including interviews, background checks and submissions to the BMA for non-objection prior to their appointment. Their names are entered into the Company's periodic batch screening for negative news, and some portions of the due diligence checks are repeated on an annual basis. Once appointed, the Company provides relevant training for Directors and Senior Management.

The Company is committed to ensuring that persons appointed to Board and Senior Management roles are fit and proper for their positions. The Company's standards for ensuring fit and proper directors, officers, and Senior Management are in line with the BMA requirements for such appointments and positions. Members of the Company's Board and Senior Management must possess appropriate skills, experience, educational and/or professional qualifications, and display a high degree of competency and professionalism in current and previous roles. Appointees must at all times demonstrate integrity, honesty, diligence, solvency, judgement and sound ethical character and must not have been reprimanded, disqualified or removed by a professional or regulatory body in relation to questions of honesty, integrity or business conduct. Appointees must understand, and reinforce, the Company's high standards regarding regulatory compliance, risk awareness/risk management, and must pass criminal background checks.

b) *Professional Qualifications, Skills and Expertise of the Board and Senior Management*

Board members and Senior Management employees have appropriate academic and professional qualifications and significant industry experience, and are generally considered to be experts in their fields.

Tom Considine joined Axcelus in December 2023 as Chairman and Director. Tom is currently that CEO of The National Conference of Insurance Legislators ("NCOIL"), Managing Partner at Gravilaur Solutions, LLC –strategic, operational and regulatory consultant. Former New Jersey Commissioner of Banking & Insurance under Governor Chris Christie and prior CEO of Meadowlands Hospital Medical Center; 17 years at MetLife.

Mike Farrell joined Axcelus in December of 2023 and currently serves as the Chief Executive Officer of the U.S. business. Prior to joining Axcelus Mike previously served as CEO for various MetLife subsidiaries including, MetLife Insurance Company of Connecticut (formerly Travelers), General American, and MetLife Securities and has extensive sales and distribution expertise:

while at MetLife, Mike was responsible for 130 regional offices and 10,000 agents, and grew annual annuity sales from US\$1 billion to \$28 billion and Assets Under Administration from US\$15 billion to US\$150 billion, while adding 15,000 new clients per month during his years with the company.

Keith Stock joined the Company as Chief Executive Officer-Consultant in November 2024. He also serves as Chairman and CEO of First Financial Investors, Inc. and Chairman and CEO of First Bermuda Securities Ltd, a BMA registered investment company, Senior Executive Advisor with Brookside Equity Partners and Chairman and CEO of Stock Securities LLC, a U. S. Financial Industry Regulatory Authority registered broker dealer. Previously Mr. Stock served as Chairman and CEO of Worldwide Reinsurance Limited, Executive Chairman of National Property REIT Corp and Executive Officer of its affiliated companies, Executive Chairman and Officer of Clarien Group and Clarien Bank (Bermuda) Limited. He earned his undergraduate degree from Princeton University and an MBA with distinction from the Wharton School, University of Pennsylvania.

Andrew Plevin CO-CEO and Founder of BroadRiver Asset Management. Formerly with Goldman Sachs (2006-2009) and has extensive private equity experience on behalf of family offices. He hold a BA (Economics) from the University of Michigan and an MBA (Finance) from the University Of Chicago Booth School Of Business.

Charles Nachman joined Axcelus in January 2017, and currently serves as the President and COO of the U.S. business and is a past President to the Bermuda carriers. Prior to joining Axcelus, Mr. Nachman served as the COO of the BNY Mellon Global Insurance Solutions and Chief Administrative Officer of the Registered Investment Advisor, Eagle Strategies LLC, and a wholly owned subsidiary of New York Life Insurance Company. Mr. Nachman holds a Bachelor's Degree from the College of William and Mary, and a MBA from the Stern School of Business, New York University. He is a Chartered Financial Analyst.

Robin Peters joined the Board of Axcelus in February, 2025, Ms. Peters is Head of Wealth Management for Schroders (Bermuda) Limited, a unit of Schroders Wealth Management and Cazenove Capital in the UK. She was previously Vice President of Wealth Management at Clarien Bank Limited and an officer within the Investment Division of The Bank of Bermuda Limited, now known as HSBC Bank Bermuda Limited.

Henry Komansky joined Axcelus in August 2024 and is the Chief Risk Officer, Group Compliance Officer and Bermuda internal Legal Counsel, Axcelus Bermuda. He was previously litigation counsel with Hurion & Associates (Bermuda) Ltd.; a consultant with Oyster Consulting (Bermuda) Ltd., Chief Compliance Officer, Clarien Bank (Bermuda) Limited; a Director of Compliance for Sun Life Financial (Bermuda); the Head of Analysis, Bermuda's Financial Intelligence Agency; and a barrister & attorney with Cox Hallet & Wilkinson in Bermuda. He commenced his career as a prosecutor in Atlantic County, New Jersey and as a Special Agent with the U.S. Federal Bureau of Investigation. Mr. Komansky has a Doctor of Law degree from Rutgers Law School and Master's degree from the Vermont (USA) Law and Graduate School

iii. Risk Management and Solvency Self-Assessment

a) *Risk Management Process and Procedures to Identify, Measure, Manage and Report on Risk Exposures*

In addition to risk management efforts overseen by the Board and Senior Management the Company is included within the purview of a company-wide Enterprise Risk Management ("ERM") program that identifies, assesses, monitors, and manages risks across all insurance and

non-insurance entities under common control within the Axcelus Financial organization. The Company's Risk and Audit Committee was established to consider all significant risk management-related issues and concerns related to the Company. The Committee is composed of senior functional leaders drawn from compliance, enterprise risk management, operations, product management, and marketing/sales functions. The Company's Chief Risk Officer ("CRO"), who leads risk management across the Company and related entities, chairs this committee. Additionally, an Axcelus Financial enterprise wide Risk and Information Security Committee ["RISC"] has been established in the US that meets regularly to discuss emerging and changing risks including those relevant to Bermuda.

The Bermuda Risk and Audit Committee discusses ERM-related issues, develops, evaluates, and recommends risk limits, monitors key risk indicators and on-going risk information, elevates risk issues and information (including any breaches of risk limits), and proposes risk remediation steps to the Board. In addition, the Bermuda Risk and Audit Committee evaluates the risk profile and approves all new product designs and strategic initiatives.

All new product launches, strategic initiatives, significant risk limits, exceptions or modifications to established risk limits, and remediation recommendations in the event that risk limits are breached, are elevated by the Bermuda Risk Committee to the Company's Board for review and approval.

The Company has adopted a comprehensive ERM policy covering risk identification, quantification and mitigation/control efforts currently in place at the Company. This policy, which includes Environmental, Sustainability and Governance risks ("ESG"), also documents the governance structure in place ensure that these processes are working as intended. A Risk Appetite Framework has also been developed and adopted by the Board, documenting the Company's risk appetite and tolerance for key risks identified by management. The Bermuda Risk and Audit Committee and Board monitor the Company's risk appetite quarterly with updated risk dashboards.

Overall, the Company has a limited appetite for all types of risk. The following describes the Company's overall risk appetite, as well as applicable risk limits and controls for each type of risk previously discussed.

b) Risk Management and Solvency Self-Assessment Systems Implementation

The Company's product line includes private placement variable life insurance policies and variable annuity contracts. The Company cedes a majority of its mortality risk to highly rated third party reinsurers. The Company operates a segregated account fee-for-service business model with limited mortality and investment risk and residual operational risk. Since the Bermuda Solvency Capital Requirement ("BSCR") standard formula does not adequately assess the Company's segregated account risk charge to cover operational risks associated with that business, Senior Management has elected to develop an internal capital metric rather than use the standard formula. To that end, the Board has established its internal capital tolerance to address the Company's risk profile at the greater of 4-8 basis points (bps) of the ending segregated account balance or \$600,000. The risk charge used in this metric is similar to the risk charge assessed against segregated assets in the National Association of Insurance Commissioners - Risk Based Capital ("NAIC RBC") formula.

As part of the BSCR, the Company is also required to file a Commercial Insurer's Solvency Self-Assessment ("CISSA") under which it calculates the capital it believes is required to operate its business. Senior Management and the Board update its CISSA at least annually or when a material event occurs and is considered by the Board as part of its strategic planning process to ensure that the Company has sufficient capital. Prior to any proposed distribution of capital, CISSA outputs are analyzed in-depth by the Board.

c) Relationship between Solvency Self-Assessment, Solvency Needs, and Capital; and Risk Management Systems

CISSA capital is taken into consideration when evaluating new business opportunities and changes to the business to ensure that the Company is appropriately capitalized in advance of any changes. Prior to launching any new product or strategic initiative, the Company seeks formal approval from the Bermuda Risk and Audit Committee and the Board, to evaluate the impact of such developments on the Company's risk profile, its financial profile, and capital position. As part of this analysis, expected impacts to regulatory capital requirements, and therefore, CISSA capital requirements, associated with the initiative, are assessed on an integrated basis along with financial and risk characteristics (e.g., rate of return, payback horizon) of such an initiative.

d) Solvency Self-Assessment Approval Process

The CISSA is updated by the CRO at least annually or when a material event occurs, and is presented to the Board for review and approval. The results of the CISSA are discussed and reviewed with the Board as part of the Board's continuous risk management, planning, and budgeting processes. The Board reviews information pertaining to current and historic actual capital levels, capital requirements (including Minimum Margin of Solvency ("MSM"), Enhanced Capital Requirement ("ECR"), and Transitional BSCR, and the levels of capital required to support the Company's current operations and future initiatives. The results of the Company's December 31, 2024, CISSA are consistent with the capital requirements reviewed and approved by the Board in April 2024.

iv. Internal Controls

a) Internal Control System

Day-to-day responsibility for the control environment is delegated to Senior Management, who ensure its smooth operation pursuant to requirements of the Operations Manual.

For accounting, finance, and actuarial functions, where the Company has delegated responsibilities for some of these functions to AFLIC, the internal control systems of AFLIC are applicable. AFLIC's internal control systems for such areas are subject to US state and federal regulations, specifically, the NAIC Model Audit Rule. Internal controls in place for these functions are assessed on an annual basis and subject to internal audits by AFLIC's internal audit department and reviews by external auditors.

b) Compliance Function

The Board is responsible for oversight of the Company's design, implementation, and measuring effectiveness of its compliance program. The Company has outsourced the appointment of its compliance officer ("CO") to Artex. The Company works with Artex to perform client risk rating, business risk rating, file reviews, and certain transaction monitoring functions. Artex supports the Company's Operations staff and management to ensure the Company complies with applicable legal and regulatory requirements. In addition, the CO conducts discussions with and makes recommendations to Senior Management on operational requirements to develop and sustain a culture of compliance and ensure the Company remains in compliance from a legal and regulatory perspective.

The CO works with Senior Management to ensure that the Company remains in compliance with all applicable laws and regulations, and with the Company's and AFLIC's enterprise-wide policies and procedures. The CO works with Senior Management to take proactive steps to safeguard the Company from potential financial or reputational damage that could arise from being non-

compliant, and assist with the detection, prevention, and remediation of compliance failures and risks. Further, the CO works with Senior Management to confirm that compliance training programs for all employees and the Board are provided.

The CO attends each Board meeting and provides a quarterly compliance report to the Board.

v. Internal Audit

The internal audit function has been performed by AFLIC's Internal Audit Department. AFLIC's Internal Audit Department maintains its independence and objectivity through a reporting line directly to the audit committee of the ultimate parent company and to the Board of Directors of the Company. The annual internal audit plan is approved annually by one or more Directors. The audit report is prepared and presented to the Bermuda Risk and Audit Committee and the Board. AFLIC's Internal Audit Department conducts testing specific to the services that AFLIC performs over the operations, accounting, compliance, and investment management functions of the Company. For 2025, AFLIC intends to outsource its internal audit function, as well as the Company's internal audit functions.

vi. Actuarial Function

The Actuarial Function is outsourced to AFLIC. The Actuarial Function is managed by the Chief Actuary of AFLIC. The Approved Actuary of the Company is Bob Holliday (an independent contractor) and he is responsible for opining on the reasonableness of the Company's reserving and reporting. The Actuarial Function works closely with the Approved Actuary of the Company.

vii. Outsourcing

a) *Outsourcing Policy and Key Functions that have been externally outsourced*

The Company supplements its operational resources through the use of outsourcing arrangements, which enable the Company to leverage the expertise of selected service providers. All outsourcing decisions are taken by the Board with advice provided by Senior Management. Prior to engaging any outside service providers for outsourced functions, the Board evaluates the qualification of the service provider against the requirements of the services to be outsourced. The Board also evaluates whether the outsourcing of a function would negatively impact the Company's governance and risk management frameworks, increase operational risk, whether the service provider can be appropriately supervised, and whether the interests of the Company's policyholders would be negatively affected. If the Board cannot satisfy itself as to each of these considerations, it will not proceed with engaging the service provider.

The Company has engaged Artex to provide Insurance Management services as well as AML/KYC oversight, including the AML Compliance Officer function.

A management services agreement is in place between the Company and Artex that outlines the terms and conditions of the services the Company receives from Artex.

The engagement of Artex into the Company's governance and oversight process provides the Company with transparency into the services being received from Artex and enables continuous evaluation of these outsourced functions against the Company's own governance and internal control standards.

The Company has also assessed its capability to internally continue performance of outsourced

functions received from Artex in the event the arrangement with Artex were to terminate. The Company is satisfied that resources are in place such that the performance of these functions would continue uninterrupted utilizing existing Company staff in Bermuda with addition of new Bermuda staff as and if needed, with oversight provided by AFLIC.

The Company outsources the corporate secretarial function to Appleby Global Corporate Services (Bermuda) Limited ("AGS"). The Company leverages Appleby's experience in Bermuda adhering to corporate governance laws, regulations, and best practices.

The Company has key performance indicators ("KPIs") in place to set expectations, identify deficiencies, and assess the performance of outsourced service provided by Artex and AGS. KPIs are reviewed with the service provider on a quarterly basis with the results of such reviews presented to the Risk and Audit Committee and Board in quarterly meetings. KPIs are approved by the Board annually.

b) Material Intra Group Outsourcing

The Company outsources actuarial, accounting, internal audit and investment management functions to its affiliate, AFLIC, to benefit from AFLIC's enterprise-wide expertise and economies of scale. A management services agreement is in place between the Company and AFLIC that delineates the terms and conditions of the services the Company receives from AFLIC.

The Company relies on the hiring practices of AFLIC to ensure qualified personnel are providing these services to the Company. The Board and Senior Management of the Company continuously monitor and oversee the services being received through their day-to-day direct interaction with AFLIC personnel.

viii. Other Material Information

There is no other material information.

C. RISK PROFILE

Various risks facing the Company and the extent to which such risks are considered significant to the Company are set out below:

- **Sound Accounting and Financial Reporting Procedures**

The Company follows policies and procedures to meet its accounting, regulatory and internal control requirements. Accounting and supporting records provide a timely, complete and accurate representation of the Company's financial position. In addition, financial statements of the Company are audited annually by the Company's external auditor.

- **Insurance Underwriting Risk**

As a direct issuer of variable universal life insurance policies and variable annuity contracts the Company provides up to a maximum of \$125,000 of face amount insurance coverage on an insured life and reinsures any excess amounts to one or more highly-rated reinsurers such as Hannover Re, Munich Re, Gen Re, Swiss Re, and RGA.

The Company establishes policy reserves for the retained portion of any death benefit as determined based on application of standard actuarial principles and reserving techniques. For annuity products, death and surrender benefits are typically limited to a

return of the value of investments held in a segregated account.

Furthermore, election of an annuitization option with respect to a variable annuity contract is uncommon in the individual and group annuity markets in which the Company sells its products.

- **Investment Risk**

The Company adopts the "prudent person" principle in relation to the investment of its General Account assets.

The Company's investment risk associated with General Account investments is mitigated and controlled by compliance pursuant to the Company's Investment Guidelines and Investments Procedures and Controls. Currently, the Company's General Account investments are exclusively held in cash and time deposits. Therefore, investment risk associated with investments other than those in segregated accounts is deemed de minimis.

For segregated accounts, all managers for US-compliant policies (including Guaranteed Variable Annuity ("GVA") contracts are reviewed by AFLIC's Investment Committee, which evaluates the underlying investment structure, its leverage and liquidity, internal controls of the investment manager, and other important aspects of the manager and investment program before making a recommendation to the Company. The Company subsequently reviews and decides upon final approval which is then ratified by the relevant Company Board. Bermuda compliant policies and all investment managers are evaluated by the AFLIC Investment team and reviewed by the Company's Senior Management, before making a recommendation to the Company and/or the Company, which ultimately reviews and decides upon the final approval that then is ratified by the relevant Company Board.

- **Liquidity Risk**

Inherent investment-specific liquidity risk due to illiquid segregated account investments is managed through the use of settlement agreements, which match the timing of contractual benefit payments to the liquidity of the underlying investments.

Liquidity risk associated with the Company's general account assets is currently de minimis due to the nature of the Company's current asset composition (i.e., exclusively cash, money market and time deposits). The Company's risk appetite for liquidity risk is six months to a year of operating expenses, taxes, licenses and fees plus \$20,000 of monthly death benefit claim activity in high quality short-term investments.

- **Market Risk**

The Company offers variable life insurance and annuity products linked to segregated accounts with all investment performance and market risks held by the policyholder. The Company does not offer any guaranteed living benefits or product guarantees tied to the performance of segregated account assets. In addition, the Company does not offer products with a General Account investment option or provide minimum guaranteed credited rates on any policies.

Furthermore, the Company invests its General Account assets in cash, time deposits, and in other high-quality, low-volatility assets in accordance with its Investment Guidelines.

- **Credit Risk**

Due to the nature of its counterparty exposures, the Company's primary credit risk is related to its life reinsurance program. The Company manages the counterparty risk associated with its reinsurance programs on an aggregate basis across all commonly-

controlled entities. This risk is mitigated and controlled by compliance with the Company's Guidelines for ceding risk. The Company will only cede new business to reinsurers that have an S&P rating of "A" or better and/or an A.M. Best rating of "A-" or better. The credit rating for all reinsurance entities is monitored at least annually and all significant ratings movements are escalated to the AFLIC US Executive Committee, the Company's Risk and Audit Committee or Board as deemed appropriate.

Since the Company purchases reinsurance for its variable annuity contracts that may elect death benefit riders, credit risk is considered a material risk to the Company. In addition, the Company and AFLIC evaluate and monitor overall exposure to all reinsurance counterparties across all insurance entities on an aggregate basis. Whenever a reinsurer is deemed to be in sufficiently concerning financial condition, the Company seeks to recapture and replace or backstop the reinsurance coverage provided by the impacted counterparty to the extent permissible under treaty terms. This has not been necessary to date. If this were to happen, it would likely occur well in advance of the insolvency of a counterparty or failure to pay a ceded claim.

Reinsurers currently used by the Company are all rated "A+" or higher by AM Best and/or "AA-" or higher by S&P.

Credit risk associated with Company assets other than those in segregated accounts is deemed low due to the current asset composition which is exclusively cash and time deposits.

- **Compliance and Legal Risk**

As an insurance company selling highly customized, segregated account linked insurance products often with reinsurance, legal and compliance risks are considered a material risk to the Company. These risks are mitigated and controlled by compliance with the Company's various guidelines, procedures and controls, as well legal review of proposed material agreements and arrangements. The Company keeps abreast of legal and regulatory updates via its Bermuda Long Term Insurers and Reinsurers ("BILTIR") membership and as a member of BILTIR's Legal and Regulatory Committee, with email subscriptions to the BMA and Registrar of Bermuda Companies circulation lists, and via its CO and principal representative, Artex. The Company is aware of its obligations under updated sanctions regimes and cyber risk management rules now in effect, as well as proposed revisions to the Insurance Code of Conduct.

The Company has engaged with the following firms to provide services to it:

Approved Auditor - Ernst & Young

Approved Actuary - Robert Holliday (Holliday Actuarial Consulting Inc.)

Insurance Manager, Principal Representative and Segregated Accounts Representative - Artex Risk Solutions (Bermuda) Ltd.

Compliance Officer – Artex Risk Solutions (Bermuda) Ltd.

Corporate Secretary - Appleby Global Corporate Services Bermuda Ltd.

Legal – Kennedys & Appleby Bermuda

Management maintains on-going oversight of these service providers and ensures coordination between Company resources and those of the service providers.

- **Operational Risk**

Third party Vendor Management - A number of the Company's operational functions are outsourced to third party vendors. As a means of mitigating outsourcing risk the Company maintains clear oversight and accountability of vendors and expects them to maintain standards of governance and internal controls that are equal to the Company's own requirements. The Company's service agreements reflect these expectations. Copies of the relevant Guidelines and other Procedures and Controls of the Company have also been furnished to the service providers to ensure their compliance with the Company's service standards, procedures, and controls.

Talent Management – The Company strives to establish and maintain a talented workforce, especially through professional development and retention of high-potential employees.

The Company has a Business Continuity Management Plan that lays out the procedures and information needed in an emergency. Where possible Axcelus mitigates or controls exposure to interruption of its business.

- **AML/Anti-Terrorist Financing (“ATF”) Sanctions Risk**

The Company takes a multi-pronged approach to managing and mitigating its AML/ATF risks. This multi-pronged approach is summarized as follows.

Risk Assessment

The Company conducts a Business Risk Assessment (“BRA”) to assess the AML/ATF risk factors and mitigating factors relating to areas such as product offerings, client base, delivery channels, and the use of intermediaries. This BRA is reviewed annually and updated as needed to reflect changes in BMA guidance, Bermuda law and regulations, and any Company-related changes such as new products, personnel, or processes. The BRA is reviewed and approved annually by the Company's Board of Directors.

The Company conducts Client Risk Assessments (“CRA”) to assess AML/ATF risk factors and mitigating factors relating to its proposed and existing client base. The CRA includes the “Purpose and Intended Nature” of the relationship form to provide the client's residence, location of business activities, source of wealth, source of funds, and whether the client is a politically exposed person (“PEP”) or has other deemed high risk characteristics. The CRA and supporting documents are provided to the CO and the Business Acceptance Committee (“BAC”), and the Risk and Audit Committee of the Company's Board, prior to client onboarding, supporting documentation is updated if the client seeks to increase the size or frequency of policy premiums.

Financial Crime Prevention Manual

As part of its AML/ATF compliance program, the Company has documented its policies in the Financial Crime Prevention Manual. Employees and members of the Board are required to be familiar with this Manual, and to successfully complete annual AML/ATF training. The Manual serves as a guide for payment processing, Client Due Diligence (“CDD”) requirements, risk ratings, and procedures for reporting Suspicious Activity Reports (“SARs”). All client-initiated payments such as withdrawals or policy and contract surrenders require current proof of identification and residence, and clear name screening results. Individual and corporate policy owners and any related parties, such as those permitted via Powers of Attorney (“POAs”) signatories and intermediary entities and directors, are subject to daily name(s) background and identity screening.

General Business Practices

The Company has appointed a CO and Money Laundering Reporting Officer ("RO"), as required by Bermuda law. The CO is outsourced to Artex and provides quarterly reports and an annual summary to the Board. The Company's RO position is filled and maintained internally within the Company.

The Company conducts ongoing monitoring of its transactions and client files based on risk rating, with higher risk situations receiving proportionately more ongoing monitoring.

The Company obtains an annual independent audit of its AML/ATF compliance program. Results of the annual independent audit are reported to the Board and actioned by Senior Management accordingly.

- **Cyber Risk**

The Board is well-informed about cyber risk. The Company has an appointed Chief Information Security Officer ("CISO") who updates the Board on a quarterly basis. The Company has outsourced the provision of information technology and cyber security services to its US parent AFLIC. Accordingly, cyber risk is managed centrally by the CISO for AFLIC and the Company. As part of Company management meetings, the CISO regularly updates Company management including the Group Compliance and Chief Risk Officer of AFLIC. The information security risk assessment is a key, mandatory component of the Company's annual cyber security certification under applicable regulatory frameworks such as the BMA's Cyber Risk Management Code of Conduct.

- **Strategic Risk including Emerging Risks**

Strategic Risk including emerging risks are managed at the AFLIC enterprise-wide level, and with input and final decision-making provided by the Company's Board. All new strategic initiatives are reviewed by the AFLIC Executive Committee, and the Company's Risk and Audit Committee. The Company strives to maintain a diversified set of insurance and insurance services offerings across its entities (including the Company) to meet the needs of Ultra High Net Worth Individuals ("UHNWIs"), High Net Worth Individuals ("HNWIs"), and group institutions across a variety of geographic markets regions and institutional distribution channels.

- **Environmental, Social, and Governance ("ESG") Risk**

ESG risk is a component of the Company's risk management framework, and includes the consideration of the material risks from ESG aspects. The Company's ESG risk is considered by the Company's Risk and Audit Committee and then escalated and implemented at the AFLIC enterprise-wide level to ensure that the Company has a defined risk appetite, identification, and assessment in place for ESG risks including relevant policies and procedures. AFLIC's Risk and Information Security Committee ("RISC") will consider and document how climate-related risks could impact each area of the Company's risk management policies.

- **Reputational Risk**

Reputational Risk is managed at the AFLIC enterprise-wide level. All new product offerings, strategic initiatives, crisis management/response activities, and other sources of potential Reputational Risk are evaluated and reviewed by the Company's CRO and included in the risk dashboard for discussion and analysis by the Company's Risk and Audit Committee and Board.

- **Solvency and Capital Risk**

The Company has a fee-for-service business model, retaining limited mortality, counterparty and investment risk, the majority of its risks are operational in nature related to segregated accounts Assets Under Administration ("AUA"). These risks include reputational, litigation, regulatory, AML/ATF and cyber risks. To ensure sufficient capital is retained to absorb any negative financial impact of such risks, the Board has approved a maximum risk tolerance for capital and surplus to be maintained at 4 to 8 basis points ("bps") of segregated account balances.

- i. Risk Mitigation in the Organisation

Risks are managed through compliance with the Company's Guidelines, Procedures, and Operations Manuals.

The Company has a Business Continuity Management Plan which lays out the procedures and information needed in case of emergencies. Where possible, Axcelus mitigates or controls its exposures to potential loss of business continuity.

The Company has developed an enterprise-risk management ("ERM") policy which establishes clear links between strategy and risk assessment, including the development of a risk appetite framework and risk dashboard including target capital levels and operational efficiency metrics.

- ii. Material risk concentrations

The Company issues a low volume of high-dollar variable life insurance policies and annuity contracts. As a result, there is a degree of risk inherent in the nature of the Company's business, in that the segregated account assets which generate the Company's revenue are spread across a relatively small number of policyholders and contract holders. The Board has assessed these factors as part of its business model and risk management process and believes that the concentration of the Company's segregated account assets among its current policyholders and annuity contract holders to be at an acceptable level.

- iii. Investments in Assets in Accordance with the Prudent Person Principles of the BMA Insurance Code

Investments are managed within strict investment guidelines that ensure that assets are invested in accordance with the prudent person principle defined in Paragraph 5.1.2 of the BMA Insurance Code of Conduct.

Any deviation from stated Investment Guidelines requires Board or Committee approval.

- iv. Stress Testing and Sensitivity Analysis to assess material risks

The Company performs regular stress and scenario testing to ensure that regulatory requirements can be met. The Company uses deterministic analysis to model its key risks. The tests consider the immediate impact on regulatory requirements, and also longer term impacts on dividend paying ability.

The Company performs testing covering baseline and stressed underwriting scenarios, worst-case mortality and market scenarios, and reverse stress testing scenarios.

Specific assumptions and results of the Company's analyses are included in its December 31, 2024 BSCR filing and within the December 31, 2024 CISSA report attached to the BSCR filing.

- v. Any other material information

There is no other material information.

D. SOLVENCY VALUATION

i. Valuation bases, assumptions and methods used to derive the value of each asset class

The Company has used the valuation principles outlined by the BMA's *Guidance Notes for Commercial Insurers and Insurance Groups' Statutory Reporting Regime* dated 30 November 2016, and the BMA's *Insurance Account Rules 2016*. The valuation bases for the Company's significant classes of assets are as follows:

- Cash and cash equivalents – valued at fair value determined using a mark to market valuation.
- Segregated account assets – valued at fair value determined using a mark to market valuation.

ii. Valuation basis, assumptions and methods used to derive the value of technical provisions

Insurance technical provisions are valued using best estimate cash flows. The best estimate assumptions used to derive the cash flows are based on detailed historic experience, and expectations of future experience.

iii. Reinsurance recoverables

As of December 31, 2024 the Company had \$25,181 of reinsurance assets representing ceded reserves on the Company's variable life policy and annuity contracts where a death benefit rider has been elected. This amount is recoverable from reinsurers listed below in case of insured's claims by a policyholder or contract holder.

	AM Best Rating	S&P Rating
General Re Life Corporation	A++	AA+
Hannover Life Reassurance Company of America	A+	AA-
Munich Reinsurance Company of Canada	A+	AA-
RGA Reinsurance Company	A+	AA-
Swiss Re Life & Health America Inc.	A+	AA-

iv. Valuation bases, assumptions and methods used to derive the value of other liabilities

The Company has used valuation principles outlined by the BMA's *Guidance Notes for Commercial Insurers and Insurance Groups' Statutory Reporting Regime* dated November 30, 2016, and the BMA's *Insurance Account Rules 2016*. The valuation bases for the Company's significant liabilities are as follows:

- Segregated account liabilities – valued at fair value determined using a mark to market valuation.

v. Any other material information

There is no other material information.

E. CAPITAL MANAGEMENT

i. Eligible Capital

a) *Capital management policy and process for capital needs*

Capital is reviewed on a quarterly basis in the risk dashboard to ensure that capital levels are aligned to the Company's acceptable risk level, and to ensure minimum capital and surplus requirements for a Bermuda Class C Long-Term insurer are met.

b) Eligible Capital categorised by tiers in accordance with the eligible capital rules

At the end of the reporting period all of the Company's Eligible Capital was categorised as Tier 1:

USD 000's	Eligible Capital
Tier 1	\$ 779
Tier 2	
Tier 3	-
Total	\$ 779

c) Eligible Capital by tiers, used to meet ECR and MSM requirements

At the end of the reporting period, all of the Company's Eligible Capital for its MSM and ECR were categorised as Tier 1:

USD 000's	Applied to Minimum Margin of Solvency	Applied to Enhanced Capital Requirement
Tier 1	\$ 779	\$ 779
Tier 2	-	-
Tier 3	-	-
	\$ 779	\$ 779

d) Confirmation of Eligible Capital that is subject to transitional arrangements

None of the eligible capital is subject to transitional arrangements.

e) Identification of any factors affecting encumbrances affecting the availability and transferability of capital to meet the ECR

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

f) Identification of Ancillary Capital Instruments that have been approved by the Authority

The Company has no Ancillary Capital Instruments.

g) Identification of differences in Shareholder's Equity as stated in the financial statements versus the available statutory capital and surplus

The Company applies the guidance of the BMA's *Guidance Notes for Commercial Insurers and Insurance Groups' Statutory Reporting Regime* dated November 30 2016, and the BMA's *Insurance Account Rules 2016* in preparing its condensed general purpose financial statements, statutory financial statements, and economic balance sheet.

The primary difference between various financial statements applicable to the Company is a difference in the treatment of prepaid expenses and deferred acquisition costs.

The table below identifies the Company's capital and surplus as of December 31, 2024 as reported in each of its financial statements (schedule may not foot due to rounding):

ii. Regulatory Capital Requirements

a) *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 as follows:

	USD 000's
	31-Dec-2024
Total Capital And Surplus, Condensed General Purpose Financial Statement:	\$ 796
Prepaid expenses	(16)
Total Capital And Surplus, Statutory Financial Statements (ISFS)	\$ 779
No differences	-
Available Statutory Economic Capital and Surplus	\$ 779

	Amount in USD 000's	Coverage Ratio
Minimum Margin of Solvency	\$ 500	156%
Enhanced Capital	\$ 500	156%

Due to the nature of risks associated with the policies and contracts issued by the Company, the Required Capital and Surplus calculation (Final BSCR_{LT}) has historically been under the \$500,000 MSM. As of December 31, 2024, the Company's calculated Transitional BSCR was \$18,000; therefore, the Company's MSM represents the Class C minimum of \$500,000.

b) *Identification of any non-compliance with the MSM and the ECR*

The Company was compliant with the MSM and the ECR during the year ending December 31, 2024 and remains compliant at the date of the report.

c) *Description of the amount and circumstances surrounding the non-compliance, the remedial measures taken and their effectiveness*

Not applicable

d) *Where the non-compliance has not been resolved, description of the amount of non-compliance at the end of the reporting period*

Not applicable

iii. Approved Internal Capital Model

- a) *Description of the purpose and scope of the business and risk areas where the Internal Model is used*

Not applicable

- b) *Where a Partial Internal Model is used, description of the integration with the BSCR Model*

Not applicable

- c) *Description of the methods used in the Internal Model to calculate the ECR*

Not applicable

- d) *Description of the aggregation methodologies and diversification effects*

Not applicable

- e) *Description of the main differences in the methods and assumptions used for the risk areas in the Internal Model versus the BSCR Model*

Not applicable

- f) *Description of the nature and suitability of the data used in the Internal Model*

Not applicable

- g) *Any other material information*

There is no other material information.

F. SUBSEQUENT EVENTS

- a) *Description of the significant event*

There have been no significant events since December 31, 2024 through the date of this report.

- b) *Approximate date(s) or proposed timings of the significant event*

There have been no significant events since December 31, 2024 through the date of this report.

- c) *Confirmation of how the significant event has impacted or will impact any information provided in the most recent financial condition report filed with the Authority*

There have been no significant events since December 31, 2024 through the date of this report.

- d) *Any other material information*

Not applicable

DECLARATION AND SIGNATURE

To the best of my knowledge and belief, this Financial Condition Report fairly represents the financial condition of the Company in all material respects.

Signatory: Keith Stock
Keith Stock, CEO & Director

Date: 17 April 2025

(Senior executive officer responsible for oversight of the actuarial, risk management, internal audit and compliance functions)

DECLARATION AND SIGNATURE

To the best of my knowledge and belief, this Financial Condition Report fairly represents the financial condition of the Company in all material respects.

Signatory: *Henry Komansky*
Henry Komansky, Bermuda Chief
Risk Officer and Group Compliance
Officer

Date: 17 April 2025