

DISCLAIMERS AND IMPORTANT INFORMATION
PLEASE READ CAREFULLY

Evergreen Life Limited is a Bermuda life insurance company offering Evergreen Private Placement Variable Universal Life (PPVUL) Policies and Private Placement Variable Annuity (PPVA) Contracts. In conjunction with our offering of the PPVUL Policies and PPVA Contracts, we are providing you with important information. You should read this document carefully along with the Offering Memorandum which will be securely sent to you through the website.

Evergreen Life

Due to the fact that Evergreen Life Limited (Evergreen Life) is a Bermuda life insurance company, applications for Evergreen Life's insurance products will only be received by the company at its offices in Bermuda and all offers and sales of its Policies and Contracts may only be made in Bermuda. It does not conduct business in any other jurisdiction.

The material which is provided via the web site should not be construed as any offer to sell or a solicitation of any offer to buy a Policy or to submit an application for the purchase of, an insurance product, in any jurisdiction other than Bermuda. Evergreen Life may initially make hypothetical illustrations available. These should be construed as illustrative only and do not constitute a proposal to enter into an insurance contract or an undertaking to offer insurance coverage under any specific terms and conditions in any jurisdiction.

Only personnel of Evergreen Life are authorised to make representations regarding Evergreen Life and its PPVUL Policies and PPVA Contracts. Any materials which have not been prepared by Evergreen Life should not be considered as representations by Evergreen Life.

Who Can Purchase an Evergreen PPVUL Policy or PPVA Contract

The Evergreen PPVUL Policy and PPVA Contract are not suitable for all potential purchasers. Consequently, no sale of a PPVUL Policy or a PPVA Contract will be made unless the purchaser demonstrates that he or she has such knowledge and experience in financial and business matters and that he or she is capable of evaluating the merits and risks of the purchase. We require that the person responsible for the payment of the premiums for the Policy or Contract complete a financial questionnaire. While we do not undertake a suitability review, we do verify that the person responsible for the premium provides us with such information so as to enable us to conclude that he or she has sufficient knowledge and experience as well as sufficient net assets to sustain losses, should these occur.

The potential insured under a PPVUL Policy will be required to provide us with personal health information in order that the Policy may be underwritten.

There is no guarantee that we will issue a Policy or Contract to all applicants. We may refuse to do so based solely on our own discretion.

Advice

While we provide you with various materials for discussion purposes with your professional advisers, who will assist you to determine whether the PPVUL Policy or PPVA Contract is suitable for you, these materials should in no way be considered to be legal, tax, financial, or accounting advice. You must consult with your own personal advisers prior to making any decision.

You will be sent a document titled Offering Memorandum, for the PPVUL Policy or the PPVA Contract (Offering Memorandum) in a secure method through the Evergreen website. We encourage you to read it carefully. You may contact us with any matter you wish to discuss. We urge you to discuss the information contained in the Offering Memorandum with your advisers.

Risks

There are a number of potential risks associated with the purchase of a PPVUL Policy or PPVA Contract issued by a Bermuda life insurance company. These issues are set out in our Offering Memorandum. Special attention should be paid to the section on risks so that they may be fully understood and considered prior to any decision to accept potential exposure to them.

Tax Disclaimer

Evergreen Life is committed to complying with both the spirit and the letter of the law. With respect to any U.S. taxpayer, it should be noted that any information, products, or service which Evergreen Life provides to you, is not intended, nor may it be relied upon or used by any U.S. taxpayer for the purpose of avoiding penalties which may be imposed on the taxpayer under the U.S. Internal Revenue Code.

Use of Internet and Privacy

Evergreen Life is committed to protecting and safeguarding your privacy. We have made every attempt to create a secure location on our website in which we are able to conduct business with you. We will not request any personal information outside of that environment, other than sending you your user login to enable you to proceed beyond the introductory pages of our web site.

Please be aware that, unless you are working in our secure location, having logged in, any messages sent to or from us over the open internet, can be accessed by other Internet users. We urge you to take all reasonable precautions necessary in order to protect any data or information which you receive or download from us onto your computer, by implementing your own computer security measures, including, but not limited to, employing current reputable anti-virus, spyware and malware applications and always securing (locking) your computer screen when not actively using it.

DISCLOSURES

Evergreen Life Limited Financial Condition Report For the year ending 31 December 2019

Evergreen Life Limited was incorporated in Bermuda on 8 November, 2008 and licensed as a Class C insurer by the Bermuda Monetary Authority, to write life insurance business.

BUSINESS AND PERFORMANCE

a. Name of Insurer

Evergreen Life Limited (“the Company”)
6th Floor, Cumberland House
1 Victoria Street,
Hamilton
Bermuda

b. Supervisors

Insurance Supervisor
Bermuda Monetary Authority
BMA House
43 Victoria Street,
Hamilton
Bermuda

c. Approved Auditor

Statutory Reporting
Deloitte Ltd
Corner House
20 Parliament Street, Hamilton
Bermuda

GAAP Reporting
Deloitte Ltd
Corner House
20 Parliament Street, Hamilton
Bermuda

d. Ownership Details

The Company is wholly owned by two shareholders: Evergreen Financial Holdings Ltd (incorporated in the BVI) and IBEX Life Services, LLC (incorporated in the United States). These two companies are the ultimate owners of the Company.

e. Group Structure

N/A

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

The Company offers individual and group life private placement variable universal life insurance policies (the "PPVUL Policy"). In terms of the Company's licence, the life element of such PPVUL Policy is 100% reinsured by reinsurance companies with a minimum rating of A-

The Company also offers private placement variable annuity contracts ("PPVA").

Evergreen Life Limited ("Company") is a long term insurer (Class C) and is a Segregated Account Company. All business is segregated account business. The Company issues variable annuity and variable life insurance policies (collectively referred to as "universal life-type contracts") to high and ultra-high, net worth clients. The insurance is written in Bermuda and the lives insured are resident in the USA.

Premiums, net of expenses, paid by the policyholder with respect to the universal life-type products are placed in segregated accounts based upon the investment selections made by the policyholder. Segregated accounts are either managed by one or more investment managers appointed by the Company or are invested in insurance dedicated investment funds. The policyholder retains the benefits of favourable investment performance, as well as the risk of adverse investment results. Assets held in the segregated accounts are not subject to the claims of the Company's general creditors. The Company does not provide any investment management or advisory services. The Company's revenues earned from these policies consist of fee income assessed against the assets in each segregated account. The Company's variable products do not guarantee investment returns.

- g.** The Company's income derives from policy charges and fee income in relation to the policies. The major portion of the expenses arise as a result of insurance servicing costs from the insurance manager. There is no material income or expense in relation to investments held in the segregated accounts.

GOVERNANCE STRUCTURE

The Company's governance structure is established to;

- ensure the enterprise risk management is maintained at high standards;
- ensure the business is operating in an efficient and effective manner; and
- align control procedures for units within the organization based on the risks they carry.

a. Board and Senior Executive

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

The role of the Board of Directors ("the Board") is to exercise oversight in relation to the organization. Executive decisions and risk oversight is determined by the Board.

The Board consists of 2 directors, both of whom are executive directors. Their roles and responsibilities are outlined in the Company's Bye-Laws which comply with the regulatory requirements of Bermuda.

ii. Remuneration Policy

N/A- No employees

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

N/A- No employees

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

During the financial period, the Company did not declare a dividend.

b. Fitness and Proprietary Requirements

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

The Company appoints members of the Board based on the individual's expertise and work experience as well as professional judgment. Before being appointed to the Board, all candidates must undergo a rigorous background screening.

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

Below are details of the qualifications, skills and expertise of the Board and Senior Executives:

1. Allan Rosenzweig

Allan Rosenzweig is a founder and CEO of the Evergreen Life Insurance Group. He has been active over many years in the fields of insurance, asset-backed finance and international taxation. He has law and tax degrees and has been admitted as an Advocate of the Supreme Court of South Africa.

Mr. Rosenzweig has considerable experience in the fields of international structuring and taxation, M&A and insurance. He is an accomplished and proactive independent director and audit committee financial expert, having served on the boards of several public companies in Europe and the USA. The products of Evergreen are largely a result of certain aspects of that expertise combined with his tax knowledge and experience. Such products present solutions to complex problems through the use of insurance.

2. Janita Burke

Janita Burke was appointed Non-Executive Director of the company in April 2016. She is a Client Director and member of Senior Management at Ocorian Services (Bermuda) Limited. Janita has over 18 years of Legal and Client Service experience, having formerly been a partner in the Corporate department of Appleby Law Bermuda office where she practiced all areas of corporate and commercial law, specializing in non-contentious insurance work.

Ms. Burke is also a member of the Bermuda Bar Association.

c. Risk Management and Solvency Self-Assessment

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

The identification and assessment of all reasonably foreseeable material risks, (i.e. insurance underwriting risk; investment, liquidity and concentration risk; market risk; operational risk; strategic risk; reputational risk and legal risk).

- Underwriting risk – The Company has no underwriting risk as its license conditions require mortality risk to be 100% reinsured with a reinsurer with an A.M. Best or similar rating of A- or better or to be fully collateralized. The company requires the reinsurers to perform all underwriting and only issues a policy if the reinsurer agrees to assume the risk. In terms of Evergreen’s Private Act, the reinsurer is obliged to pay proceeds into the segregated account. As a consequence, all policy activity occurs within the segregated accounts and policy owner rights are restricted thereto. Therefore, the Company is not exposed to financial risk with regard to the policies that it issues. The Company takes a cautious and prudent approach with regard to all other risks (e.g. operational).
- Investment risk – Investment risk is low as the Company’s investments apart from segregated accounts are held in cash. The investment risk on the segregated accounts is held by the policyholder.
- Liquidity and concentration risk – assets are liquid and accounts receivable quickly collected on notification to the policyholder. Concentration risk is not expected to be a material risk to the Company as the investments supporting the liabilities are held in segregated accounts and the investment risks are assumed by the policyholders. Furthermore, all policies allow a deferral of payments to the policy owner until assets in the segregated accounts are realized.
- Counterparty risk – The Company’s highest exposure is to its reinsurers. The Company only contracts with top-tier reinsurers (rated at or above A-) who are constantly monitored for any change in financial condition. In terms of Evergreen’s Private Act, the reinsurer is obliged to pay proceeds into the segregated account. As a consequence, all policy activity occurs within the segregated accounts and policy owner rights are restricted thereto.

Therefore, the Company is not exposed to financial risk with regard to the policies that it issues. The Company takes a cautious and prudent approach with regard to all other risks (e.g. operational).

- Market risk –To the extent fees collected by the Company are based on asset values, performance of the underlying assets would affect the amount of those fees.

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

Policy owner benefits and rights on maturity or surrender are limited to the realized value of the attributable segregated account assets at the date of distribution, together with the proceeds of the reinsurance (100%). In terms of Evergreen’s Private Act, the reinsurer is obliged to pay proceeds directly into the relevant segregated account. As a consequence, all policy activity occurs within the segregated accounts and policy owner rights are restricted thereto. Consequently, Evergreen is not exposed to financial risk in respect of the policies that it issues. The Company takes a cautious and prudent approach with regard to all other risks (e.g. operational).

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

Underwriting risk and counterparty risk are managed (together) by selecting reinsurers carefully and monitoring them for changes that could increase the Company’s risk exposure.

A regular evaluation is undertaken as to whether the Company has sufficient capital and liquidity available, including an assessment of whether capital is fungible and assets are transferable, this is performed in order to achieve the Company’s strategic goals over its planning horizon and to deal with any potential adverse consequences if insufficient.

The Company presently has sufficient capital available to cover additional growth in policies as well as any reasonable contingencies. The current personnel and systems have the capacity to deal with a significant increase in the level of activity without the need for any additional capital or other investment.

iv. **Solvency Self-Assessment Approval Process**

This involves a forward looking analysis of the risks faced by the Company over its planning horizon and an analysis demonstrating the ability to manage its business and its capital needs in adverse circumstances and still meet regulatory capital requirements.

The Company has no plans to significantly increase risks on policies and current capital is sufficient to cover operating needs.

The Board reviews, on an annual basis, whether exposures are in compliance with the Company's risk appetite statement, risk tolerance levels and limits.

d. Internal Controls

i. Internal Control System

The Company has systems, processes and procedures to ensure that data and reporting is reliable, organizational policies are adhered to and adequate security measures are implemented. The Company uses the services of external consultants to perform independent assessments of the internal control system. If any deficiencies or material weaknesses are found, they are documented and presented to the Board.

ii. Compliance Function

The Company uses the services of a third party agent in Bermuda to review the compliance function and report any deficiencies or material weaknesses to the Board.

e. Internal Audit

N/A – Not deemed necessary for this Company due to the size and position.

f. Actuarial Function

The Company outsources the annual actuarial function.

g. Outsourcing

i. Outsourcing Policy and Key Functions that have been Outsourced

The Company has an outsourcing policy that outlines Board delegation regarding various thresholds that may be authorized by staff at various levels, and includes those which require Board authorization. The outsourcing policy also outlines the tender and vetting process, as well as the procedures to be taken to monitor the work of outsourced partners and ensure that arrangements do not negatively affect the Company's reputation. Other than the actuarial function, the Company has not outsourced any other control functions (defined as being Risk Management, Compliance and Internal Audit).

ii. Material Intra-Group Outsourcing

N/A

h. Other Material Information

No other material information to report.

iii. RISK PROFILE

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

The Company's main risk categories are operational, liquidity, strategic and reputational risk.

- **Operational Risk** – the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.
- **Liquidity Risk** – the risk of not being able to meet obligations when they fall due owing to the lack of sufficient liquid assets, the inability to sell assets without incurring significant losses or the difficulty of raising capital when needed.
- **Strategic Risk** - the risk of loss arising from the adverse effect of management decisions on both business strategies and their execution, as well as from unexpected changes in environmental trends that damage the operating economics of the business.
- **Reputational Risk** - the risk that business practices, conduct of business and associations may damage stakeholder confidence.

b. Risk Mitigation in the Organization

The Company controls risk in the organization in a variety of ways, but ultimately risks are reported and monitored centrally by the Risk Management Function. The Risk Management Function also verifies that risks are either kept within agreed limits or temporary breaches for unique situations are appropriately escalated to the Board and either approved or corrected. Further, the Board reviews the enterprise risk management framework and ensures that the controls in place for managing the risk exposures are operating as intended. If a new risk emerges, the Risk Management Committee establishes new controls to manage such risk. These controls are reported to the Board prior to adoption.

c. Material Risk Concentrations

The Company has policies governing risk concentrations in relation to counterparties, credit quality, sectors and geographical locations.

Policy owner benefits and rights on maturity or surrender are limited to the realized value of the attributable segregated account assets at the date of distribution, together with the proceeds of the reinsurance (100% of the life insurance element of policies). In terms of Evergreen's Private Act, the reinsurer is obliged to pay proceeds directly into the relevant segregated account. As a

consequence, all policy activity occurs within the segregated accounts and policy owner rights are restricted thereto. Consequently, Evergreen is not exposed to financial risk in respect of the policies that it issues. The Company takes a cautious and prudent approach with regard to all other risks (e.g. operational).

These matters are debated and reviewed regularly by the Company. The Company is in compliance with its policy.

d. Investment in Assets in Accordance With the Prudent Person Principles of the Code of Conduct

The Company's investment portfolio (general account assets) is managed by the investment team in accordance with the Company's investment policy guidelines. These guidelines require that high liquidity and low volatility fixed income securities (typically cash and cash equivalents) support technical provisions. The size of the high quality investment portfolio is determined by the amount of technical provisions recorded for the quarter plus a large safety buffer.

These guidelines are reviewed on an annual basis and where required, ad hoc, if any significant deviations have occurred that materially affect the financial markets.

e. Stress Testing and Sensitivity Analysis to Assess Material Risks

▪ Underwriting Risk Exposures

Underwriting risk exposure is tested for risk concentration to a specific region as well as identification of stress events that can lead to material losses across the portfolio.

▪ Interest Rate Risk

N/A to this Company.

▪ Credit Risk

The Company's reinsurance recoverables are tested to assess the impact of counterparty's ability to make payments in accordance with the contractual terms.

Based on the latest results, management of the Company believes that it has sufficient capital and liquidity to comply with the contractual obligations of the organization and regulatory requirements upon experiencing losses within its risk tolerance.

iv. SOLVENCY VALUATION

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

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

- Cash and Cash Equivalents – includes cash, time deposits and investments maturing within three months. The fair value of these holdings is determined by using mark to market valuation, quoted market prices in active markets for similar assets (with adjustments to reflect differences) if mark to market valuation is not possible or mark to model valuation.
- Fixed Income Securities – are valued in accordance with mark to market principles where possible or quoted market prices in active markets for similar assets with adjustments to reflect differences if mark to market valuation is not possible. For fixed income securities that are not actively traded and for which similar assets are not actively traded, the Company uses pricing services to prepare inputs to assist the Company with mark to model valuations.
- Accounts Receivable and Premium Receivable – are recorded at a fair value and balances due in more than one year have been discounted at the relevant risk free rate.

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

Insurance technical provisions are valued based on best estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure with an appropriate illiquidity adjustment. In addition, there is a risk margin to reflect the uncertainty contained 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 Bermuda Monetary Authority for each reporting period.

The best estimate for the loss and loss expense provision is calculated by using United States Generally Accepted Accounting Principles (US GAAP) reserves as the starting point and then

performing a series of adjustments viz:

- Removal of prudence margins.
- Incorporation of expected reinsurance counterparty defaults.
- Incorporation of events not in data (ENID).
- Other adjustments related to consideration for investment expenses, etc.
- Discounting of cash flows.

The best estimate for the premium provision is calculated by using the unearned premium reserve on a US GAAP basis, adjusting for bound but not incepted business as at 31 December 2019 and applying expected future loss ratios, expense ratios and appropriate claims pay-out patterns to derive cash flows which are then discounted.

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

Similar to the valuation principles for assets, the Company's liabilities follow the valuation principles outlined by Bermuda Monetary Authority's "Guidance Note for Statutory Reporting Regime" which values liabilities at a fair value basis. All other liabilities (with the exception of Loans and Notes Payable and Derivative Instruments) are valued on a GAAP basis and settlements not expected to be settled within a year, are discounted using the prescribed discount rates provided by the Bermuda Monetary Authority as at December 31, 2019. Loans and Notes Payable are valued on a GAAP basis and Derivative Instruments are valued at quoted market prices. In the absence of an active market, prices are based on observable market inputs.

d. Any Other Material Information

No additional material information to report.

v. CAPITAL MANAGEMENT

a. Eligible capital

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

To maintain a strong capital base, the Company identifies, assesses, manages and monitors the various risk sources it faces in the course of business both currently and as anticipated over a two-year planning horizon. This process culminates in an assessment of the capital necessary to maintain solvency at the threshold targeted by senior management given the firm's risk profile. The Company's risk profile includes an assessment of the current and anticipated future material risks faced by the Company, the strength of the organization's enterprise risk management, capital measures derived from proprietary and vendor models, qualitative risk stress testing, liquidity, and contingent financing mechanisms.

Eligible Capital Categorized by Tiers in Accordance With the Eligible Capital Rules

At the end of the reporting period, the Company's Eligible Capital was categorized as follows:

(Reported in thousand units)

Tier 1	1,576,422
Tier 2	0
Tier 3	<u>0</u>
Total	\$1,576,422

The capital is Tier 1, the highest quality capital, consisting of capital stock, contributed surplus, and statutory surplus.

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

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

(Reported in thousand units)

	Minimum Margin of Solvency	Enhanced Capital <u>Requirement</u>
Tier 1	500,000	500,000
Tier 2	-	
Tier 3	<u>-</u>	
Total	\$500,000	\$500,000

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

None

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

The Company has entered into contracts with cedants that require the Company to fully collateralize estimates of its obligations calculated by the cedant. These assets are released to the Company upon payment of the obligations.

v. Identification of Ancillary Capital Instruments Approved by the Authority

N/A - None

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

Other than the impact of employing statutory-based technical provision valuation techniques, significant differences between GAAP shareholder equity and available statutory capital and surplus include the reduction in available statutory capital for goodwill and other intangible assets.

b. Regulatory capital requirements

i. 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:

(Reported in thousand units)

Requirement	<u>Amount</u>
Minimum Margin of Solvency	\$500,000
Enhanced Capital Requirement	\$500,000

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

The Company was compliant with the MSM and ECR requirement at the end of the reporting period.

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

Not applicable.

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

Not applicable.

c. Approved Internal Capital Model

i. Description of the Purpose and Scope of the Business and Risk Areas Where the Internal Model is Used

Not applicable - the Company has not applied to have its internal capital model approved to determine regulatory capital requirements.

ii. Where a Partial Internal Model is Used, Description of the Integration with the

BSCR Model

Not applicable.

iii. Description of Methods Used in the Internal Model to Calculate the ECR

Not applicable.

iv. Description of Aggregation Methodologies and Diversification Effects

Not applicable.

v. Description of the Main Differences in the Methods and Assumptions Used for the Risk Areas in the Internal Model versus the BSCR Model

Not applicable.

vi. Description of the Nature & Suitability of the Data Used in the Internal Model

Not applicable.

vii. Any Other Material Information

Not applicable.

vi. SUBSEQUENT EVENTS

Not Applicable