FORTUNE V SEPARATE ACCOUNT

STATEMENT OF ADDITIONAL INFORMATION

INDIVIDUAL FLEXIBLE PURCHASE PAYMENT DEFERRED ANNUITY CONTRACTS
ISSUED BY

UNIVERSAL LIFE INSURANCE COMPANY
SAN JUAN, PR 00917-2011
(787) 706-7095

May 15, 2023

This Statement of Additional Information (SAI") should be used to supplement information provided by the Prospectus, which describes the individual flexible purchase payment deferred annuity contracts ('Contract" or "Contracts") issued through the Fortune V Variable Account ("Variable Account") of Universal Life Insurance Company ("Universal Life" or the "Company").

Three versions, or "Classes," of the Contracts are available: (1) the base Universal VIA Contract (Class B); (2) the Universal VIA with Liquidity Rider Contract (Class L); and (3) the Universal VIA Select Contract (Class C). The Contract classes vary in the length of the surrender charge (Contingent Deferred Sales Charge) period and the amount of the annual Variable Account Charge.

This Statement of Additional Information is not a prospectus. The Statement of Additional Information should be read with the Prospectus. The Prospectus sets forth information about the Variable Account that an investor ought to know. The Prospectus may be obtained, without charge, upon written request to Universal Life Insurance Company, PO Box 2171, San Juan, PR 00922 – 2171 or by telephoning (800) 981-0395. Please refer to the Table of Contents for a cross-reference index to the Prospectus.

The date of this Statement of Additional Information is May 15, 2023.

The date of the Prospectus is May 15, 2023.

Table of Contents

General Information and History

This section of the Statement of Additional Information provides certain information relating to the Variable Account and the sub-accounts of the Variable Account (the "Sub-Accounts").

The Variable Account was established by Universal Life on March 1, 2007, pursuant to the applicable provisions of the Puerto Rico Insurance Code. Until 2021, the Variable Account was exempt from the Investment Company Act of 1940, as amended (the "1940 Act"). In 2021, the Variable Account registered with the Securities and Exchange Commission ("SEC") under the 1940 Act as an open-end management investment company.

From 2007 through May 24, 2021, the Company sold the Contracts to residents of Puerto Rico without registering the Contracts as securities under the Securities Act of 1933, in reliance on an exemption in that Act for "intrastate" offerings. The U.S. securities laws were amended so that after May 24, 2021, that exemption no longer applied to variable annuities sold in Puerto Rico. Accordingly, the Company suspended sales of the Contracts while it was in the process of registering the Contracts as securities under the Securities Act of 1933. The suspension of sales lasted from May 24, 2021 until December 23, 2021, when the SEC declared the registration statement effective and the Company resumed sales of the Contracts.

Universal Life Insurance Company is a stock life insurance company originally organized as Eastern America Life Insurance Company in 1993 under the laws of the Commonwealth of Puerto Rico, with its home office at Metro Office Park Street 1, Lot 10, Guaynabo, PR 00968. Universal Life is a provider of several insurance products: individual, group life, group disability, credit life, annuities & IRA's. It is admitted to do business for life, disability and variable insurance by the Office of Commissioner of Insurance in the Commonwealth of Puerto Rico. Universal Life is a member of the Universal Group of companies that operate in Puerto Rico and United States. Universal Life is a wholly-owned subsidiary of Universal Insurance Company, Inc. ("Universal").

Each of the Sub-Accounts seeks its investment objective by investing in a combination of underlying mutual funds (the "underlying funds"). Transamerica Asset Management, Inc. ("TAM" or the "Investment Manager") is the investment manager for the underlying funds.

Each Sub-Account is non-diversified and is managed by Universal Financial Services, Inc. ("UFS" or "Universal Financial Services") as the investment adviser contracted to manage the Sub-Accounts. Morningstar Investment Management LLC serves as portfolio construction manager in connection with the actively managed or 'Asset Allocation' Sub-Accounts.

Investment Objectives and Policies

The investment objective of each Sub-Account and the strategies each Sub-Account employs to achieve its objective are described in the Prospectus under "Investment Objectives and Policies." There can be no assurance that a Sub-Account will achieve its objective.

Each Sub-Account's investment objective and, unless otherwise noted, its investment policies and techniques may be changed by the Board of Directors of Fortune V Separate Account, without the approval of the persons possessing rights under the Contracts (the "Contract Owners"). A change in the investment objective or policies of a Sub-Account may result in the Sub-Account having an investment objective or policies different from those which a Contract Owner deemed appropriate at the time of investment. Please refer to the Prospectus for a description of the fundamental investment policies of the Variable Account.

Fundamental Investment Policies

Fundamental investment policies of each Sub-Account may not be changed without the vote of a majority of the outstanding voting securities of the Sub-Account, defined under the 1940 Act as the lesser of (a) 67% or more of the voting securities of the Sub-Account present at a shareholder/investor meeting, if the holders of more than 50% of the outstanding voting securities of the Sub-Account are present or represented by proxy, or (b) more than 50% of the outstanding voting securities of the Sub-Account.

Each Sub-Account has adopted the following fundamental policies:

1. Borrowing

The Sub-Account may not borrow money, except as permitted under the 1940 Act, and as interpreted, modified or otherwise permitted by regulatory authority having jurisdiction, from time to time.

2. Underwriting Securities

The Sub-Account may not engage in the business of underwriting the securities of other issuers except as permitted by the 1940 Act.

3. Making Loans

The Sub-Account may not make loans, except as permitted under the 1940 Act, and as interpreted, modified or otherwise permitted by regulatory authority having jurisdiction, from time to time.

4. Senior Securities

The Sub-Account may not issue any senior security, except as permitted under the 1940 Act, and as interpreted, modified or otherwise permitted by regulatory authority having jurisdiction, from time to time.

5. Real Estate

The Sub-Account may not purchase or sell real estate except as permitted by the 1940 Act.

6. Commodities

The Sub-Account may not purchase physical commodities or contracts relating to physical commodities, except as permitted under the 1940 Act, and as interpreted, modified or otherwise permitted by regulatory authority having jurisdiction, from time to time.

7. Concentrating Investments in Particular Industries

The Sub-Accounts invest entirely in shares of open-end management investment companies (commonly known as mutual funds). However, the Sub-Account allocation of assets among the underlying funds is based on prudent diversification principles, therefore they are not concentrated in a particular sector or particular industry (except that the Money Market Sub-Account generally invests entirely in a single money market mutual fund).

Additional Information about Fundamental Investment Policies:

The following provides additional information about each of the fundamental investment policies. This information does not form part of the fundamental investment policies.

With respect to the fundamental policy relating to borrowing money set forth in (1) above, the 1940 Act permits a Sub-Account to borrow money in amounts of up to one-third of the Sub-Account total assets from banks for any purpose, and to borrow up to 5% of the Sub-Account's total assets from banks or other lenders for temporary purposes (the Sub-Account total assets include the amounts being borrowed). To limit the risks attendant to borrowing, the 1940 Act requires the Sub-Account's to maintain at all times an "asset coverage" of at least 300% of the amount of its borrowings. Asset coverage means the ratio that the value of the Sub-Account's total assets (including amounts borrowed), minus liabilities other than borrowings, bears to the aggregate amount of all borrowings.

With respect to the fundamental policy relating to underwriting set forth in (2) above, the 1940 Act does not prohibit a Sub-Account from engaging in the underwriting business or from underwriting the securities of other issuers; in fact, the 1940 Act permits a Sub-Account to have underwriting commitments of up to 25% of its assets under certain circumstances. Those circumstances currently are that the amount of the Sub-Account's underwriting commitments, when added to the value of the Sub-Account's investments in issuers where the Sub-Account owns more than 10% of the outstanding voting securities of those issuers, cannot exceed the 25% cap. A Sub-Account engaging in transactions involving the acquisition or disposition of portfolio securities may be considered to be an underwriter under the Securities Act of 1933, as amended (the "1933 Act"). Under the 1933 Act, an underwriter may be liable for material omissions or misstatements in an issuer's registration statement or prospectus. Securities purchased from an issuer and not registered for sale under the 1933 Act are considered restricted securities. If these securities are registered under the 1933 Act, they may then be eligible for sale but participating in the sale may subject the seller to underwriter liability. Although it is not believed that the application of the 1933 Act provisions described above would cause a Sub-Account to be engaged in the business of underwriting, the policy in (2) above will be interpreted not to prevent the Sub-Account from engaging in transactions involving the acquisition or disposition of portfolio securities, regardless of whether the Sub-Account may be considered to be an underwriter under the 1933 Act.

With respect to the fundamental policy relating to lending set forth in (3) above, the 1940 Act does not prohibit a Sub-Account from making loans; however, SEC staff interpretations currently prohibit funds from lending more than one-third of their total assets. Each Sub-Account will be permitted by this policy to make loans of money, including to other funds, Sub-Accounts, portfolio securities or other assets. A Sub-Account would have to obtain exemptive relief from the SEC to make loans of money to other funds and Sub-Accounts.

With respect to the fundamental policy relating to issuing senior securities set forth in (4) above, "senior securities" are defined as Sub-Account obligations that have a priority over the Sub-Account's shares with respect to the payment of dividends or the distribution of Sub-Account's assets. The 1940 Act prohibits a Sub-Account from issuing senior securities, except that the Sub-Account may borrow money in amounts of up to one-third of the Sub-Account's total assets from banks for any purpose. A Sub-Account also may borrow up to 5% of the Sub-Account's total assets from banks or other lenders for temporary purposes, and these borrowings are not considered senior securities. The issuance of senior securities by a Sub-Account can increase the speculative character of the Sub-Account's outstanding shares through leveraging.

With respect to the fundamental policy relating to real estate set forth in (5) above, the 1940 Act does not prohibit a Sub-Account from owning real estate; however, a Sub-Account is limited in the amount of illiquid assets it may purchase. To the extent that investments in real estate are considered illiquid, the current SEC staff position generally limits a Sub-Account's purchases of illiquid securities to 15% of net assets. The policy in (5) above will be interpreted not to prevent a Sub-Account from investing in real estate-related companies, companies whose businesses consist in whole or in part of investing in real estate, mortgage-backed securities instruments (like mortgages) that are secured by real estate or interests therein, or real estate investment trust securities. Investing in real estate may involve risks, including that real estate is generally considered illiquid and may be difficult to value and sell. In addition, owners of real estate may be subject to various liabilities, including environmental liabilities.

With respect to the fundamental policy relating to commodities set forth in (6) above, the 1940 Act does not prohibit a Sub-Account from owning commodities, whether physical commodities and contracts related to physical commodities (such as oil or grains and related futures contracts), or financial commodities and contracts related to financial commodities (such as currencies and, possibly, currency futures). However, a Sub-Account is limited in the amount of illiquid assets it may purchase. To the extent that investments in commodities are considered illiquid, the current SEC staff position generally limits a Sub-Account's purchases of illiquid securities to 15% of net assets.

The Sub-Account's fundamental policies are written and will be interpreted broadly. For example, the policies will be interpreted to refer to the 1940 Act and the related rules as they are in effect from time to time, and to interpretations and modifications of or relating to the 1940 Act by the SEC, its staff and others as they are given from time to time. When a policy provides that an investment practice may be conducted as permitted by the 1940 Act, the practice will be considered to be permitted if either the 1940 Act permits the practice or the 1940 Act does not prohibit the practice.

As a non-fundamental policy, the Sub-Accounts' investments will not be concentrated in particular industries or groups of industries. In accordance with the Sub-Accounts' investment programs set forth in the Prospectus, each of the Sub-Accounts may invest more than 25% of its assets in certain of the underlying funds.

In regards to taking a defensive position, we have implemented the volatility control guidelines which apply to the Moderate Portfolio and Conservative Portfolio. Under these guidelines, the Portfolio Construction Manager may adjust the maximum equity allocation of the portfolio based on the implied volatility, such that higher implied volatility over a specified period will result in a lower maximum equity allocation. For more details see "Additional Information About Investment Options Available Under the Contract"

With respect to the money market Sub-Account, there has been no material events to inform at this time. The underlying fund of the money market Sub-Account tries to maintain a share price of $1.00, and must follow strict rules as to the credit quality, diversification, liquidity and maturity of its investments. Each security, at the time of purchase by the underlying fund, has been determined by the sub-adviser to present minimal credit risk. Where required by these rules, the underlying fund's sub-adviser or Board of Trustees will decide whether the security should be held or sold in the event of credit downgrades or certain other events occurring after purchase.

The Variable Account does not disclose its portfolio securities to any person, other than in public filings in which portfolio securities are required to be disclosed.

Management

A. Board

The management of the Variable Account's business and affairs is the responsibility of the Board of Directors of the Fortune V Separate Account (the "Board"), even though the Variable Account is a part of Universal Life and Universal Life initially established the Board and has delegated certain responsibilities for the operation of the Variable Account to the Board.

The mailing address of each member of the Board is c/o Universal Life Insurance Company, PO Box 2171, San Juan, PR 00922 – 2171.

The members of the Board listed below are not "interested persons" of the Variable Account within the meaning of section 2(a)(19) of the 1940 Act ("Independent Board Members").

(1) Name and Year of Birth	(2) Position(s) Held with Registrant	(3) Term of Office and Length of Time Served	(4) Principal Occupation(s) During Past 5 Years	(5) Number of Portfolios in Fund Complex Overseen by Director	(6) Other Directorships Held by Director
Manuel O. Morera, CPA, (1956)	Member, Board	Since 2021	Accountant, tax and business advisor as a sole practitioner.	6	None
Francisco J. Perdomo, CPA (1961)	Member, Board	Since 2021	PSV & Co., PSC (accounting firm), Managing Director and Certified Public Accountant.	6	None

The member of the Board listed below is an "interested person" of the Variable Account within the meaning of section 2(a)(19) of the 1940 Act.

(1) Name and Year of Birth	(2) Position(s) Held with Registrant	(3) Term of Office and Length of Time Served	(4) Principal Occupation(s) During Past 5 Years	(5) Number of Portfolios in Separate Account Overseen by Director or Nominee for Director	(6) Other Directorships Held by Director or Nominee For Director
Waldemar Fabery-Villaespesa (1965)	Member, Board	Since 2021	Special Counsel, Toro Colón Mullet, P.S.C., a legal services firm	6	*

* Mr. Waldemar Fabery-Villaespesa is designated as an "interested person" because he is a member of several boards of a controlling party of Universal Financial Services ("UFS"), the principal underwriter of the Variable Account.

The Board does not have a lead independent director and does not believe one is necessary given that a majority of the Board are not interested persons. The Board's current structure is appropriate in view of the experience of its members, the longstanding working relationship of its independent members, and the nature of the Variable Account's operations. In overseeing the Variable Account's operations, the Board receives regular reports on various aspects of the Variable Account's operations, such as performance, securities holdings and compliance.

Each Board member shall hold office until: 1) his or her successor is elected and qualified or 2) he or she resigns, retires or his or her term as a Board member is terminated in accordance with the Variable Account's governing documents.

The Board believes that each Board member's experience, qualifications, attributes or skills on an individual basis and in combination with those of the other Board members lead to the conclusion that the Board possesses the requisite skills and attributes. The Board believes that the Board members' ability to review critically, evaluate, question and discuss information provided to them, to interact effectively with UFS, other services providers, counsel and independent auditors, and to exercise effective business judgment in the performance of their duties, support this conclusion. The Board also has considered the following experience, qualifications, attributes and/or skills, among others, of its members in reaching its conclusion:

Mr. Morera is a certified public accountant with over forty (40) years of experience at major and multinational accounting firms. Among his notable experiences, Mr. Morera was appointed as the first Chief Financial Officer of a pharma/bio services company that registered with the SEC during his tenure.

Mr. Perdomo is a certified public accountant with over thirty-five (35) years of experience at accounting firms. Among his notable experiences, Mr. Perdomo has serviced companies related to SEC registered companies.

Mr. Fabery-Villaespesa is an attorney with over twenty-five (25) years of experience providing legal advice to multinational companies in corporate and tax matters. He has been a member of the Board of Directors of Universal Insurance Group, Inc. since 2015.

Risk Oversight

Through its oversight of the management and operations of the Sub-Accounts, the Board also has a risk oversight function, which includes (without limitation) the following: (i) requesting and reviewing reports on the operations of the Sub-Accounts (such as reports about the performance of the Sub-Accounts); (ii) reviewing compliance reports and approving compliance policies and procedures of the Sub-Accounts and their service providers; (iii) meeting with management to consider areas of risk and to seek assurances that adequate resources are available to address risks; (iv) meeting with service providers, including auditors, to review the Sub-Accounts' activities; and (v) meeting with the Chief Compliance Officer and other officers of the Variable Account and its service providers to receive information about compliance, and risk assessment and management matters. Such oversight is exercised primarily through the Board and its Audit Committee but, on an ad hoc basis, also can be exercised by the Independent Board Members during executive sessions.

The Board recognizes that not all risks that may affect the Sub-Accounts can be identified, that it may not be practical or cost-effective to eliminate or mitigate certain risks, that it may be necessary to bear certain risks (such as investment-related risks) to achieve the Sub-Accounts' goals, and that the processes, procedures and controls employed to address certain risks may be limited in their effectiveness. Moreover, reports received by the Board Members as to risk management matters are typically summaries of the relevant information. Most of the Sub-Accounts' investment management and business affairs are carried out by or through UFS, Morningstar, TAM, their affiliates, the sub-advisers and other service providers each of which has an independent interest in risk management but whose policies and the methods by which one or more risk management functions are carried out may differ from the Sub-Accounts' and each other in the setting of priorities, the resources available or the effectiveness of relevant controls. As a result of the foregoing and other factors, the Board's risk management oversight is subject to substantial limitations. In addition, it is important to note that each Sub-Account is designed for investors that are prepared to accept investment risk, including the possibility that as yet unforeseen risks may emerge in the future.

B. Remuneration of the Board

Members of the Board who are also active or retired officers, directors or employees of the Company do not receive any fees from the Variable Account. These members are deemed to be "interested persons" and receive direct remuneration or an indirect benefit as active or retired officers and/or stockholders of the Company.

Each member of the Board receives an allowance in the amount of $1,500 per board meeting. There have been 3 meetings during the year 2022, and accordingly each member of the Board has received $4,500 during the year 2022.

C. Board Member Ownership of Equity Securities

None of the members of the Board owned shares of any Sub-Account as of December 31, 2022.

D. Committees of the Board

The Board has two standing committees: the Audit Committee and Nominating Committee. Both the Audit Committee and Nominating Committee are chaired by an Independent Board Member and composed of all of the Independent Board Members.

The Audit Committee is responsible for the following functions:

a. Review the scope, plan, timing and results of the audit;

b. Review with auditors and management the appropriateness and the implementation of applicable procedures for internal auditing, accounting and financial control; and

c. Review of auditors' opinion and discussion with auditors of their experiences in conducting the audit.

In the last fiscal year, the Audit Committee has held a total of 2 meetings.

The Nominating Committee is a forum for identifying, considering, selecting and nominating, or recommending for nomination by the Board, candidates to fill vacancies on the Board. When addressing vacancies, the Nominating Committee sets any necessary standards or qualifications for service on the Board and may consider nominees recommended by any source it deems appropriate, including management and Contract Owners. Contract Owners who wish to recommend a nominee should send recommendations to the Board's Secretary that include all information relating to such person that is required to be disclosed in solicitations of proxies for the election of Board Members. A recommendation must be accompanied by a written consent of the individual to stand for election if nominated by the Board and to serve if elected by Contract Owners.

The Nominating Committee also identifies potential nominees through its network of contacts and may also engage, if it deems appropriate, a professional search firm. The committee meets to discuss and consider such candidates' qualifications and then chooses a candidate by majority vote.

In the last fiscal year, the Nominating Committee did not hold any meetings.

E. Independent Board Members and Their Immediate Family Members

As of December 31, 2022, no Independent Board Member and no immediate family member of an Independent Board Member beneficially or of record owned any equity securities of the Company, the investment adviser or the principal underwriter of the Variable Account, or any person directly or indirectly controlling, controlled by, or under common control with the Company, the investment adviser or the principal underwriter of the Variable Account.

As of December 31, 2022, no Independent Board Member and no immediate family member of an Independent Board Member has, during the two most recently completed calendar years, had any direct or indirect interest, the value of which exceeded $120,000, in any of the following:

- the Company, investment adviser or the principal underwriter of the Variable Account; or
- any person (other than a registered investment company) directly or indirectly controlling, controlled by, or under common control with the Company, the investment adviser or the principal underwriter of the Variable Account.

As of December 31, 2022, no Independent Board Member and no immediate family member of an Independent Board Member has, during the two most recently completed calendar years, had any material direct or indirect interest in any transaction or series of similar transactions, in which the amount involved exceeded $120,000 and to which any of the following persons was a party:

- the Variable Account, or officer thereof;
- any investment company or a person that would be an investment company but for the exclusions provided by sections 3(c)(1) and 3(c)(7) of the 1940 Act which has the same insurance company, investment adviser or principal underwriter as the Variable Account or has an insurance company, investment adviser or principal underwriter that directly or indirectly controls, is controlled by, or is under common control with an investment adviser or the principal underwriter of the Variable Account, or officer thereof;
- the Company, the investment adviser or the principal underwriter of the Variable Account, or officer thereof; or
- any person directly or indirectly controlling, controlled by, or under common control with the Company, the investment adviser or the principal underwriter of the Variable Account, or officer thereof.

As of December 31, 2022, no Independent Board Member and no immediate family member of an Independent Board Member has, during the two most recently completed calendar years, had any direct or indirect relationship, in which the amount involved exceeded $120,000, with any of the following persons:

- the Variable Account, or officer thereof;

- any investment company or a person that would be an investment company but for the exclusions provided by sections 3(c)(1) and 3(c)(7) of the 1940 Act which has the same insurance company, investment adviser or principal underwriter as the Variable Account or has an insurance company, investment adviser or principal underwriter that directly or indirectly controls, is controlled by, or is under common control with an investment adviser or the principal underwriter of the Variable Account, or officer thereof;

- the Company, the investment adviser or the principal underwriter of the Variable Account, or officer thereof; or

- any person directly or indirectly controlling, controlled by, or under common control with the Company, the investment adviser or the principal underwriter of the Variable Account, or officer thereof.

F. Code of Ethics

The Variable Account, the Company and UFS have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act, as amended. These codes of ethics permit personnel subject to the codes to invest in securities, including securities that may be purchased or held by the Variable Account, subject to certain restrictions.

G. Proxy Voting Policies and Procedures

The Variable Account has delegated the authority to vote proxies to the Company and has authorized the Company to delegate proxy voting authority to UFS. UFS's Proxy Voting Policy and Procedures are attached to this Statement of Additional Information as **Appendix A** (the "Proxy Voting Policy").

Information regarding how the Variable Account voted proxies relating to portfolio securities during the most recent 12-month period ended December 31 is available without charge, upon request, by calling (800) 981-0395, or sending a written request to Universal Life Insurance Company, PO Box 2171, San Juan, PR 00922 – 2171, and on the U.S. Securities and Exchange Commission's website at http://www.sec.gov.

The codes of ethics can be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling the SEC at (212) 551-8090. The codes of ethics are also available on the EDGAR database on the SEC's website at http://www.sec.gov.

H. Officers

The mailing address of each officer is c/o Universal Life Insurance Company, PO Box 2171, San Juan, PR 00922 – 2171. The following table shows information about the officers, including their year of birth, their positions held with the Variable Account and their principal occupations during the past five years (their titles may have varied during that period). Each officer will hold office until his or her successor has been duly elected or appointed or until his or her earlier death, resignation or removal.

(1) Name and Year of Birth	(2) Position(s) Held with Registrant	(3) Term of Office and Length of Time Served	(4) Principal Occupation(s) During Past 5 Years
Nancy I. Martinez-Rivera (1965)	Chief Compliance Officer	Since 2022	Compliance Director of Universal Life Insurance Company and Chief Compliance Officer of Universal Financial Services. Previously Principal Operations Officer at Citi International Financial Services LLC with 22 plus years experience in the Financial Investment industry. Currently holds Series 7, 9/10, 66, 24, and 27 licenses.
Jose C. Benitez (1975)	President	Since 2021	President of Universal Life Insurance Company and Universal Financial Services (2006). Previously Senior Account Manager, Manulife Financial with 25 years of financial services experience. Currently holds Series 7, 24 & 27 licenses, FLMI Designation
Roberto Martinez (1964)	Secretary & Treasurer	Since 2021	CFO Universal Group, Previously COO Triple S and Audit Manager with KPMG.

Investment Advisory and Other Services

A. Investment Advisory Agreement and Portfolio Construction Agreement

Universal Financial Services, Inc., Metro Office Park, Street 1, Lot 10, Guaynabo PR 00968, is the investment adviser of the Variable Account. UFS, a Puerto Rico corporation, is a wholly-owned subsidiary of Universal Group, Inc. and an affiliate of Universal Life. UFS currently serves as investment adviser to the Variable Account pursuant to an investment advisory agreement ("Investment Advisory Agreement") with the Company. The Investment Advisory Agreement must be renewed each year by a majority of the Board who are not parties to the agreement or interested persons of any such party. The Investment Advisory Agreement was last approved by the Board on May 19, 2021.

Morningstar Investment Management LLC serves as portfolio construction manager in connection with the actively managed Sub-Accounts, which include all Sub-Accounts other than the Money Market Portfolio. Please refer to the Prospectus for a description of the services provided by the portfolio construction manager.

Under the Investment Advisory Agreement, UFS provides "investment advisory services" to the Fortune V Separate Account. UFS provides the Company with such investment research, advice and supervision as the Company may from time to time consider necessary for the proper supervision of Sub-Accounts. UFS pays for maintaining the staff and personnel necessary to perform its obligations under the Investment Advisory Agreement. The Advisory Agreement provides that UFS may render services to others. Under the Investment Advisory Agreement, the Investment Adviser and its affiliates will not be liable for any error of judgment or mistake of law for any loss arising out of any investment or for any act or omission in the management of the Company's assets under management, except for willful misfeasance, bad faith or gross negligence in the performance of its duties, or by reason of reckless disregard of its obligations and duties under the Investment Advisory agreement.

For its advisory services to the Variable Account under the Investment Advisory Agreement, UFS charges an amount which equals, on an annual basis, 0.35% of the average daily net asset value of the Variable Account. As of December 31, 2022, the net asset value for the Variable Account was 396,735,160.44. For the fiscal years ended December 31, 2022, 2021, and 2020, the investment advisory fees paid by the Variable Account were 1,536,428, 1,842,798, and 1,748,744, respectively. For the fiscal years ended December 31, 2022, 2021 and 2020, the fees paid to the Portfolio Construction Manager by the Variable Account were 421,815, 521,894, and 494,295, respectively.

The investment advisory fees paid by each Sub-Account were as follows:

Fund Name	Advisory Fees 2022	Advisory Fees 2021	Advisory Fees 2020
Universal VIA Asset Allocation Conservative Portfolio	244,807	301,720	318,374
Universal VIA Asset Allocation Moderate Portfolio	912,733	1,100,505	1,074,272
Universal VIA Asset Allocation Moderate Growth Portfolio	214,168	248,762	207,417
Universal VIA Asset Allocation Growth Portfolio	130,952	148,548	107,557
Universal VIA Asset Allocation Intl Growth Portfolio	21,584	27,094	22,411
Universal Money Market Portfolio	12,184	16,169	18,713
TOTAL	1,536,428	1,842,798	1,748,744

Fund Name	Portfolio Construction Manager Fees 2022	Portfolio Construction Manager Fees 2021	Portfolio Construction Manager Fees 2020
Universal VIA Asset Allocation Conservative Portfolio	68,841	86,206	90,964
Universal VIA Asset Allocation Moderate Portfolio	258,404	314,430	306,935
Universal VIA Asset Allocation Moderate Growth Portfolio	54,172	71,075	59,262
Universal VIA Asset Allocation Growth Portfolio	34,227	42,442	30,731
Universal VIA Asset Allocation Intl Growth Portfolio	6,171	7,741	6,403
Universal Money Market Portfolio	-	-	-
TOTAL	421,815	521,894	494,295

B. Custodian

State Street, located at One Lincoln Street, Boston, MA 02116, serves as the Variable Account's custodian.

State Street, among other things, maintains a custody account or accounts in the name of each Sub-Account, receives and delivers all assets for the Sub-Accounts upon purchase and upon sale or maturity, collects and receives all income and other payments and distributions on account of the assets of the Sub-Accounts and makes disbursements on behalf of the Sub-Accounts. State Street neither determines the underlying funds' investment policies nor decides which securities the Sub-Accounts will buy or sell. For its services, State Street receives a monthly fee based upon the daily average market value of securities held in custody and also receives securities transaction charges, including out-of-pocket expenses. The Sub-Accounts may also periodically enter into arrangements with other qualified custodians with respect to certain types of securities or other transactions such as repurchase agreements or derivatives transactions. State Street may also act as the Sub-Accounts' securities lending agent and in that case would receive a share of the income generated by such activities.

C. Independent Registered Public Accounting Firm

The Fortune V Separate Account independent registered public accounting firm is Ernst & Young LLP, located at Parque Las Americas I, 235 Federico Costas Street, Suite 410, San Juan, PR 00918.

Portfolio Managers

The representatives from Universal Financial Services oversee the portfolio construction managers and validate compliance with the investment objectives within each allocation portfolio. The portfolio managers of Universal Financial Services are:

- Jose C. Benitez Ulmer, President of Universal Life Insurance Company and Universal Financial Services (2006). Previously, Senior Key Accounts Manager, Manulife Financial.

- Nancy I. Martinez Rivera – As of August 15th, 2022, assumed the role of Compliance Director for Universal Life Insurance Company, Chief Compliance Officer of Universal Financial Services. Previously served as Principal Operations Officer for Citi International Financial Services, LLC.

The compensation structure for investment adviser representatives includes base, bonus (for officers of the Company). Actual pay within the range is determined based upon individual knowledge, skills, abilities and reviews of each manager's job performance.

Each participant has goals related to fulfilling various job responsibilities including overseeing the Variable Account in accordance with investment guidelines and their performance is measured based on the achievement of those goals as well as their contribution to the overall pool.

The portfolio managers of Universal Financial Services do not manage other accounts.

Morningstar Investment Management.

The portfolio construction managers for the Fortune V Separate Account are:

- Dan McNeela, CFA, joined Morningstar, Inc. in 2000 as a manager research analyst, and served as associate director of fund analysis and editor of Morningstar Mutual Funds before joining Morningstar Investment Management LLC in 2006.

- Michael Stout is a portfolio manager within Morningstar's Investment Management Group and a member of the Asset Allocation Committee. He focuses on asset-allocation strategies employing mutual funds and ETFs, and co-manages two mutual funds at the firm. Mike was an original member of the Morningstar Investment Management Group's predecessor organization in 1998.

- Dominic Pappalardo is a Senior Client Portfolio Manager within Morningstar's Investment Management Group. Mr. Pappalardo has oversight responsibilities for managing the Client Portfolio Management team which delivers customized solutions for institutional and third-party platform clients. Prior to joining Morningstar in 2020, he spent 19 years working in all aspects of fixed income portfolio management at McDonnell Investment Management, an affiliate of Natixis Investment Managers.

Information as of December 31, 2022 regarding other accounts for which any portfolio construction manager is primarily responsible for the day-to-day investment advice and management or recommendations is provided below.

	Registered Investment Companies		Other Pooled Investment Vehicles		Other Accounts	
Portfolio Manager	**Number**	**Assets Managed**	**Number**	**Assets Managed**	**Number**	**Assets Managed**
Dan McNeela, CFA	10	$4,800,803,968.77	None	None	32,453	$2,361,984,144.84
Michael Stout	7	$3,263,973,282.91	None	None	21,233	$2,971,287,010.84
Dominic Pappalardo	5	$ 512,259,789.96	None	None	-	-

Morningstar Investment Management LLC's portfolio managers and their team members who are responsible for the day-to-day management of a portfolio are paid a base salary plus a discretionary bonus. The salary is set at a fixed amount and is determined by Morningstar Investment Management's management team and managers of the employees. The bonus is fully or partially determined by a combination of the Investment Management's business unit's overall revenue and profitability, Morningstar, Inc.'s overall annual revenue and profitability, and the individual's contribution to the business unit. For most portfolio managers and their team members, part of their bonus is also based on select managed portfolio investment performance and risk metrics versus a corresponding benchmark over specified three-, five-, and/or seven-year periods. Benchmarks are used as a measure of investment performance and are chosen by senior personnel and approved by the Investment Management business unit's Global Investment Policy Committee's Regional Investment Policy Committee. To mitigate the conflict of interest that could arise from partially basing an employee's bonus on performance of a select portfolio or portfolios, all investment decisions made within a portfolio must be peer reviewed by a regional governance body within the Regional Investment Policy Committee, which includes asset allocation committees, manager selection committees, and portfolio construction (peer review) committees.

Portfolio Manager Ownership Information

As of December 31, 2022, Mr. Benitez owns a Contract with an account value in the range of $100,001-$500,000. The other portfolio managers identified above do not currently own Contracts.

Material Conflicts

The underlying mutual funds held by the Sub-Accounts may be offered through separate accounts of other insurance companies. Universal Life does not anticipate any disadvantages to this. However, it is possible that a conflict may arise between the interests of the Variable Account and one or more of the other separate accounts in which these underlying mutual funds participate.

Material conflicts may occur due to a change in law affecting the operations of variable life insurance policies and variable annuity contracts. If a material conflict occurs, Universal Life will take whatever steps are necessary to protect Contract Owners and Beneficiaries, including withdrawal of the Variable Account from participation in the underlying mutual fund(s) involved in the conflict.

Brokerage Allocation

UFS has no set formula for the distribution of brokerage business in connection with the placing of orders for the purchase and sale of investments. The primary consideration in placing portfolio security transactions with broker/dealers is execution at the most favorable prices and in the most effective manner possible.

The Sub-Accounts incurred no brokerage commissions on security transactions placed with affiliates of UFS for the year ended December 31, 2020, 2021 and 2022.

Purchase and Pricing of Securities Being Offered

Please refer to the section entitled "The Contract; Purchases and Contract Value," in the Statutory Prospectus.

Underwriters

The Contract is distributed by Universal Financial Services, Inc., Metro Office Park Street 1, Lot 10, Guaynabo PR 00968. UFS is a wholly-owned subsidiary of Universal Group, Inc. and an affiliate of Universal Life. UFS is registered with the Securities and Exchange Commission as a broker-dealer under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority. Registration as a broker-dealer does not mean that the SEC has passed upon the financial standing, fitness or conduct of any broker or dealer, or upon the merits of any security offering or upon any other matter relating to the business of any broker or dealer.

The Fortune V "Rule 12b-1 Plan"

As explained above, in the Fortune V Separate Account, the L Share and C Share Classes, as compared to the base B Share Class, have shorter surrender charge periods and higher Variable Account Charges.

The higher Variable Account Charges for the L share and C share Contracts (the amount by which the 1.75% and 1.95% Variable Account Charges exceed the 1.40% charge) come out of the Variable Account's assets and compensate the Company for the lower revenue expected to be derived from the surrender charge. Amounts derived from the Variable Account Charges become part of the company's general assets, and the Company uses its assets to pay expenses associated with the distribution of the Contracts (including marketing expenses, commissions and other compensation paid to dealers, prospectus preparation and delivery, etc.). Therefore, some or all of the higher Variable Account Charge may be deemed to be directly or indirectly financing sales or distribution activity out of the Variable Account's assets.

Accordingly, the amount of the Variable Account Charge for the L Share and C Share Contracts that exceeds the base Variable Account Charge for the B Share Contracts might be viewed as using Variable Account assets to finance distribution of the Contracts. This could result in the Account being deemed to be acting as a distributor of the Contracts in violation of Rule 12b-1 under the 1940 Act, unless the Variable Account adopts a "Plan" pursuant to Rule 12b-1.

Therefore, in 2021 the Fortune V Separate Account adopted a "Rule 12b-1 Plan," to ensure compliance with Section 12(b) of the Investment Company Act of 1940. The Rule 12b-1 Plan does not increase, decrease, or otherwise change any of the fees and charges deducted under the Contracts or from the Variable Account; and the Plan does not add to, delete from, or otherwise change the services provided to the Variable Account by the Company or by Universal Financial Services, Inc. ("UFS," the investment adviser contracted to manage the Sub-Accounts and the distributor or principal underwriter of the Contracts). The Plan authorizes and approves the current charges and all related activity of the Company and UFS. The Plan does not change the rights or benefits of Contract Owners; the Plan merely reflects the on-going operations of the Variable Account and the current terms and provisions of the Contracts. The Plan does not amend, revise, or alter the Contracts in any way.

The Company, on behalf of the Variable Account, is authorized to incur expenses, and to pay fees to and/or compensate the Variable Account's principal underwriter and investment adviser (UFS, the "Distributor"), other securities dealers, Variable Account administrators, and other service providers of the Variable Account for (A) services provided and/pr amounts expended for purposes of promoting the sale of the Variable Account's Class L and C Contracts, including promoting or encouraging additional premiums under in-force Contracts (collectively, "Distribution Services") and (B) providing services to the Variable Account's Class L and C contract owners ("Shareholder Services").

Distribution Services may include, without limitation, (i) the formulation and implementation of marketing and promotional activities, such as mail promotions and television, radio newspaper, magazine, internet, and other mass media advertising; (ii) preparation, printing, and distribution of sales literature; (iii) preparation, printing, and distribution of prospectuses (including summary prospectuses) and reports; (iv) obtaining such information, analyses, and reports with respect to marketing and promotional activities as the Company or Distributor may from time to time deem advisable; (v) making payments to securities dealers engaged in the marketing and sales of the Contracts (particularly the L Share and C Share classes of Contracts); and (vi) providing training, marketing, and support to such securities dealers and others with respect to the sale of the Contracts (particularly the L Share and C Share classes of Contracts).

Shareholder Services may include, without limitation, (i) responding to customer inquiries of a general nature regarding the Contracts; (ii) arranging for bank wire transfer of funds to or from a customer's account; (iii) responding to customer inquiries and requests regarding statements of additional information, shareholder reports, notices, proxies and proxy statements, and other Variable Account documents; (iv) forwarding prospectuses (including summary prospectuses), statements of additional information, tax notices, and annual and semi-annual reports to shareholders; (v) assisting the Variable Account in establishing and maintaining shareholder accounts and records; (vi) assisting customers in changing Contract account options, designations, and addresses; (vii) administering Contract benefits and features such as death benefits, annuity payouts, transfers between Sub-accounts, additional premium payments, dollar cost averaging, asset rebalancing, systematic surrenders, free looks, CSDC-free withdrawals, etc.; and (viii) providing such other similar services as may be appropriate for the Contracts and the Variable Account, consistent with applicable statutes, rules, or regulations.

The fees and expenses of the Fortune V Separate Account are as specified in the Contracts and the prospectus for the Contracts and this Plan does not add any additional fees or increase any fees. As compared to the base B Share Class, the L Share and C Share Classes have shorter surrender charge (CDSC) periods and higher Variable Account Charges. Specifically, the base Universal VIA Contract (Class B) has a nine year CDSC and a 1.40% Variable Account Charge; the Universal VIA w/ Liquidity Rider (Class L) Contract has a four year CDSC and a 1.75% Variable Account Charge; and the Universal VIA Select (Class C) Contract has no CDSC and a 1.95% Variable Account Charge.

To the extent that any part of the difference (the amount by which the 1.75% and 1.95% Variable Account Charges exceed the 1.40% charge) is deemed to be directly or indirectly financing sales or distribution activity, this Plan authorizes and approves such charges and all related activity. Without limitation, the Company and Distributor may, in turn, pay all or any portion of amounts derived from such charges (and amounts derived from any other fees and charges under the Contracts or with respect to the Variable Account) to brokers or dealers, administrators, or other service providers (including, but not limited to, any affiliates of the Company or Distributor) as commissions, asset-based sales charges, trail commissions, service fees, or other compensation for distribution or shareholder services under this Plan. The Company and Distributor may retain all or any portion of such payments and amounts as compensation for their services or expenses or as profit.

This Plan is *permissive only*; nothing in this Plan shall be deemed to restrict or limit the Company or Distributor from engaging in any otherwise lawful activity or taking any other lawful action.

Calculation of Performance Data

Historical Performance of the Sub-Accounts

Universal Life will advertise historical performance of the Sub-Accounts in accordance with any applicable regulatory prescribed calculations. Performance information is annualized. However, if a Sub-Account has been available in the Variable Account for less than one year, the performance information for that Sub-Account is not annualized. Performance information is based on historical earnings and is not intended to predict or project future results.

Market Indices

The Sub-Accounts will be compared to certain market indices. Indices are provided for comparison purposes only and are not intended to reflect the performance of the Sub-Accounts. Individuals cannot invest directly in an index.

Tracking & Rating Services; Publications

Universal Life's rankings and ratings may sometimes be published by financial news magazines and other services and web sites.

These rating services, publications and web sites rank the underlying mutual funds' performance against other funds. These rankings may or may not include the effects of sales charges or other fees.

Financial Rating Services

Universal Life is also rated by an independent financial rating service, A.M. Best Company. Universal Life may advertise these ratings. These ratings reflect Universal Life's financial strength or claims-paying ability. *The ratings are not intended to reflect the investment experience or financial strength of the Variable Account*.

Some Universal Life advertisements and endorsements may include lists of organizations, individuals or other parties that recommend Universal Life or the Contract. Furthermore, Universal Life may occasionally advertise comparisons of currently taxable and tax deferred investment programs, based on selected tax brackets, or discussions of alternative investment vehicles and general economic conditions.

Annuity Payments

Please refer to the Prospectus section entitled "Annuity Period," in the Statutory Prospectus.

Financial Statements

The statutory basis financial statements of Universal Life are included in Appendix F to this Statement of Additional Information. The financial statements of the Variable Account are incorporated herein by reference (https://www.sec.gov/Archives/edgar/data/1864054/000182912623001853/universallife_ncsr.htm) from the Variable Account's Annual Report on Form N-CSR for the year ending December 31, 2022. The statutory basis financial statements of Universal Life that are included in Appendix F are different from the financial statements of the Variable Account. The statutory basis financial statements of Universal Life should be considered only as bearing upon the ability of Universal Life to meet its obligations under the Contracts and should not be considered as bearing on the investment performance of the assets held in the Variable Account.

APPENDIX A

Universal Financial Services, Inc.

Proxy Voting Policy and Procedures

Proxy Voting Rights

Voting Rights

Based in the structure of the Variable Account, it is not anticipated that it will receive any matters subject to a proxy vote. To the extended required by law, Universal Life will vote the underlying fund portfolios' shares held by the Fortune V Separate Account (the "Variable Account") at regular and special shareholder meetings of the underlying fund portfolios in accordance with instructions received from persons having voting interests in the portfolios, although none of the underlying fund portfolios hold regular annual shareholder meetings. If however, the 1940 Act or any regulation thereunder should be amended or if the present interpretation thereof should change, and as a result we will determine that it is permitted to vote the underlying fund portfolios shares in its own right, it may elect to do so.

APPENDIX F

Universal Life Insurance Company

Statutory Basis Financial Statements

Statutory-Basis Financial Statements

Universal Life Insurance Company
Years Ended December 31, 2022 and 2021
With Report of Independent Auditors

Universal Life Insurance Company

Statutory-Basis Financial Statements

Years Ended December 31, 2022 and 2021

Contents

Report of Independent Auditors

The Board of Directors
Universal Life Insurance Company

Opinion

We have audited the statutory-basis financial statements of Universal Life Insurance Company ("the Company"), which comprise the statements of admitted assets, liabilities, capital and surplus and other funds as of December 31, 2022 and 2021, and the related statements of operations, changes in capital and surplus and other funds and cash flows for each of the three years in the period then ended, and the related notes to the financial statements.

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period then ended, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company at December 31, 2022 and 2021, or the results of its operations or its cash flows for each of the three years in the period then ended.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions

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

As described in Note 1 to the financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of Puerto Rico, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these statutory accounting practices described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the Commonwealth of Puerto Rico. 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

May 15, 2023

Universal Life Insurance Company

Statutory-Basis Statements of Admitted Assets, Liabilities, Capital and Surplus and Other Funds

	December 31	
	2022	**2021**
Admitted Assets		
Cash and invested assets:		
Debt securities	$ 1,412,273,468	$ 1,291,966,923
Equity securities	270,025,731	328,971,643
Restricted investment	996,741	1,921,105
Cash and short-term investments	119,169,495	148,452,692
Receivable for securities	682,756	109,317
Other invested assets	66,369,544	92,950,549
Total cash and invested assets	1,869,517,735	1,864,372,229
Premiums due and unpaid	3,684,969	3,438,069
Accrued investment income	13,945,890	11,079,955
Reinsurance recoverable on paid losses and other	47,920,680	16,914,508
Receivable from parent, subsidiaries, and affiliates	19,918,461	30,952,227
Accounts receivable – other	631,790	43,493
Separate account assets	397,842,747	516,996,369
Current federal and foreign income tax	2,719,349	2,559
Deferred income tax asset	1,243,097	-
Electronic data processing equipment and software:		
Net of accumulated depreciation of $3,842,178 and $3,026,751 as of December 31, 2022 and 2021, respectively	1,847,070	1,563,919
Total	$ 2,359,271,788	$ 2,445,363,328

See accompanying notes.

Continued

Universal Life Insurance Company

Statutory-Basis Statements of Admitted Assets, Liabilities, Capital and Surplus and Other Funds

	December 31	
	2022	**2021**
Liabilities Capital and Surplus and Other Funds		
Liabilities:		
Policy liabilities:		
Aggregate reserves for life, annuities, and accident and health policies and contracts	$ 649,311,102	$ 580,012,289
Unpaid policy and contract claims:		
Life	3,565,626	4,279,238
Accident and health	1,163,846	1,259,208
Total policy liabilities	654,040,574	585,550,735
Reinsurance payable	16,985,210	8,551,829
Commissions due	2,378,217	1,959,177
Income tax payable	1,470	1,753,954
Accrued expenses and other liabilities – including expense allowances recognized in reserves of $(2,562,303) and $(3,306,168) as of December 31, 2022 and 2021, respectively	14,234,563	11,369,157
Payable to affiliates	138,301	5,368,770
Separate account liabilities	397,693,066	516,674,837
Funds held under reinsurance treaties	1,049,543,050	1,082,428,594
Borrowed money and interest	49,309,396	35,063,222
Payable for securities	-	8,746,281
Deferred tax liability	-	583,888
Asset valuation reserve	32,848,268	30,925,718
Total liabilities	2,217,172,115	2,288,976,162
Capital and surplus and other funds:		
Common stock, $100 par value – authorized, 100,000 shares; issued and outstanding, 25,000 shares	2,500,000	2,500,000
Gross paid-in and contributed surplus	22,391,608	22,391,608
Unassigned funds – surplus	117,208,065	131,495,558
Total capital and surplus and other funds	142,099,673	156,387,166
Total	$ 2,359,271,788	$ 2,445,363,328

See accompanying notes.

Universal Life Insurance Company

Statutory-Basis Statements of Operations

	Year Ended December 31		
	2022	**2021**	**2020**
Revenues:			
Premiums earned:			
Premiums written	$ 460,334,962	$ 373,554,084	$ 283,443,714
Premiums assumed	309,271	476,374	587,930
Reinsurance ceded	(325,329,421)	(261,559,465)	(200,772,513)
Net premiums earned	135,314,812	112,470,993	83,259,131
Net investment income	72,987,617	63,935,449	53,767,566
Income from fees associated with investment management and administration of separate accounts	3,668,448	4,383,825	4,164,768
Commissions and expense allowance on reinsurance ceded	44,688,760	39,029,485	34,662,491
Other income	863,145	10,901,043	4,220,386
Total revenues	257,522,782	230,720,795	180,074,342
Losses and expenses:			
Death, disability, and other benefits	75,402,076	50,311,843	57,830,662
Net increase in aggregate reserves for life, accident, and health policies and contracts	72,946,975	77,196,514	44,103,323
Commission expense	27,821,289	23,174,560	17,976,354
Other underwriting expenses	24,479,622	19,860,447	18,174,581
Aggregate write-ins for deductions	48,127,402	37,550,438	33,532,798
Total losses and expenses	248,777,364	208,093,802	171,617,718
Reserve adjustment on reinsurance ceded	(16,381,072)	(14,748,932)	(26,938,194)
Net transfers to separate accounts	26,375,165	23,752,152	43,832,862
Income before income taxes incurred and net realized capital gains (losses)	18,739,511	31,630,213	25,351,292
Income taxes incurred	1,049,504	3,098,713	760,526
Net realized capital gains (losses) – net of capital gains tax and capital gains (losses) transferred to IMR net of tax	(13,718)	1,672,636	(882,101)
Net income	$ 17,676,289	$ 30,204,136	$ 23,708,665

See accompanying notes.

Universal Life Insurance Company

Statutory-Basis Statements of Changes in Capital and Surplus and Other Funds

Years ended December 31, 2022 and 2021

	Common Stock	Gross Paid-in and Contributed Surplus	Unassigned Funds – Surplus	Total
Balance – January 1, 2020	$ 2,500,000	$ 22,391,608	112,067,431	$ 136,959,039
Statutory net income	-	-	23,708,665	23,708,665
Changes in:				
Unrealized capital gains, net of tax	-	-	2,336,899	2,336,899
Nonadmitted assets	-	-	323,882	323,882
Changes in Surplus in Separate Accounts	-	-	32,308	32,308
Asset valuation reserve	-	-	(5,720,352)	(5,720,352)
Dividend to stockholder	-	-	(6,000,000)	(6,000,000)
Aggregate write-ins for losses in surplus	-	-	(3,133,889)	(3,133,889)
Balance – December 31, 2020	2,500,000	22,391,608	123,614,944	$ 148,506,552
Statutory net income	-	-	30,204,136	30,204,136
Changes in:				
Unrealized capital gains, net of tax	-	-	(697,722)	(697,722)
Nonadmitted assets	-	-	416,555	416,555
Changes in Surplus in Separate Accounts	-	-	23,727	23,727
Asset valuation reserve	-	-	(14,142,475)	(14,142,475)
Dividend to stockholder	-	-	(6,000,000)	(6,000,000)
Aggregate write-ins for losses in surplus	-	-	(1,923,607)	(1,923,607)
Balance – December 31, 2021	2,500,000	22,391,608	131,495,558	156,387,166
Statutory net income	-	-	17,676,289	17,676,289
Changes in:				
Unrealized capital gains, net of tax	-	-	(7,307,939)	(7,307,939)
Nonadmitted assets	-	-	(12,561,442)	(12,561,442)
Changes in Surplus in Separate Accounts	-	-	(171,851)	(171,851)
Asset valuation reserve	-	-	(1,922,550)	(1,922,550)
Dividend to stockholder	-	-	(10,000,000)	(10,000,000)
Balance – December 31, 2022	$ 2,500,000	$ 22,391,608	$ 117,208,065	$ 142,099,673

See accompanying notes.

Universal Life Insurance Company

Statutory-Basis Statements of Cash Flows

	Year Ended December 31		
	2022	**2021**	**2020**
Cash flows from operating activities:			
Premiums collected – net of reinsurance	$ 133,608,317	$ 110,391,994	$ 86,360,782
Investment income received	71,101,723	66,001,913	57,051,228
Miscellaneous income received	44,751,126	56,630,792	39,874,095
Death, disability, and other benefits paid	(113,191,932)	(77,248,584)	(103,971,392)
Net transfers from separate accounts	27,892,299	24,528,214	44,741,972
Federal and foreign income taxes paid	(2,329,381)	(2,812,456)	(1,966,411)
Commissions and other underwriting expenses paid	(104,588,361)	(79,231,274)	(70,381,233)
Net cash provided by operating activities	57,243,791	98,260,599	51,709,041
Cash flows from investing activities:			
Proceeds from sales and redemptions of investments	126,900,826	335,498,967	162,808,661
Cost of investments acquired	(232,717,478)	(586,902,559)	(358,167,998)
Net cash used in investing activities	(105,816,652)	(251,403,592)	(195,359,337)
Cash flows from financing and miscellaneous sources:			
Borrowed funds (paid) received	14,246,174	(12,717,152)	23,656,069
Net deposits on deposit-type contracts and other insurance liabilities	111,666	34,039	(611)
Dividends paid	(10,000,000)	(6,000,000)	(6,000,000)
Other cash provided	14,931,824	211,720,492	146,856,845
Net cash provided by financing and miscellaneous sources	19,289,664	193,037,379	164,512,303
Net change in cash and short-term investments	(29,283,197)	39,894,386	20,862,007
Cash and short-term investments – beginning of year	148,452,692	108,558,306	87,696,299
Cash and short-term investments – end of year	$ 119,169,495	$ 148,452,692	$ 108,558,306

See accompanying notes.

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements

December 31, 2022

1. Organization and Summary of Significant Accounting Policies

Organization and Operations

Universal Life Insurance Company (Universal Life or the Company) was incorporated on April 16, 1993, under the name of Eastern America Life Insurance Company and changed its name to Universal Life in 1997. During 2012, Universal Group, Inc. (UGI) transferred 100% of the Company's outstanding common stock to Universal Insurance Company (the Parent Company or Universal Insurance), which is a wholly owned subsidiary of UGI. This transfer was approved by the Commissioner of Insurance of the Commonwealth of Puerto Rico (the Commissioner) on June 27, 2012.

Universal Life is engaged in the life, annuity, and accident and health insurance business, generating the majority of its business from annuities and life policies. Universal Life operates under the provisions of the Puerto Rico Insurance Code (the PR Insurance Code) and is subject to the regulations issued by the Commissioner.

Basis of Accounting

The accompanying statutory-basis financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Commissioner, which vary in certain respects from U.S. generally accepted accounting principles (GAAP). Prescribed statutory accounting practices include National Association of Insurance Commissioners' statutory accounting practices (NAIC SAP) that do not conflict with the PR Insurance Code and administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed.

Accounting practices and procedures prescribed or permitted by the Commissioner comprise a comprehensive basis of accounting other than GAAP. The more significant differences with GAAP are as follows:

a. Under NAIC SAP, investments in debt securities are generally carried at amortized cost or at the lower of amortized cost or fair value depending on the NAIC rating, whereas under GAAP, they are carried at either amortized cost or fair value based on their classification according to the Company's ability and intent to hold or trade the securities.

b. Investments in preferred stock are generally carried at cost or at the lower of amortized cost or fair value depending on the NAIC rating, whereas under GAAP, preferred stocks are reported at fair value.

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

1. Organization and Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

c. Acquisition costs, such as commissions and other costs related to acquiring new business are expensed as incurred, while under GAAP, they are deferred and amortized to income as premiums are earned or in relation to estimated gross profits.

d. Statutory policy reserves are based on mortality and interest assumptions prescribed or permitted by statutes, without consideration of withdrawals. Statutory policy reserves generally differ from policy reserves under GAAP, which are based on the Company's estimates of mortality, interest, and withdrawals. The effect, if any, on reserves due to a change in valuation basis is recorded directly to unassigned surplus rather than included in the determination of net gain from operations.

e. Asset valuation reserves (AVR) and interest maintenance reserves (IMR) are established in the statutory-basis financial statements.

f. Assets are reported under statutory accounting principles at "admitted-asset" value and "nonadmitted" assets are excluded through a charge against surplus, while under GAAP, "nonadmitted assets" are reinstated to the balance sheet, at their net realizable value.

g. Reinsurance recoverable on unpaid losses is reported as a reduction of policy benefits and other insurance reserves, while under GAAP, they are reported as an asset.

h. The statement of cash flows is presented in accordance with guidelines established by the NAIC and the Commissioner, whereas GAAP emphasizes the changes in cash and cash equivalents and requires that cash flow activity be reported under the captions of operating, investing, and financing activities.

i. Under NAIC SAP, deferred taxes are provided for differences between the statutory and tax bases of assets and liabilities with certain limitations as to the amount of deferred tax assets that may be reported as "admitted assets," and changes in deferred taxes are recognized as a separate component in surplus, whereas under GAAP, a provision is made for differences between the financial reporting and tax bases of assets and liabilities, and changes in deferred taxes are generally recognized through current operations.

j. Comprehensive income and its components are not presented in the statutory-basis financial statements.

1. Organization and Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

k. Under NAIC SAP Loans made by a reporting entity to its parent or principal owner shall be admitted if approval for the transaction has been obtained from the domiciliary commissioner and the loan or advance is determined to be collectible based on the parent or principal owner's independent payment ability. However, as prescribed by the PR Insurance Code, it allows life insurers companies to recognize such transactions without the requirement of approval as long as they fall below a threshold consisting of 3% of the insurer's admitted assets as of the 31st day of December next preceding, according to Chapter 44, Section 4406 a), (2), (A), (ii).

The Commissioner of Insurance requires that insurance companies domiciled in Puerto Rico prepare their statutory basis financial statements in accordance with SAP subject to any deviations prescribed or permitted by the Commissioner.

During December 2022, the Company issued a short-term note receivable to its ultimate parent company, Universal Group, Inc. of $7,930,000. This transaction was notified to the Insurance Commissioner and recorded as an admitted asset, as prescribed by the PR Insurance Code.

During December 2021, the Company issued a short-term note receivable to its ultimate parent company, Universal Group, Inc. of $4,200,000. This transaction was notified to the Insurance Commissioner and recorded as an admitted asset, as prescribed by the PR Insurance Code.

There is no difference between the Company's net income as reported in the accompanying statutory basis financial statements and NAIC SAP.

The years "2022", "2021" and "2020" refer to the years ended December 31, 2022, 2021 and 2020, respectively.

In 2022, 2021 and 2020, the Company was in compliance with the Risk Based Capital (RBC) requirements and would have been in such compliance if it had not used the above prescribed practice.

Use of Estimates

The preparation of statutory-basis financial statements in conformity with accounting principles prescribed or permitted by the Commissioner requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory-basis financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

1. Organization and Summary of Significant Accounting Policies (continued)

Investments

Bonds other than loan-backed securities and structured securities are stated at amortized cost and any premium or discount is amortized to income using the effective interest method. Bonds in or near default (NAIC designation 6) are stated at the lower of amortized cost or fair value.

Loan-backed securities and structured securities are stated at amortized cost and any premium or discount is amortized to income using the interest method, including anticipated prepayments at the date of purchase. Loan-backed securities and structured securities in or near default (NAIC designation 6) are stated at the lower of amortized cost or fair value. Changes in prepayment speeds and estimated cash flows from the original purchase assumptions are evaluated quarterly. For high-credit quality loan-backed securities and structured securities (those rated AA or above at the date of acquisition), projected future cash flows are updated quarterly, and the amortized cost and effective yield of the security are adjusted to reflect historical prepayment experience and changes in estimated future prepayments. The adjustments to amortized cost are recorded as a charge or credit to investment income in accordance with the retrospective method. The prospective-yield method is used for securities that are not of high-credit quality and for securities that have potential for loss of a portion of the original investments.

Common stocks are carried at fair value. The change in the fair value is recorded as a change in net unrealized capital gains (losses), a component of unassigned funds-surplus. Preferred stocks are carried at cost, at the lower of cost or amortized cost, or fair value, depending on the assigned credit rating and whether the preferred stock has mandatory sinking fund provisions. Short-term investments include all investments whose maturities, at the time of acquisition, are one year or less and are stated at amortized cost, which approximates fair value.

Investment income consists primarily of interest and dividends. Interest is recognized on the accrual basis and dividends are recorded as earned at the ex-dividend date. Accrual of income is suspended for bonds that are in default or when the receipt of interest payments is in doubt. Realized capital gains and losses are determined on the specific identification basis and are recorded in earnings.

1. Organization and Summary of Significant Accounting Policies (continued)

Investments (continued)

Declines in the fair value of invested assets below cost are evaluated for other-than-temporary impairment (OTTI) losses on a quarterly basis. Impairment losses for declines in fair value of debt and equity securities below cost attributable to issuer-specific events are based upon all relevant facts and circumstances for each investment and are recognized when appropriate in accordance with NAIC SAP and related guidance. For debt securities other than loan-backed securities and structured securities with unrealized losses due to market conditions or industry-related events where the Company has the positive intent and ability to hold the investment for a period of time sufficient to allow a market recovery or to maturity, declines in fair value below cost are assumed to be temporary.

When a bond (other than loan-backed securities and structured securities), preferred stock, or common stock is deemed to be other-than-temporarily impaired, the difference between the investments' amortized cost and its fair value is recognized as a net realized capital loss and reported in net income (loss).

The new cost basis of an impaired security is not adjusted for subsequent increases in fair value. In periods subsequent to the recognition of an OTTI, the impaired bond is accounted for as if it had been purchased on the measurement date of the impairment. Accordingly, the discount (or reduced premium) based on the new cost basis may be accreted into investment income in future periods based on the prospective changes in cash flow estimates to reflect adjustments to the effective yield.

An other-than-temporary loss on loan-backed and structured securities is recognized in net income when it is anticipated that the amortized cost will not be recovered. The entire difference between the loan-backed or structured security's amortized cost and its fair value is recognized in net income only when the Company (a) has the intent to sell the security or (b) it does not have the intent and ability to hold the security to recovery. If neither of these two conditions exists, a realized loss would be recognized in net income for the difference between the amortized cost basis of the security and the net present value of projected future cash flows expected to be collected. The net present value is calculated by discounting the Company's best estimate of projected future cash flows at the effective interest rate implicit in the loan-backed or structured security prior to impairment.

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

1. Organization and Summary of Significant Accounting Policies (continued)

Investments (continued)

The determination of cash flow estimates in the net present value is subjective and methodologies will vary, depending on the type of security. The Company considers all information relevant to the collectability of the security, including past events, current conditions, and reasonably supportable assumptions and forecasts in developing the estimate of cash flows expected to be collected. This information generally includes, but may not be limited to, the remaining payment terms of the security, estimated prepayment speeds, defaults, and recoveries upon liquidation of the underlying collateral securing the notes, the financial condition of the issuer, credit enhancements, and other third-party guarantees. In addition, other information, such as industry analyst reports and forecasts, sector credit ratings, the financial condition of the bond insurer for insured fixed-income securities, and other market data relevant to the collectability may also be considered, as well as the expected timing of the receipt of insured payments, if any. The estimated fair value of the collateral may be used to estimate recovery value if the Company determines that the security is dependent on the liquidation of the collateral for recovery.

For the non-agency mortgage-backed securities (Non-Agency MBS) portfolio, the Company updates cash flow projections quarterly. The projections are done for each security based upon the evolution of prepayment, delinquency, and default rates for the pool of mortgages collateralizing each security, and the projected impact on the course of future prepayments, defaults, and loss in the pool of mortgages, but do not include market prices. As a result, forecasts may change from period to period and additional impairments may be recognized over time as a result of deterioration in the fundamentals of a particular security or group of securities and/or a continuation of heightened mortgage defaults for a period longer than the assumptions used for the forecasts. Both qualitative and quantitative factors are used in creating the Company's Non-Agency MBS cash flow models. As such, any estimate of impairments is subject to the inherent limitation on the Company's ability to predict the aggregate course of future events. It should, therefore, be expected that actual losses may vary from any estimated losses and the Company may recognize additional other-than-temporary losses.

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

1. Organization and Summary of Significant Accounting Policies (continued)

Separate Accounts

The Company has established nonguaranteed separate accounts with varying investment objectives, which are segregated from the Company's general account and are maintained for the benefit of separate account contract holders. Separate account assets are invested in underlying mutual funds and are stated at fair value. The liability for nonguaranteed separate accounts represents contract holders' interest in the separate account assets, including accumulated net investment income and realized and unrealized gain and losses on those assets.

Separate accounts are carried at fair value. Purchase payments or transfers allocated to subaccounts are accounted for in accumulation unit values (AUV). AUV are determined by calculating the net investment factor for the underlying mutual funds in the applicable subaccount for the current valuation period and multiplying that result with the AUV determined on the previous valuation period. Universal Life uses the net investment factor as a way to calculate the investment performance of subaccounts from valuation period to valuation period. Gains and losses realized and unrealized are recorded as net investment income in the separate accounts.

Net transfers to separate accounts consist of funds received from policyholders, less surrenders and/or withdrawals, and the change in the expense allowance. The reserve adjustments on reinsurance ceded consists of the reinsurance effect of the funds received from policyholders, less surrenders, and/or withdrawals.

Premiums and Related Commissions

Life premiums are recognized as income over the premium-paying period of the related policies. Health premiums are earned ratably over the terms of the related insurance contracts or policies. Expenses incurred in connection with acquiring new insurance business, including acquisition costs, such as sales commissions, are charged to operations as incurred.

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

1. Organization and Summary of Significant Accounting Policies (continued)

Aggregate Reserves for Life, Annuities, and Accident and Health Policies and Contracts

The Credit Life aggregate reserve is computed using the following valuation tables and interests:

Effective Year	Valuation Table and Interest
2012-2013	120% 2001 CSO 3.75% ALB
2014	120% 2001 CSO 4.00% ALB
2015-2016	120% 2001 CSO 3.75% ALB
2017-2018	120% 2001 CSO 3.50% ALB
2019	120% 2001 CSO 3.75% ALB
2020	120% 2001 CSO 3.25% ALB
2021	120% 2001 CSO 3.00% ALB
2022	120% 2001 CSO 3.25% ALB

The reserve for credit disability is calculated using the mean of the "pro rata" and the rule of 78. Policy reserves for group life and health and accident insurance include claim reserves and unearned premiums.

For Ordinary Life products the aggregate reserves are computed using the following valuation tables and interests:

Valuation Table and Interest
2002-2005 1980 CSO 50% Male 4.5% ALB CRVM
2006-2012 2001 CSO 4.00% ALB Gender distinct CRVM
2013-2020 2001 CSO 3.50% ALB Gender distinct CRVM
2021-2022 2001 CSO 3.00% ALB Gender distinct CRVM

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

1. Organization and Summary of Significant Accounting Policies (continued)

Aggregate Reserves for Life, Annuities, and Accident and Health Policies and Contracts (continued)

Annuity reserves are based on statutory mortality, morbility and interest requirements, without consideration of future withdrawals. Virtually all annuity reserves are calculated on the modified-reserve basis, which partially offsets the effect of immediately charging policy acquisition costs for commission expense. Annuity reserves are computed using assumed interest and valuation methods that will provide, in aggregate, reserves that are greater than the minimum valuation required by law and the guaranteed policy cash values.

Reserves for fixed deferred annuities are based on the A2000 mortality table gender distinct and Commissioners' Annuity Reserve Valuation Method ("CARVM") with assumed interest rates ranging from 3.00% to 5.0%.

Reserves for equity indexed annuities are based on A1994 mortality table gender distinct and Commissioners Annuity Reserve Valuation Method ("CARVM") with assumed interest rates ranging from 3.00% to 5.00%.

Reinsurance

Universal Life seeks to reduce the loss that may arise from catastrophic or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with reinsurers. Amounts recoverable from reinsurance are estimated in a manner consistent with the claim liability associated with the reinsured policy. The Company is not relieved of its primary obligation to the policyholder in a reinsurance transaction.

Unpaid Policy and Contract Claims

The liabilities for unpaid policy and contract claims are based on case-basis estimates for reported claims, and on estimates, based on experience, for incurred but not reported claims and claim expenses. Such liabilities are necessarily based on estimates and, while management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. Such estimates are periodically reevaluated and any adjustments, as subsequently determined, are reflected in the current period's operations.

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

1. Organization and Summary of Significant Accounting Policies (continued)

AVR and IMR

Universal Life established certain reserves as promulgated by the NAIC. The AVR is determined by formula and is based on Universal Life's holding of mortgages, investments in real estate, bonds, stocks, and other invested assets. This valuation reserve requires appropriation of surplus to provide for possible losses on these investments. Realized and unrealized capital gains and losses, other than those resulting from interest rate changes, are added, or charged to the AVR. The IMR is used to defer realized capital gains and losses, net of tax, on sales and calls of bonds and certain investments, which result from interest rate changes. These gains and losses are then amortized into investment income over what would have been the remaining years to maturity of the original investment.

Electronic Data Processing Equipment and Software

Electronic data processing equipment is carried at cost, less accumulated depreciation using the straight-line method over the estimated useful lives of the assets, which have been established at three years. Depreciation and amortization expense related to electronic data processing equipment and software amounted to $815,427 and $591,168 for the years ended December 31, 2022 and 2021, respectively.

Guaranty Fund Assessments

Pursuant to the PR Insurance Code, Universal Life is a member of the Puerto Rico Insurance Guaranty Association for Life, Disability, and Health Insurance. As a member, Universal Life is required to provide funds for the settlement of claims and reimbursement of unearned premiums of insurance policies issued by insolvent insurance companies. Universal Life accrues guaranty fund assessments when it is probable that an assessment liability has been incurred and the amount of loss can be reasonably estimated. During 2022 and 2021, no assessments or accrual for possible future assessments were made.

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Values of Financial Instruments

The following methods and assumptions were used by Universal Life in estimating the fair values of financial instruments:

Debt and Equity Securities – The fair values for debt and equity securities are obtained using the NAIC Purposes and Procedures Securities Valuation Office Manual, and the designation assigned in the NAIC Valuation of Securities product prepared by the NAIC Securities Valuation Office (SVO). For debt and equity securities not actively traded and/or not valued by the NAIC SVO, fair values are based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques, such as discounted cash flow methodologies; adjusted for the security's credit rating; prepayment assumptions; and other factors, such as credit loss assumptions.

Restricted Investment and Cash and Short-Term Investments – The carrying amounts for these instruments approximate their fair values given their short-term maturity.

Securities Sold under Agreements to Repurchase – The carrying amounts of these instruments approximate their fair values due to their short-term nature and type of collateral structure provided as part of the agreement.

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

2. Investment Securities

The amortized cost, gross unrealized gains, gross unrealized losses, and fair value cost of investment securities as of December 31, 2022 and 2021 are as follows:

December 31, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities – bonds and notes:				
U.S. government and its agencies and authorities	$ 66,922,040	$ -	$ 4,456,551	$ 62,465,489
States, municipalities, and political subdivisions	366,489,764	312,817	49,597,687	317,204,894
Industrial and miscellaneous	397,720,766	62,968	56,682,589	341,101,145
Mortgage-backed and asset-backed securities	582,005,186	474,525	90,214,826	492,264,885
Total debt securities	1,413,137,756	850,310	200,951,653	1,213,036,413
Equity securities:				
Common stocks	5,332,839	1,866,683	49,550	7,149,972
Mutual funds	6,546,777	16	1,025,887	5,520,906
Preferred stocks	292,454,163	545,508	40,465,807	252,533,864
Total equity securities	304,333,779	2,412,207	41,541,244	265,204,742
Total	$ 1,717,471,535	$ 3,262,517	$ 242,492,897	$ 1,478,241,155

December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities – bonds and notes:				
U.S. government and its agencies and authorities	$ 57,702,625	$ 1,285,966	$ 317,069	$ 58,671,522
States, municipalities, and political subdivisions	323,781,247	24,734,159	1,136,027	347,379,379
Industrial and miscellaneous	392,806,485	24,485,841	2,077,892	415,214,434
Mortgage-backed and asset-backed securities	517,831,165	7,612,022	5,916,637	519,526,550
Total debt securities	1,292,121,522	58,117,988	9,447,625	1,340,791,885
Equity securities:				
Common stocks	6,522,962	2,649,566	340,560	8,831,968
Mutual funds	6,536,282	7,128	212,973	6,330,437
Preferred stocks	300,478,801	14,011,370	680,328	313,809,843
Total equity securities	313,538,045	16,668,064	1,233,861	328,972,248
Total	$ 1,605,659,567	$ 74,786,052	$ 10,681,486	$ 1,669,764,133

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

2. Investment Securities (continued)

The Company's investments' fair value and gross unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of December 31, 2022 and 2021, are as follows:

	2022					
	Less than 12 Months		12 Months or Greater		Total	
Description of Securities	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Debt securities - bonds and notes:						
U.S. government and its agencies and authorities	$ 38,972,031	$ 1,634,651	$ 23,493,458	$ 2,821,900	$ 62,465,489	$ 4,456,551
States, municipalities, and political subdivisions	248,757,473	34,904,973	51,869,247	14,692,714	300,626,720	49,597,687
Industrial and miscellaneous	231,520,061	40,103,719	46,429,386	16,578,870	277,949,446	56,682,589
Mortgage-backed and asset-backed securities	214,513,801	33,106,269	252,387,863	56,549,694	466,901,663	89,655,963
Total debt securities	733,763,365	109,749,611	374,179,953	90,643,178	1,107,943,318	200,392,789
Equity securities – mutual funds	784,800	243,766	4,735,056	782,120	5,519,856	1,025,887
Equity securities – common stocks	1,050,650	49,550	-	-	1,050,650	49,550
Equity securities – preferred stocks	199,551,018	35,949,835	25,164,133	4,515,972	224,715,151	40,465,807
Total	$ 935,149,833	$ 145,992,763	$ 404,079,143	$ 95,941,270	$ 1,339,228,976	$ 241,934,033

	2021					
	Less than 12 Months		12 Months or Greater		Total	
Description of Securities	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Debt securities - bonds and notes:						
U.S. government and its agencies and authorities	$ 26,034,783	$ 317,069	$ -	$ -	$ 26,034,783	$ 317,069
States, municipalities, and political subdivisions	51,591,251	625,308	14,762,557	510,719	66,353,808	1,136,027
Industrial and miscellaneous	43,290,634	1,347,141	23,387,838	730,751	66,678,472	2,077,892
Mortgage-backed and asset-backed securities	284,053,855	4,450,284	34,369,043	1,466,353	318,422,898	5,916,637
Total debt securities	404,970,523	6,739,802	72,519,438	2,707,823	477,489,961	9,447,625
Equity securities – mutual funds	809,213	11,557	229,200	201,416	1,038,413	212,973
Equity securities – common stocks	1,449,979	266,055	3,048,573	74,505	4,498,552	340,560
Equity securities – preferred stocks	46,006,337	586,128	6,107,080	94,200	52,113,417	680,328
Total	$ 453,236,052	$ 7,603,542	$ 81,904,291	$ 3,077,944	$ 535,140,343	$ 10,681,486

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

2. Investment Securities (continued)

The number of individual securities that have been in a continuous loss position, by investment category and by length of time, as of December 31, 2022 and 2021, are as follows:

	2022			2021		
Description of Securities	**Less than 12 Months**	**12 Months or Greater**	**Total**	**Less than 12 Months**	**12 Months or Greater**	**Total**
Debt securities – bonds and notes:						
U.S. government and its agencies and authorities	65	32	97	14	-	14
States, municipalities, and political subdivisions	330	45	375	36	12	48
Industrial and miscellaneous	287	43	330	27	16	43
Mortgage-backed and asset-backed securities	169	137	306	104	34	138
Total debt securities	851	257	1,108	181	62	243
Equity securities – mutual funds	3	26	29	3	1	4
Equity securities – common stocks	3	-	3	9	6	15
Equity securities – preferred stocks	135	19	154	20	2	22
Total	992	302	1,294	213	71	284

In accordance with the Company's impairment policy, the Company performed quantitative and qualitative analysis to determine if the decline was temporary. For those securities where the decline was considered temporary, the Company did not recognize an impairment since it has the ability and intent to hold these investments until recovery.

The Company recorded OTTI losses on equity securities amounting to $115,156 during 2022. The Company has no OTTI losses recorded on equity securities, or debt securities during 2021 and 2020.

The table below presents a roll forward of the cumulative credit loss component of the OTTI loss recognized in earnings on debt securities still held by the Company at December 31, 2022, 2021 and 2020:

	2022	**2021**
Balance – beginning of year	$ -	$ -
Additional impairment – OTTI recognized on securities previously impaired	-	-
Reduction – due to sales (or maturities, pay downs, or prepayments) during the period of securities previously OTTI	-	-
Balance – end of year	$ -	$ -

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

2. Investment Securities (continued)

The amortized cost and fair value of investment securities with fixed maturities at December 31, 2022, by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Investments Maturing Within	**Amortized Cost**	**Fair Value**
One year	$ 13,586,171	$ 13,349,067
After one to five years	194,676,035	185,145,680
After five to ten years	172,847,040	154,735,289
Ten years and over	763,200,373	641,977,616
No maturity	4,552,579	3,680,569
Mortgage-backed securities	264,275,558	214,148,192
Total	$ 1,413,137,756	$ 1,213,036,413

Net investment income for the years ended December 31, 2022, 2021 and 2020 is summarized as follows:

	2022	**2021**	**2020**
Debt securities	$ 59,459,245	$ 42,134,303	$ 36,535,967
Equity securities	13,351,104	16,828,337	15,125,602
Other invested assets	953,128	4,522,076	1,569,728
Interest-bearing deposits	2,670	5,304	11,798
IMR amortization	38,151	145,372	(98,661)
Other	201,512	172,941	615,632
Investment income recognized as a result of prepayment penalties	-	127,116	7,500
Total	$ 74,005,810	$ 63,935,449	$ 53,767,566

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

2. Investment Securities (continued)

Proceeds from the sale of investments and the net realized capital gains/(losses) – net of capital gains tax and transfers to IMR for the years ended December 31, 2022, 2021 and 2020 were as follows:

	2022	2021	2021
Proceeds from sales	$ 65,788,583	$ 229,777,258	$ 88,938,079
Gross realized capital gains	1,073,555	5,795,185	7,696,314
Gross realized capital losses	(2,200,076)	(1,486,879)	(5,630,401)
OTTI	(115,156)	(358,474)	(1,453,047)
AVR gains ceded to reinsurer	-	(8,223)	-
Transfer to IMR	1,253,319	(1,761,196)	(1,359,372)
Net realized capital gains (losses)	11,642	2,180,413	(746,506)
Less capital gains tax:			
Provision for capital gains income taxes	(225,304)	860,176	407,469
Capital gains tax transferred to IMR	250,664	(352,399)	(271,874)
Capital gains tax – net	25,360	507,777	135,595
Net realized capital gains (losses) – net of capital gains tax	$ (13,718)	$ 1,672,636	$ (882,101)

As of December 31, 2022 and 2021, the Company had deposited investments with the Commissioner of Insurance of Puerto Rico (OCS, in its Spanish acronym) as follows:

Description of Securities	2022	2021
Debt securities:		
Short-term investments – certificates of deposit	$ 1,594,460	$ 1,594,460
Total	$ 1,594,460	$ 1,594,460

These securities continue to be owned by the Company, but their use is restricted based on the provisions of the PR Insurance Code.

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

3. Other Invested Assets

During 2013, the Company acquired from the Parent Company a note receivable from a third party for its book value of $4,971,600. Note receivable represents an interest-earning advance made to an unrelated borrower at terms negotiated between the parties. The note receivable matures in 2033, bears interest at a rate of 5.30%, and is collateralized by real estate and lease agreements. The note receivable is presented in the accompanying Statutory Basis Statement of Admitted Assets, Liabilities, Capital and Surplus and Other Funds ("Balance Sheet"), at its outstanding principal balance as part of other invested assets. Interest income on note receivable is recorded using the interest method. The note receivable is presented in the accompanying balance sheet as part of other invested assets with a book adjusting carrying value of $5,038,206.

The credit quality for the note receivable is evaluated on an individual loan basis. As there is only one note receivable, management has the ability to oversee the credit quality of this loan on a monthly basis. The note receivable is classified as impaired whenever there is a delay on payment of more than 90 days. The Company periodically assesses the financial condition and future prospects of the borrower, as well as the borrowers' payment history to determine whether an allowance for credit losses is necessary. As of December 31, 2022 and 2021, there is no allowance for credit losses as the amount of estimated probable losses was not significant.

During 2018, the Company acquired private placement-limited partnerships from a third party for its book value of $10,000,000. The limited partnerships are presented in the accompanying statutory-basis balance sheet as part of other invested assets. The limited partnership interest with a book adjusting carrying value of $12,402,936 was presented as a non-admitted asset as of December 31, 2022 pursuant to the admissibility guidelines prescribed under SSAP 48R – Joint Ventures, Partnerships and Limited Liability Companies.

During 2021, the Company acquired a surplus note from a third party for its book value of $1,173,750. The surplus note is presented in the accompanying balance sheet as part of other invested assets with a book adjusting carrying value of $1,165,117.

During 2021, the Company acquired a surplus note from a third party for its book value of $1,073,750. The surplus note is presented in the accompanying balance sheet as part of other invested assets with a book adjusting carrying value of $1,071,124.

During 2022, the Company acquired a surplus note from a third party for its book value of $569,400. The surplus note is presented in the accompanying balance sheet as part of other invested assets with a book adjusting carrying value of $567,644.

3. Other Invested Assets (continued)

The following other invested assets were acquired by the reinsurer under the provisions of funds withheld accounts, as disclosed in Note 6 – Reinsurance:

During 2019, the Company acquired a surplus note from a third party for its book value of $13,872,876. The surplus note is presented in the accompanying statutory-basis balance sheet as part of other invested assets with a book adjusting carrying value of $13,820,432.

During 2019, the Company acquired a partnership interest from a third party for its book value of $20,000,000. The membership interest is presented in the accompanying statutory-basis balance sheet as part of other invested assets. The partnership interest is presented in the accompanying statutory-basis balance sheet as part of other invested assets with a book adjusting carrying value of $14,748,217.

During 2019, the Company acquired a partnership interest from a third party for its book value of $8,474,352 and made additional contributions of $7,496,685. The membership interest is presented in the accompanying statutory-basis balance sheet as part of other invested assets with a book adjusting carrying value of $29,958,804.

During 2022, the Company recorded no OTTI loss on alternative investments. On 2021, the Company recorded an OTTI loss of $358,474 on alternative investments.

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

4. Borrowed money and interest

Lines of credit

The Company uses margin accounts to enhance investment portfolio income through leverage strategies and to access short term funding. As of December 31, 2022 the margin account balance amounted to $13,280,295 used to fund intercompany short term notes. Funding cost of the margin account was 2.28% approximately calculated on daily balance.

On December 9, 2022, Universal Life entered into a $30,000,000 revolving credit facility with a maturity date of November 1, 2023. Under the revolving credit facility, interest is payable in arrears on a monthly basis, calculated based on the SOFR in effect on the first day of each calendar month plus 2.5% on the basis of a year of 360 days and for the number of actual days elapsed. ULICO had an outstanding balance under the revolving credit facility of $15,430,000 as of December 31, 2022. The credit facility was collateralized by investment securities in the amount of $47,334,519. The credit facility contains various affirmative and negative covenants, including financial and nonfinancial covenants. At December 31, 2022, the Company was in compliance with financial covenants.

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase (repurchase agreements) amounted to $20,550,000 and $30,439,195 as of December 31, 2022 and 2021 respectively. The borrowings bear interest at a range from 0.32% to 4.84% and generally matured within 30 days to 90 days from the transaction date.

Additional information related to repurchase agreements as of December 31, 2022 and 2021, were as follows:

	2022	2021
Maximum aggregate balance of repurchase agreements outstanding during the year	$ 52,753,000	$ 47,032,045
Repurchase agreement balance at year end	20,550,000	30,439,195
Securities underlying repurchase agreements:		
U.S. Government and its agencies and authorities carrying value of underlying collateral	21,579,897	32,246,498
Fair value of underlying collateral	20,413,073	32,630,657

Accrued interest as of December 31, 2022 and 2021 amounted to $49,101 and $5,577 respectively.

Universal may be required to provide additional collateral based on the fair value of the underlying securities.

5. Related-Party Transactions

The Company is a member of a group of affiliated companies. The Company has significant transactions with members of the affiliated group at terms arranged by management of the affiliated group, and accordingly, the statutory-basis financial statements may not necessarily be indicative of the condition that would have existed or the results of operations if the Company had been operated as an unaffiliated company.

In the normal course of business, related entities provide management and other services to Universal Life. Universal Life also reimburses related entities for expenses incurred on its behalf.

The Company entered into an agreement on March 1, 2007, with Universal Financial Services, Inc. (UFS), to provide investment advisory services. Investment advisory services provided by UFS during the years ended December 31, 2022, 2021 and 2020, amounted to $436,906, $526,513 and $499,641, respectively. The Company also entered into an agreement on March 1, 2007, with UFS to sell variable annuity products. Commission expense charged by UFS during the years ended December 31, 2022, 2021 and 2020, amounted to $38,634, $23,278 and 32,650, respectively.

The Company provides administrative services to UFS pursuant to an administrative services agreement. During 2022, 2021 and 2020, the Company charged fees to UFS for these services in the amount of $210,000, $210,000 and $210,000, respectively.

During December 2022, the Company issued a short-term notes receivable to its ultimate parent company, Universal Group, Inc. of $13.4 million. The transaction did not exceed the threshold established in Chapter 44, Section 4406 a), (2), (A), (ii) of the PR Insurance Code. As part of the Rule 83 disclosures, it was duly notified to the Insurance Commissioner and recorded as an admitted asset. The note was partially repaid during December 2022. The interest rate is calculated based on the Secured Overnight Financing Rate (SOFR) in effect the first day of each calendar month plus 2.5% on the basis of a year of 360 days and for the number of actual days elapsed on the basis of a year of 360 days and for the number of actual days elapsed, and servicing fees of 0.125%. As of December 31, 2022, the loan amounted to $7.9 million and is presented as part of intercompany receivable within the accompanying statutory basis statement of admitted assets, liabilities, and capital and surplus.

During December 2022, the Company issued a short-term notes receivable to Universal Holding North America, Inc. of $10.5 million. The note matures in December 2023. The interest rate is calculated based on SOFR in effect the first day of each calendar month plus 2.5% on the basis of a year of 360 days and for the number of actual days elapsed on the basis of a year of 360 days and for the number of actual days elapsed, and servicing fees of 0.125%. As of December 31, 2022, the loan amounted to $7.5 million and is presented as part of intercompany receivable within the accompanying statutory basis statement of admitted assets, liabilities, and capital and surplus.

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

5. Related-Party Transactions (continued)

During April 2021, the Company issued a short-term note receivable to its ultimate parent company, Universal Group, Inc. of $8.4 million. This transaction did not exceed the threshold established in Chapter 44, Section 4406 a), (2), (A), (ii) of the PR Insurance Code. As part of the Rule 83 disclosures, it was duly notified to the Insurance Commissioner and recorded as an admitted asset. The note was partially repaid during 2021. The note bear an interest rate of .85% and servicing fees of 0.125%. As of December 31, 2021, the loan amounted to $1.8 million and is presented as part of intercompany receivable within the accompanying statutory basis statement of admitted assets, liabilities, and capital and surplus.

During December 2021, the Company issued a short-term notes receivable to Universal Finance, Inc. of $4.4 million. The note matures in June 2022. The note bears an interest rate of .85% and servicing fees of 0.125%. As of December 31, 2021, the loan amounted to $4.4 million and is presented as part of intercompany receivable within the accompanying statutory basis statement of admitted assets, liabilities, and capital and surplus.

The amounts due to related entities as of December 31, 2022 and 2021 were as follows:

	2022	2021
Due from:		
Universal Finance, Inc.	$ 17,328	$ 10,113,848
Universal Holdings of North America, Inc.	7,529,297	-
Point Guard Insurance Company, Inc.	140,097	-
Universal Insurance Group, Inc.	12,231,739	20,838,379
Total	$ 19,918,461	$ 30,952,227
Due to:		
Universal Insurance Company	$ 123,064	$ 5,344,481
Universal Financial Services, Inc.	15,237	24,289
Total	$ 138,301	$ 5,368,770

6. Reinsurance

Universal Life ceded insurance to reinsurers during the year under various agreements, which cover mostly annuities, life, and accident and health insurance risks. These reinsurance arrangements provide greater diversification of business and minimize the Company's exposure arising from large or volume-related risks, although they do not discharge the primary liability of Universal Life as direct insurer of the risks reinsured. Universal Life evaluates the financial strength of reinsurers and continually monitors the financial condition of reinsurers. At December 31, 2022 and 2021, reinsurance recoverable on paid losses associated with the largest single reinsurer amounted to approximately $295,909 and $163,000, respectively. The Company does not carry reinsurance for its credit life business.

Effective January 1, 2006, the Company entered into an agreement to reinsure individual term-life coverage. The form of reinsurance is on an excess of loss basis with retention of the first $50,000 and ceded up to $500,000.

Effective March 1, 2007, the Company entered into an agreement to reinsure 60% of the variable deferred annuities. The form of reinsurance is on a modified coinsurance basis.

Effective March 1, 2008, the Company entered into an agreement to reinsure group life and group accidental death and dismemberment coverage. The form of reinsurance is on an excess of loss basis with retention of first $25,000 and ceded up to $500,000 on an automatic basis. Effective May 1, 2020 the Company amended the reinsurance agreement in increase retention amount to $50,000 and ceded up to 950,000 on an automatic basis.

Effective April 13, 2009, the Company entered into an agreement to reinsure individual simplified issue term-life coverage. The form of reinsurance is on an excess of loss basis with retention of the first $50,000 and ceded up to $250,000 on an automatic basis and a minimum ceded amount of $5,000.

Effective August 1, 2013, the Company entered into a catastrophe coverage reinsurance agreement. The form of reinsurance is on an excess of loss basis with retention of the first $200,000 per each loss occurrence and ceded up to a maximum of $100,000 per covered life and $2,500,000 per catastrophe.

Effective January 1, 2015, the Company entered into an agreement to reinsure new business of individual term-life coverage. The form of reinsurance is on a coinsurance basis with retention of the first $50,000 and ceded up to $500,000. Effective January 1, 2016 the Company amended the reinsurance agreement in increase retention amount to $100,000.

6. Reinsurance (continued)

Effective January 1, 2015, the Company entered into an agreement to reinsure new business of individual simplified issue term-life coverage. The form of reinsurance is on a coinsurance basis with retention of the first $50,000 and ceded up to $250,000 on an automatic basis and a minimum ceded amount of $5,000. Effective January 1, 2016 the Company amended the reinsurance agreement in increase retention amount to $100,000.

Effective April 1, 2017, the Company entered into a coinsurance agreement to reinsure fixed income deferred annuities. The form of reinsurance is quota share basis with retention of 25% of all policies in-force and new business since the effective date of the reinsurance contract. As part of this agreement, the Company transferred approximately $491 million of assets related to the preexisting in-force block of business to a Reserve Credit Trust and an additional $37 million of funds related to new business. The cash surrender value of the in-force block reinsured at April 1, 2017 amounted to $491,982,971. The coinsurance agreement contained a one-time fee payable by the reinsurer to the Company which was initially recorded as direct write-in to surplus and amortized to operations as earnings emerged from the business reinsured. At December 31, 2022 the one-time fee was fully amortized.

The reinsurance company that is party to this coinsurance agreement is an unauthorized reinsurer in compliance with Rule 98 of the Insurance Code of Puerto Rico, whereby the reinsurer will be required to maintain, as collateral, qualified investments in compliance with the investments guidance as set forth in the reinsurance contract. In accordance to these requirements, the parties entered into a Reinsurance Trust and Custodian Agreements for the benefit of the Company. At December 31, 2022 and 2021 the assets held in the trusts and/or the amounts contractually owed to the reinsurer exceeded statutory reserve requirements, which allowed the company to receive reinsurance credit. The reinsurance contract provides for a five (5%) requirement of assets in excess statutory reserves to protect the Company from unforeseen declines in value of the assets held in the trusts.

Effective May 31, 2019 the Company stopped ceding new business under this reinsurance agreement. Total reserves ceded by the Company under this reinsurance agreement as of December 31, 2022 amounted to $475,981,735. Refer to Note 19 for further details.

Effective October 1, 2018, the Company entered into an agreement to reinsure 75% of the principal and 100% of the interest payment portion of the equity-indexed deferred annuities. The form of reinsurance is a coinsurance agreement with a funds withheld structure. As part of this agreement, the Company transferred approximately $453 million of assets related to the preexisting in-force block of business to a Reserve Credit Trust. The cash surrender value of the in-force block reinsured at October 1, 2018 amounted to $453,323,304. The coinsurance agreement contained a one-time fee payable by the reinsurer to the Company which was initially recorded as direct write-in to surplus and amortized to operations as earnings emerged from the business reinsured. At December 31, 2019, the one-time fee was fully amortized.

6. Reinsurance (continued)

The reinsurance company that is party to this coinsurance agreement is an unauthorized reinsurer in compliance with Rule 98 of the Insurance Code of Puerto Rico, whereby the reinsurer will be required to maintain, as collateral, qualified investments in compliance with the investments guidance as set forth in the reinsurance contract. In accordance to these requirements, the parties entered into a Reinsurance Trust and Custodian Agreements for the benefit of the Company. At December 31, 2022 and 2021 the assets held in the trusts and/or the amounts contractually owed to the reinsurer exceeded statutory reserve requirements, which allowed the company to receive reinsurance credit. The reinsurance contract provides for a five (5%) requirement of assets in excess statutory reserves to protect the Company from unforeseen declines in value of the assets held in the trusts.

Effective September 1, 2019, the Company entered into an agreement to reinsure long-term disability and short-term disability coverage. The form of reinsurance is on a quota-share basis with retention of 25% of the contractual liability and 75% ceded.

Effective January 1, 2020, the Company entered into a coinsurance agreement to reinsure fixed income deferred annuities. The form of reinsurance is quota share basis with retention of 25% of all new business since the effective date of the reinsurance contract.

Effective January 1, 2022, the Company entered into an agreement to reinsure 75% of the principal and 100% of the interest payment portion of the equity-indexed deferred annuities. The form of reinsurance is a coinsurance agreement with a funds withheld structure. The coinsurance agreement contained a one-time fee payable by the reinsurer to the Company which was initially recorded as direct write-in to surplus and amortized to operations as earnings emerged from the business reinsured.

The reinsurance company that is party to this coinsurance agreement is an unauthorized reinsurer in compliance with Rule 98 of the Insurance Code of Puerto Rico, whereby the reinsurer will be required to maintain, as collateral, qualified investments in compliance with the investments guidance as set forth in the reinsurance contract. In accordance to these requirements, the parties entered into a Reinsurance Trust and Custodian Agreements for the benefit of the Company. At December 31, 2022 and 2021 the assets held in the trusts and/or the amounts contractually owed to the reinsurer exceeded statutory reserve requirements, which allowed the company to receive reinsurance credit. The reinsurance contract provides for a two (2%) requirement of assets in excess statutory reserves to protect the Company from unforeseen declines in value of the assets held in the trusts.

Amounts recoverable from reinsurers are estimated based upon assumptions consistent with those used in establishing the liabilities related to the underlying reinsured contracts. Management believes the recoverable are appropriately established.

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

6. Reinsurance (continued)

Information with respect to reinsurance ceded by the Company is set forth below:

	2022	2021	2020
Statutory-basis statements of admitted assets, liabilities, and capital and surplus:			
Reinsurance recoverable on paid losses and other	$ 47,920,680	$ 16,914,508	$ 8,218,931
Aggregate reserves ceded	1,950,166,922	1,827,560,191	1,555,502,764
Unpaid policy and contract claims ceded	3,624,182	2,740,831	3,936,947
Reinsurance payable	16,985,211	8,551,829	2,705,061
Funds withheld from reinsurer	1,049,543,050	1,082,428,594	840,119,630
Statutory-basis statements of income:			
Premiums ceded	325,329,421	261,559,465	200,772,513
Death, disability, and other benefits ceded	4,365,164	2,329,328	3,169,025
Commissions and expense allowances on reinsurance ceded	44,688,760	39,029,485	34,662,491
Change in expense allowance ceded	(1,439,759)	(1,439,241)	(1,618,676)
Reserve adjustment on reinsurance ceded	(16,381,072)	(14,748,932)	(26,938,194)
Aggregate write ins for deductions	48,127,402	37,550,438	33,532,798

Effective January 1, 2018, the Company entered into a reinsurance agreement to assume business of group life coverage. The form of reinsurance is on a coinsurance basis with 50% quota share to a maximum of $30,000 retention by the cedant company.

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

7. Policy Liabilities

Aggregate reserves for life, annuities, and accident and health policies and contracts and related insurance in force as of December 31, 2022 and 2021 are summarized as follows:

	Aggregate Reserves		Life Insurance In-force	
	2022	2021	2022	2021
Life insurance	$ 15,125,936	$ 14,837,848	$ 4,138,914,409	$ 3,922,488,654
Annuities subject to discretionary withdrawal	627,103,563	557,829,329		
Annuities not subject to discretionary withdrawal	5,422,485	5,653,599		
Accident and health policies	1,659,118	1,691,513		
Total	$ 649,311,102	$ 580,012,289		

The Company's annuity reserves as of December 31, 2022 and 2021 are summarized as follows:

	2022			2021		
	Gross	Ceded	Net	Gross	Ceded	Net
Type of annuity:						
Fixed annuities	$ 874,068,949	$ 650,920,422	$ 223,148,527	$ 884,403,488	$ 660,193,142	$ 224,210,346
Equity-indexed annuities	1,680,522,181	1,276,567,145	403,955,036	1,454,968,880	1,121,349,897	333,618,983
Immediate group annuities	21,689,939	16,267,454	5,422,485	22,614,397	16,960,798	5,653,599
Guarantees on variable annuities	200,585	200,585	-	11,127	11,127	-
Total aggregate reserve for annuities	2,576,481,654	1,943,955,606	632,526,048	2,361,997,892	1,798,514,964	563,482,928
Variable annuities actuarial reserve	390,098,689	229,950,166	160,148,523	507,008,139	304,204,883	202,803,256
Total	$ 2,966,580,343	$ 2,173,905,772	$ 792,674,571	$ 2,869,006,031	$ 2,102,719,847	$ 766,286,184

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

7. Policy Liabilities (continued)

The Company's annuity reserves that are subject to discretionary withdrawal (with or without adjustment) as of December 31, 2022 and 2021 are summarized as follows:

	2022		
	General Account	Separate Account Nonguaranteed	Total
Subject to discretionary withdrawal:			
At book value less current surrender charge	$ 1,658,973,944	$ -	$ 1,658,973,944
At fair value	200,585	390,098,689	390,299,274
Subtotal	1,659,174,529	390,098,689	2,049,273,218
At book value without adjustment	895,617,186	-	895,617,186
Not subject to discretionary withdrawal	21,689,939	-	21,689,939
Total gross	2,576,481,654	390,098,689	2,966,580,343
Less reinsurance ceded	(1,943,955,606)	(229,950,166)	(2,173,905,772)
Total net annuity reserves	$ 632,526,048	$ 160,148,523	$ 792,674,571

Reconciliation to Exhibit 5 and Exhibit 7 of the Company's annual statement:	
Exhibit 5 Annuities – total, net	$ 631,717,303
Exhibit 7 Deposit-Type contracts – total, net	808,745
General account subtotal	632,526,048
Separate accounts annual statement:	
Exhibit 3, Line 0299999, Column 2	390,098,689
Reserve ceded	(229,950,166)
Separate account subtotal	160,148,523
Total	$ 792,674,571

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

7. Policy Liabilities (continued)

	2021		
	General Account	**Separate Account Nonguaranteed**	**Total**
Subject to discretionary withdrawal:			
At book value less current surrender charge	$ 1,488,415,845	$ -	$ 1,488,415,845
At fair value	11,127	507,008,139	507,019,266
Subtotal	1,488,426,972	507,008,139	1,995,435,111
At book value without adjustment	873,950,574	-	873,950,574
Not subject to discretionary withdrawal	22,614,397	-	22,614,397
Total gross	2,384,991,943	507,008,139	2,892,000,082
Less reinsurance ceded	(1,821,509,015)	(304,204,883)	(2,125,713,898)
Total net annuity reserves	$ 563,482,928	$ 202,803,256	$ 766,286,184

Reconciliation to Exhibit 5 and Exhibit 7 of the Company’s annual statement:	
Exhibit 5 Annuities – total, net	$ 562,785,849
Exhibit 7 Deposit-Type contracts – total, net	697,079
General account subtotal	563,482,928
Separate accounts annual statement:	
Exhibit 3, Line 0299999, Column 2	507,008,139
Reserve ceded	(304,204,883)
Separate account subtotal	202,803,256
Total	$ 766,286,184

Unpaid policy and contract claims as of December 31, 2022 and 2021 consisted of:

	2022	2021
Life policies	$ 3,565,626	$ 4,279,238
Accident and health policies	1,163,846	1,259,208
Total	$ 4,729,472	$ 5,538,446

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

7. Policy Liabilities (continued)

The activity in the policy and contract claims reserve for the accident and health business as of December 31, 2022 and 2021 is as follows:

	2022	2021
Balance – at beginning of year – net of reinsurance recoverables of $973,666 in 2022 and $1,401,279 in 2021	$ 1,259,208	$ 1,565,596
Incurred related to:		
Current year	2,074,573	2,353,285
Prior years	(381,651)	(450,614)
Total incurred	1,692,922	1,902,671
Paid related to:		
Current year	1,329,698	1,265,628
Prior years	458,586	943,431
Total paid	1,788,284	2,209,059
Balance – at end of year – net of reinsurance recoverable of $1,070,734 in 2022 and $973,666 in 2021	$ 1,163,846	$ 1,259,208

Because the liabilities for unpaid policy and contract claims include various actuarially developed estimates, the Company's actual benefits expenses may be more or less than the Company's previously developed estimates. As a result of change in estimates of insured events in prior years, the incurred benefits for prior year insured events during the year ended 2022 and 2021 were lower due to a favorable development of claims that is attributed to the accident and health line of business. Management believes that the amount of unpaid policy and contract claims is reasonable and adequate to cover the Company's liability for unpaid policy and contract claims incurred, but not yet reported as of December 31, 2022 and 2021.

Deferred and uncollected life insurance premiums and annuity considerations as of December 31, 2022 were as follows:

Type	Gross	Net of Loading
Ordinary new business	$ 340	$ 340
Ordinary renewal	26,690	26,690
Credit life	113,583	113,583
Group life	1,383,881	1,383,881
Total	$ 1,524,494	$ 1,524,494

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

8. Taxes

As a qualified domestic life insurance company, the Company is only subject to Puerto Rico taxes on capital gains and alternative minimum tax. The main difference between income tax expense calculated at the statutory tax rate of 18.5% and the actual effective tax rate for 2022 is due to the Company's taxable income from Puerto Rico being limited to the Company's capital gains taxed at the rate of 20%.

Provision for income taxes as of December 31, 2022, 2021 and 2020 consisted of:

	2022	2021	2020
Alternative mimimum tax	$ 802,700	$ 2,942,379	$ 737,811
Provision for realized capital gains	(225,304)	861,821	407,469
Provision for realized capital gains transferred to IMR	250,664	(354,044)	(271,874)
Foreign income tax	246,804	156,334	22,715
Total	$ 1,074,864	$ 3,606,490	$ 896,121

The components of the net deferred income tax asset recognized in the Company's assets, liabilities, capital and surplus and other funds as of December 31, 2022, 2021 and 2020 are as follows:

	2022	2021	2020	Change (2022 vs 2021)	Change (2021 vs 2020)
Capital:					
Gross deferred income tax assets	$ 1,243,097	$ 101,577	$ 1,173,409	$ 1,141,520	$ (1,071,832)
Statutory valuation allowance adjustments	-	-	(1,071,832)	-	1,071,832
Adjusted gross deferred income tax assets	1,243,097	101,577	101,577	1,141,520	-
Deferred income tax assets nonadmitted	-	-	-	-	-
Subtotal net admitted deferred income tax assets	1,243,097	101,577	101,577	1,141,520	-
Deferred income tax liabilities	-	(685,465)	(859,896)	685,465	174,431
Net admitted deferred income tax assets (liabilities)	$ 1,243,097	$ (583,888)	$ (758,319)	$ 1,826,985	$ 174,431

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

8. Taxes (continued)

Admission calculation components – SSAP No. 101, paragraph 11:

	2022	2021	Change
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ -	$ -	$ -
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred income tax assets from a. above) after application of the threshold limitation (see computation below)	1,243,097	101,577	1,141,520
c. Adjusted gross deferred income tax assets (excluding the amount of deferred income tax assets from a. and b. above) offset by gross deferred income tax liabilities	-	-	-
Deferred income tax assets admitted as a result of application of SSAP No. 101	$ 1,243,097	$ 101,577	$ 1,141,520
Computation of adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred income tax assets from a. above) after application of the threshold limitation (the lesser of b.i. and b.ii. below):			
b. i. Adjusted gross deferred income tax assets expected to be realized following the balance sheet date	$ 1,243,097	$ 101,577	$ 1,141,520
b. ii. Adjusted gross deferred income tax assets allowed per limitation threshold	$ 22,711,866	$ 23,223,487	$ (511,621)

The Company's deferred income tax asset is admissible pursuant to paragraph 11.b.i of SSAP No. 101. The Company expects to realize the tax benefit of the OTTI charge through the future sale of such investments.

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

8. Taxes (continued)

Other admissibility criteria to determine recovery period and threshold limitation as of December 31, 2022 and 2021 is as follows:

	2022	2021
Ratio percentage used to determine recovery period and threshold limitation amount	1,353%	1,075%
Amount of adjusted capital and surplus to determine recovery period and threshold limitations	$ 151,412,442	$ 164,300,531

The tax effects of temporary differences that give rise to the deferred income tax liability as of December 31, 2022 and 2021 are as follows:

	2022	2021	Change
Capital:			
Deferred income tax asset:			
Capital loss carryforward	$ 101,577	$ 101,577	$ -
Unrealized net loss on valuation of securities	1,141,520	-	1,141,520
Other-than-temporary impairments	-	-	-
	$ 1,243,097	$ 101,577	$ 1,141,520
Statutory valuation allowance adjustment	$ -	$ -	$ -
Total deferred income tax asset	1,243,097	101,577	1,141,520
Deferred tax liabilities – unrealized net gain on valuation of equity securities	-	(685,465)	685,465
Net admitted deferred income tax asset (liability)	$ 1,243,097	$ (583,888)	$ 1,826,985

For the years ended December 31, 2022, 2021, and 2020, the net change in deferred income taxes related to the unrealized gains or losses on valuation of equity and fixed securities amounting to $1,826,985, $174,431 and $(584,226) respectively, was presented as part of the change in unrealized capital gains or losses in the accompanying statutory-basis statements of changes in capital and surplus.

Pursuant to Section 1018A of the Puerto Rico Internal Revenue Code, the Company annually withhold, on behalf of the contract holders of the separate accounts, a special tax of 0.10% of their corresponding net asset value and remits them to the Puerto Rico Treasury Department. The payments made during the years ended December 31, 2022, 2021 and 2020 amounted to $517,672, $522,363 and $537,030, respectively.

9. Net Statutory Income and Capital Stock and Surplus

The net assets of Universal Life available for transfer to its stockholder are limited to the amount that its surplus, as determined in accordance with statutory accounting practices, exceeds minimum statutory capital requirements.

During the year ended December 31, 2022, 2021 and 2020, the Company declared and paid ordinary dividends of $10,000,000, $6,000,000 and $6,000,000, respectively.

On March 18, 2008, the Commonwealth of Puerto Rico enacted Law No. 32 (the Law) to adopt Chapter 45, Risk-Based Capital (RBC), into the Insurance Code of Puerto Rico. RBC provides for targeted surplus levels based on formulas, which specify various weighting factors that are applied to financial balances or various levels of activity based on the perceived degree of risk, and are set forth in the RBC requirements. Such formulas focus on four general types of risk, which includes the risk with respect to the Company's assets (asset or default risk), the risk of adverse insurance experience with respect to the Company's liabilities and obligations (insurance or underwriting risk), the interest rate risk with respect to the Company's business (asset/liability matching), and all other business risks (management, regulatory action, and contingencies). The amount determined under such formulas is called the authorized control level RBC (ACLC).

The Law requires, among other things, that all insurance companies, including all health insurance organizations, authorized to conduct business in Puerto Rico comply with the RBC requirements as adopted by the NAIC, to annually file a RBC report with the NAIC and the Commissioner of Insurance on or before March 31 and maintain a minimum RBC level of 250% of the ACLC. The Law states that the Commissioner of Insurance will provide a ruling whereby a RBC compliance transition period of five years will be established. On January 5, 2010, Rule 92, Standards for Implementing the Provisions Related to Risk-Based Capital (Rule 92 or the Rule), was approved by the Commissioner of Insurance to establish the requirements to implement the Law. Rule 92 established a phased transition period of five years to comply with the minimum 250% RBC level requirement depending on the RBC of the Company at the Rule's effective date. Under the transition period guidance, the Company's minimum RBC requirement at December 31, 2022, 2021 and 2020 was 250%, 250% and 250%, respectively, of the ACLC. At December 31, 2022, 2021 and 2020, the actual RBC of the Company was 1,362%, 1,018% and 1184%, respectively.

10. Nonadmitted Assets

As described in note 1, certain assets are excluded from the statutory-basis statements of admitted assets, liabilities, and capital and surplus and other funds by a charge to surplus. Nonadmitted assets as of December 31, 2022, 2021 and 2020 consisted of:

	2022	2021	2020
Uncollected premiums and agent’s balance in the course of collection.	$ 315,578	$ 259,367	$ 121,461
Amounts recoverable from reinsurers	-	73,934	364,400
Furniture and equipment	86,984	36,368	52,473
Negative IMR	1,396,701	1,403,240	1,689,403
Other invested assets	12,402,936	-	-
Other receivables, supplies, stationery, and printer materials	412,414	280,262	241,990
Total nonadmitted assets	$ 14,614,613	$ 2,053,171	$ 2,469,727

11. Separate Accounts

Universal Life utilizes separate accounts to record and account for assets and liabilities for particular lines of business and/or transactions. For the current reporting year, the Company reported assets and liabilities from the following product lines/transactions into a separate account:

- Universal Variable Investment Annuity

In accordance with the products/transactions recorded within the separate account, some assets are considered legally insulated whereas others are not legally insulated from the general account. The legal insulation of the separate account products prevents assets other than seed money or amounts in a supplemental account from being generally available to satisfy claims resulting from the general account.

The Company maintains nonguaranteed separate accounts with assets of approximately $397.8 million and $517.0 million at December 31, 2022 and 2021, respectively, which are invested in mutual funds and are segregated from the Company’s general account. Amounts assessed against the contract holders for mortality, administrative, and other services are included as part of revenues in the statutory-basis statements of income.

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

11. Separate Accounts (continued)

Information regarding separate accounts of the Company as of and for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Premiums and annuity considerations	$ 3,727,700	$ 2,720,679
Reserves:		
Total reserves for accounts with assets – at market value	390,098,689	507,008,139
Total reserves by withdrawal characteristics – at market value	$ 390,098,689	$ 507,008,139

A reconciliation of the net transfers to separate accounts for the years ended December 31, 2022, 2021 and 2020 is as follows:

	2022	2021	2020
1. Transfers as reported in the summary of operations of the separate account statement:			
a. Transfers to separate accounts	$ 12,457,267	$ 11,237,418	$ 14,665,153
b. Transfers from separate accounts	(37,392,673)	(33,550,329)	(56,879,339)
Net transfer to or (from) separate accounts	$ (24,935,406)	$ (22,312,911)	$ (42,214,186)
2. Reconciling adjustments:			
a. Change in expense allowance ceded	$ (1,439,759)	$ (1,439,241)	$ (1,618,676)
3. Net transfer as reported in the summary of operations of the life, accident, and health annual statement:			
a. Net transfer to or (from) separate accounts net of reinsurance	$ (26,375,165)	$ (23,752,152)	$ (43,832,862)

To compensate the general account for the risk taken, the separate account has paid $28,337, $40,094, and $47,354 in risk charges for the year ending December 31, 2022, 2021 and 2020.

12. Employee Benefit Plans

Universal Life has a qualified noncontributory profit-sharing plan, which provides retirement benefits to eligible employees. The plan calls for a voluntary contribution by Universal Life of no less than 1% of the annual participant's compensation, as defined, plus a portion of the administrative expenses of the plan during the first 10 years. Universal Life's contributions to the profit-sharing plan for the years ended December 31, 2022, 2021 and 2020 amounted to $120,028, $119,373 and $122,878, respectively.

Universal Life's employees participate in a qualified defined-contribution savings plan. Universal Life matching contributions are set at 50% of the participants' pretax contributions up to the first 6% of each participant's contribution. Universal Life's contributions to the savings plan for the years ended December 31, 2022, 2021 and 2020 amounted to $50,499, $49,323 and $49,177, respectively.

13. Restricted Investment

On April 11, 2008, the Company entered into a sales and cession of rights agreement (the Agreement) under which the Company sold its individual accident and health block of business to an unrelated insurance company (the Purchaser). As part of the Agreement, the Company was required to fund an escrow of $900,000 to cover any claims or contingencies arising during a period of five years. Although the restriction period stated in the Agreement already elapsed, the Company decided not to lift the restriction based on certain unasserted legal claims still outstanding.

The Company has established a restricted brokerage account to comply with this provision of the Agreement. Any withdrawal from the brokerage account requires the authorization of the Company and a designated representative of the Purchaser. The brokerage account has a carrying value of $996,741 and $1,921,105 as of December 31, 2022 and 2021, respectively, and is included as restricted investment in the accompanying statutory-basis statements of admitted assets, liabilities, and capital and surplus and other funds.

14. Significant Concentrations of Risk

Because Universal Life's business is written in Puerto Rico, Universal Life's insurance risk is not as diversified as the risk of a carrier that covers a broader geographical area. A natural catastrophe could cause damage to a large number of Universal Life's policyholders, which would result in significantly increased losses to Universal Life. Management believes, however, that Universal Life's reinsurance program will reduce to a manageable level its net exposure in any such catastrophe.

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

15. Fair Value Measurements

The approximate statement value and estimated fair value of financial instruments as of December 31, 2022 and 2021 were as follows (in thousands):

	2022		2021	
Financial Assets	**Statement Value**	**Fair Value**	**Statement Value**	**Fair Value**
Debt securities	$ 1,412,273	$ 1,213,036	$ 1,291,967	$ 1,340,797
Preferred stocks	257,355	252,534	313,809	313,800
Common stock and other equity securities	12,671	12,671	15,162	15,162
Other invested assets	66,370	63,049	92,951	95,909
Restricted investment	997	997	1,921	1,921
Cash and short-term investments	119,169	119,169	148,453	148,461
Separate account assets	397,843	397,693	516,996	516,996

The Company's financial instruments carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by SSAP No. 100, Fair Value Measurements. SSAP No. 100 defines fair value as the price that would be received to sell or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement is for a particular asset or liability. Therefore, the measurement should consider attributes specific to the asset or liability. The asset or liability might be a stand-alone asset or liability or a group of assets and/or liabilities.

An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities. Therefore, the objective of a fair value measurement is to determine the price that would be received to sell the asset or paid to transfer the liability at the measurement date.

A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The principal market is the market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability. The most advantageous market is the market in which the reporting entity would sell the asset or transfer the liability with the price that maximizes the amount that would be received for the asset or minimizes the amount that would be paid to transfer the liability.

15. Fair Value Measurements (continued)

Hierarchical levels defined by SSAP No. 100 and directly related to the amount of subjectivity associated with the inputs to fair valuation of financial instruments are as follows:

Level 1 – Values are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or the price quotations vary substantially either over time or among market makers, or in which little information is released publicly.

Level 3 – Certain inputs are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

15. Fair Value Measurements (continued)

Recurring Measurements

As of December 31, 2022 and 2021, the Company's assets and liabilities that are measured at fair value on a recurring basis were as follows (in thousands):

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Invested assets:				
Bonds	$ 3,681	$ -	$ -	$ 3,681
Preferred stocks	252,254	-	-	252,254
Mutual funds	5,521	-	-	5,521
Common stocks	7,150	-	-	7,150
Cash equivalents	2,759	-	-	2,759
Other invested assets	44,707	-	-	44,707
Total invested assets	$ 316,072	$ -	$ -	$ 316,072
Separate account assets	$ 397,843	$ -	$ -	$ 397,843

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Invested assets:				
Bonds	$ 3,392	$ -	$ -	$ 3,392
Preferred stocks	313,809	-	-	313,809
Mutual funds	6,330	-	-	6,330
Common stocks	8,831	-	-	8,831
Cash equivalents	42,316	-	-	42,316
Other invested assets	59,431	-	-	59,431
Total invested assets	$ 434,109	$ -	$ -	$ 434,109
Separate account assets	$ 516,996	$ -	$ -	$ 516,996

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred between Levels 1 and 2. This policy also applies to transfers into or out of Level 3.

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

15. Fair Value Measurements (continued)

Recurring Measurements (continued)

The following table presents the reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period from January 1, 2022 to December 31, 2022, January 1, 2021 to December 31, 2021 (in thousands) and January 1, 2020 to December 31, 2020 (in thousands):

		Net Gains (Losses) Included in				
	Balance – January 1, 2022	Net Income	Unassigned Funds – Surplus	Other Temporary Impairment	Purchases, Issuances, and Settlements	Balance – December 31, 2022
Equity securities – mutual funds	$ -	$ -	$ -	$ -	$ -	$ -

		Net Gains (Losses) Included in				
	Balance – January 1, 2021	Net Income	Unassigned Funds – Surplus	Other Temporary Impairment	Purchases, Issuances, and Settlements	Balance – December 31, 2021
Equity securities – mutual funds	$ 2,763	$ 1,804	$ (1,958)	$ -	$ (2,609)	$ -

		Net Gains (Losses) Included in				
	Balance – January 1, 2020	Net Income	Unassigned Funds – Surplus	Other Temporary Impairment	Purchases, Issuances, and Settlements	Balance – December 31, 2020
Equity securities – mutual funds	$ 2,709	$ 753	$ 695	$ -	$ (1,394)	$ 2,763

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

15. Fair Value Measurements (continued)

Fair Value of All Financial Instruments by Levels 1, 2, and 3

The tables below reflect the fair value and admitted values of all admitted assets and liabilities that are financial instruments, excluding those accounted for under the equity method as of December 31, 2022 and 2021. The fair values are also categorized into the three-level fair value hierarchy.

	2022					
	Fair Value	Admitted Value	Level 1	Level 2	Level 3	Not Practicable
	(In thousands)					
Debt securities	$ 1,213,036	1,412,273	$ 18,003	$ 1,392,143	$ 2,127	$ -
Equity securities:						
Common Stocks	12,671	12,671	12,671	-	-	-
Preferred stock	252,534	257,355	257,355	-	-	-
Restricted investment	997	997	997	-	-	-
Cash and short-term investments	119,169	119,169	97,438	21,731	-	-
Other invested assets	63,049	66,369	44,707	16,624	-	5,038
Separate account assets	397,843	397,843	397,843	-	-	-
Total assets	$ 2,059,299	$ 2,266,677	$ 829,014	$ 1,430,498	$ 2,127	$ 5,038

	2021					
	Fair Value	Admitted Value	Level 1	Level 2	Level 3	Not Practicable
	(In thousands)					
Debt securities	$ 1,340,791	1,291,967	$ 3,397	$ 1,285,674	$ 2,896	$ -
Equity securities:						
Common Stocks	15,162	15,162	15,162	-	-	-
Preferred stock	313,809	313,809	313,809	-	-	-
Restricted investment	1,921	1,921	1,921	-	-	-
Cash and short-term investments	148,453	148,453	115,954	32,499	-	-
Other invested assets	94,212	92,951	59,431	16,078	-	17,441
Separate account assets	516,996	516,996	516,996	-	-	-
Total assets	$ 2,431,344	$ 2,381,259	$ 1,026,670	$ 1,334,251	$ 2,896	$ 17,441

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

16. Supplemental Disclosure of Cash Flows Information

Additional information concerning the components of cash flows from investing activities as of December 31, 2022, 2021 and 2020 is as follows:

	2022	2021	2020
Cash flows from investing activities:			
Proceeds from sales and redemptions of investments:			
Debt securities	$ 93,016,795	$ 294,304,596	$ 155,641,087
Equity securities	14,964,199	29,703,087	4,643,047
Other invested assets	18,919,832	2,793,282	2,524,527
Miscellaneous proceeds	-	8,698,002	-
Total proceeds from sales and redemptions of investments	126,900,826	335,498,967	162,808,661
Cost of investments acquired:			
Debt securities	216,139,960	559,059,653	303,846,521
Equity securities	6,688,397	18,098,721	54,038,295
Other invested assets	569,400	9,744,185	1,062
Miscellaneous applications	9,319,721	-	282,120
Total cost of investments acquired	232,717,478	586,902,559	358,167,998
Net cash used in investing activities	$ (105,816,652)	$ (251,403,592)	$ (195,359,337)

Additional information concerning the components of cash flows from financing and miscellaneous sources as of December 31, 2022, 2021 and 2020 is as follows:

	2022	2021	2020
Cash flows from financing and miscellaneous sources – other cash provided (applied):			
Borrowed funds	$ 14,246,174	$ (12,717,152)	$ 23,656,069
Dividends paid	(14,846,474)	(6,209,732)	(3,314,598)
Funds held under reinsurance treaties	(21,038,939)	204,812,366	129,652,124
Receivable from parent, subsidiaries and affiliates	11,033,766	12,772,476	19,169,086
Change in aggregate write in	-	(1,923,607)	(3,133,893)
Other components	29,895,137	(3,696,972)	(1,516,485)
Net cash provided by financing and miscellaneous	$ 19,289,664	$ 193,037,379	$ 164,512,303

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16. Supplemental Disclosure of Cash Flows Information (continued)

The following schedule summarizes noncash investing and financing activities for the year ended December 31, 2022, 2021 and 2020:

	2022	2021	2020
Supplemental schedule of noncash investing and financing activities:			
Dividends to Parent Company:			
Due from affiliates	$ -	$ (4,846,474)	$ (5,056,206)
Dividends to stockholder	-	4,846,474	5,056,206
Unsettled investments:			
Receivable for securities	(573,439)	(48,268)	(52,348)

17. Reconciliation to U.S. GAAP

A reconciliation of statutory net income and capital and surplus, as determined using statutory accounting practices, to the amounts as would be reported under the accounting principles generally accepted in the United States of America (GAAP) for the year ended December 31, 2022, 2021 and 2020 are as follows:

	2022	2021	2020
Statutory-basis net income	$ 17,676,289	$ 30,204,136	$ 23,708,665
Increases (decreases):			
Deferred policy acquisition cost	(934,291)	1,699,939	(1,893,197)
Unearned premiums	387,677	(1,277,145)	(24,710)
Unearned commissions	2,718,662	3,187,577	4,182,410
Non-refundable structuring fee amortization	-	(1,923,605)	(3,133,893)
Reserve for future policy benefits	654,231	(1,183,720)	(1,671,457)
Unrealized gains/(losses) on trading securities	(9,214,413)	(2,157,848)	2,398,229
Change in expense allowance	743,864	877,907	1,079,115
Deferred income taxes	1,831,304	436,619	(472,852)
AMT tax provision	-	-	584,419
Interest maintenance reserve	6,539	286,162	160,117
US GAAP-basis net income	$ 13,869,862	$ 30,150,022	$ 24,916,846

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

17. Reconciliation to U.S. GAAP (continued)

	2022	2021	2020
Statutory-basis capital and surplus	$ 154,502,609	$ 156,387,166	$ 148,506,550
Increases (decreases):			
Nonadmitted assets	(12,561,765)	1,518,111	1,778,160
Deferred policy acquisition cost	23,721,911	23,487,192	21,787,252
Unrealized gains/(losses) on investment securities available from sale	(52,812,232)	49,016,590	28,731,096
Allowance for doubtful accounts	(1,080,842)	(1,080,841)	(1,210,499)
Deferred income taxes	15,808,531	(4,557,232)	(5,260,376)
Reserve for future policy benefits	(10,213,296)	(11,656,752)	(10,475,569)
Unearned premiums	(7,960,455)	(8,348,132)	(7,070,987)
Unearned commissions	(11,869,988)	(14,588,650)	(17,776,228)
Expense allowance from separate account	(2,562,303)	(3,306,167)	(4,184,075)
Asset valuation reserve	32,848,268	30,925,718	16,783,242
Seed Money - Separate Account	113,976	-	-
US GAAP-basis retained earnings	$ 127,934,414	$ 217,797,003	$ 171,608,566

18. Contingencies

The Company has been named as defendant in litigation and has filed counterclaims, related to the sale of the individual accident and health insurance block of business (note 13). This litigation is in its initial stages and the Company is contesting this case vigorously. The Company believes it has meritorious defenses against this lawsuit and the ultimate outcome of such proceedings is not expected to have a material adverse effect on the Company's financial position or results of operations.

The Company is also named as defendant in other legal actions arising primarily from claims filed under insurance policies it has underwritten and other claims incidental to its normal business activities. In the opinion of management, the ultimate outcome of such proceedings is not expected to have a material adverse effect on the Company's financial position or results of operations.

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

19. Risks and Uncertainties

The market value of securities and other assets present a sharp and consistent downward price adjustment resulting of the Fed Reserve's restrictive monetary policies, which began during the first quarter of 2022. The Fed maintains a strict policy in an attempt to control inflation that could ultimately trigger recession if rates continue to increase for a prolonged period of time. This market value downward trend has adversely impacted investment portfolios within all industries. Limited exceptions such as energy and alternative investments segments have outperformed most fixed income asset classes. Meanwhile, Universal has reduced its credit risk by allocating the reinvestments into high credit mortgage agencies and governments. Universal also maintains a short duration portfolio, which should benefit the Company as the book and market value converge to par as maturity approaches. Notwithstanding, market value erosion could be contained once the Fed halts its rate hike policy.

Market prices of securities and other assets could also be impacted by events or conditions that affect particular sectors, industries or issuers. Adverse market conditions may be prolonged and may not have the same impact on all types of securities or other assets. Also foreign central banks polices, political developments, warfare conflicts, investor sentiment, public health emergencies such as a pandemic, and other factors could also impact the market value of all or certain asset segments.

In January 2020, Universal Life Insurance Company (ULICO) demanded arbitration against PBLA under the reinsurance agreement and an arbitration panel (the "Panel") was duly constituted. ULICO requested the Arbitration Panel to order PBLA to deposit cash or equivalents totaling approximately $524M constituting the Statutory Reserves as of December 31, 2019 for the fixed annuity inforce portfolio, less cash. In June 2, 2020, the Panel granted an arbitration award (the "Award") to ULICO for $524M and required PBLA to pay such funds by June 16, 2020, after which interest shall accrue at 6% per annum.

Shortly thereafter, on June 4, 2020, ULICO filed a motion at the United States District Court, Southern District of New York, to confirm the Award directing that judgment be entered thereon and granting such other relief as the Court may deem just and proper. The Court granted Universal Life's motion by entering a final judgement on August 11, 2020 confirming the arbitration award.

Pending to receive the award, Universal Life has notified PBLA's ultimate owner (the "Owner") its intention to execute the unconditional personal guaranty issued with the reinsurance agreement to secure failure from PBLA to pay its obligations. In addition, on June 18, 2020, Universal Life filed a complaint in the appropriate North Carolina court to seek confirmation that PBLA's ultimate owner is obligated to satisfy the Award owed by PBLA, plus interests. Subsequent motions have been filed and the complaint remains under court evaluation.

19. Risks and Uncertainties (continued)

On July 30th, 2020 the NY District Court issued the Award as presented. Despite the opposition by PBLA, the NY District Court issued a final judgment confirming such Award on August 11, 2020, complementing parallel legal proceedings and strategy followed in the North Carolina court to execute the Owner's personal guaranty. Such legal proceeding have promoted transactional conversations with the Owner to comply with the Award and accelerate the recapture of the in-force (Portfolio).

On September 2020, the Supreme Court of Bermuda appointed Deloitte LTD, Bermuda (Deloitte) as provisional receiver for the PBLA operations in order to replace its management team and continue conducting business affairs in compliance with Bermuda laws and regulations, as well as its other general and contractual obligations. Among the empowered functions, Deloitte was instructed to preserve the value of PBLA, comply with laws and regulations, and make all necessary efforts to conduct regular business matters. Universal Life has been working closely and diligently with Deloitte in order to adequately serve provisions under the reinsurance agreement and continue operations until the Portfolio is recaptured. As previously disclosed, the Portfolio is constituted of assets backing the statutory liabilities and are held in a trust for the benefit of Universal Life.

As agreed, Universal Life has been collaborating with Deloitte during 2021 in order to perform some of the key endeavors ultimately connected to the monetization and eventual recapture. A number of assets held in the trust were identified to start the process of monetization in order to manage future probable liquidity needs. Total assets amounting to $71 million have been converted to cash or above previously stated market values. In addition to the assets held in the trust, Universal Life has access to assets held in PBLA's general account plus other internal sources, including Universal Insurance Company's surplus notes and related facility up to $100 million and other internal liquidity and funding sources.

In July of 2021, the United States District Court for the Middle District of North Carolina ("US DC North Carolina") issued an Order on Universal Life's Motion for Prejudgment Attachment and directed the parties to meet and confer to determine the specific property subject to attachment. The Prejudgment Attachment Order shall secure PBLA's ultimate owner assets ("the Owner") in case they are needed to satisfy any uncovered amount due to Universal Life. Upon resolution of pending appeal motion from PBLA, in October 30, 2021, the Company filed a summary judgement, which, once obtained, will allow Universal Life to immediately perform all necessary proceedings to collect judgement from the Owner's assets. The US DC North Carolina confirmed the judgment against the Owner on May 3rd, 2022 (the "May 3rd Final Judgment") allowing ULICO to collect the Award plus applicable interests under his personal guaranty.

19. Risks and Uncertainties (continued)

Subsequent to the May 3rd judgment, the North Carolina courts have been very active receiving, considering and granting motions from and to all parties. On August 9th, the Durham County Superior Court's granted Universal Life's motion to enforce the May 3rd Final Judgment against PBLA's ultimate owner and determination to hear arguments on and rule on ULICO's Motion for a Charging Order against several hundreds of LLC's owned by PBLA's ultimate owner North Carolina Limited Liability Companies.. Settlement discussions between the Owner, Deloitte and the Company have initiated as a result of such increased judicial activity arising from ULICO's collective efforts to enforce and domesticate the May 3rd Final Judgment by the Middle District in multiple jurisdictions and ULICO's Motion for Charging Order against PBLA's ultimate owner interests with payment of the May 3rd Final Judgment,. Constructive conversations have been taking place and the parties have been conducting preliminary meetings with a potential mediator in order to pursue possible extrajudicial solutions, which are ongoing to date.

On August 9, a North Carolina Court granted ULICO's motion to enforce the judgements against the Owner on the personal guaranty enforcement. The Court ordered, among other matters, for the Owner to turn over documentation related to accounting records and all economic interests.

On September 19, 2022, the Durham County Superior Court ordered a mediation process among all parties in controversy, the Bermuda companies, the North Carolina rehabilitator and the Owner and his entities. A mediator Judge, Gerald E. Rosen, was subsequently appointed. The mediation's main objective was to reach a global settlement attending claims from all the Owner's creditors, including ULICO and PBLA. Settlement discussions started on November 2, 2022 and continue to date. Notwithstanding, on December 30, 2022 ULICO received a partial payment of $25 million. In addition, an agreement was reached between the parties for ULICO to receive as assignee the economic benefits of preferred stocks, plus accrued preferred returns of AAPC, a subsidiary of Global Growth Holdings, Inc. currently held in an independent trust, for approximately $229 million, to serve as additional collateral for the PBLA Annuity Contracts. In addition, the US DC North Carolina held bond hearings on March 7 and 8, 2023 related to ULICO's claim against the Owner's personal guaranty, also pursuing settlement arrangements with ULICO but no global resolution has been reached so far.

As of the statement date, management remains confident about a positive outcome derived from the combination of the disposition of assets in the trust, PBLA general account assets and its legal strategy to execute the guarantees provided under the reinsurance transaction. No impairment in the investment held by the Company is foreseen as of the date these financial statements are issued.

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

20. Reconciliation to Statutory Annual Statement and Subsequent Events

Subsequent to the issuance of the 2022 Annual Statements, but prior to the issuance of the financial statements, the Company identified an adjustment related to the admissibility of an investment presented in Other invested assets. The admissibility of the investment is in turn related to the timing difference between the date the Annual Statement is filed and the issuance of the financial statements. The admissibility of this investment is determined to be temporary in nature. The investment is expected to be considered an admitted upon receipt of the underlying investment audited financial statements. As a result, the related adjustment was made in the accompanying statutory basis financial statements. The following tables reconcile other invested assets and unassigned funds - surplus as reported in the Annual Statement to the accompanying statutory basis financial statements:

	2022
Admitted assets	
Other invested assets as reported in the annual statement	$ 78,772,480
Adjustment for non-admitted asset	12,402,936
Other invested assets as reported in the accompanying statutory financial statements	$ 66,369,544
Capital, Surplus and Other Funds:	
Unassigned funds-surplus as reported in the annual statement	$ 129,611,001
Adjustment for non-admitted asset	12,402,936
Unassigned funds-surplus as reported in the accompanying statutory financial statements	$ 117,208,065

Universal Life Insurance Company

Notes to Statutory-Basis Financial Statements (continued)

December 31, 2022

20. Reconciliation to Statutory Annual Statement and Subsequent Events (continued)

Also, subsequent to the issuance of the 2021 Annual Statements, but prior to the issuance of the financial statements, the Company identified adjustments needed to various items in 2021. Related adjustments were made in the accompanying statutory basis financial statements. The following tables reconcile funds held under reinsurance treaties, deferred tax liability and unassigned funds - surplus as reported in the Annual Statement to the accompanying statutory basis financial statements:

	2021
Admitted assets	
Funds held under reinsurance treaties as reported in the annual statement	$ 1,070,581,989
Unrealized gains on funds held under reinsurance treaties	11,846,605
Funds held under reinsurance treaties as reported in the accompanying statutory financial statements	$ 1,082,428,594
Deferred tax liability as reported in the annual statement	$ 2,953,209
Deferred tax effect on unrealized gains	(2,369,321)
Deferred tax liability as reported in the accompanying statutory financial statements	$ 583,888
Capital, Surplus and Other Funds:	
Unassigned funds-surplus as reported in the annual statement	$ 140,972,842
Adjustment for non-admitted asset	(9,477,284)
Unassigned funds-surplus as reported in the accompanying statutory financial statements	$ 131,495,558

The effect of above-mentioned adjustments were accounted for in the Company's quarterly regulatory statements filed as of March 31, 2023 and March 31, 2022, respectively.

The Company has evaluated all subsequent events through May 15, 2023, the date the statutory-basis financial statements were issued.