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Best Doctors®
INSURANCE

Financial Condition Report

Best Doctors Insurance Limited

March 31, 2024

Contents

Docusign Envelope ID: 22946111-DA3A-49D3-8C7F-47BB032DC45D

BUSINESS AND PERFORMANCE

Best Doctors Insurance Limited (the Company) was incorporated as a Bermuda exempted company limited by shares on August 25, 2008. The Company commenced writing business on March 1, 2009, and is licensed as a Class 3B insurer under the Insurance Act 1978 of Bermuda and related regulations to write general business.

a. **Name of the insurer**
Best Doctors Insurance Limited

b. **Supervisor**
Bermuda Monetary Authority (BMA)
BMA House
43 Victoria Street,
Hamilton, Bermuda

c. **Approved auditor**
KPMG Audit Limited
Crown House
4 Par-La-Ville Road
Hamilton, Bermuda

d. **Ownership details**
The Company's parent is Best Doctors Insurance Holdings Limited (BDIHL) (previously named Tamsin Holdings Limited) and is ultimately owned by Primary Group Limited (PGL), a company incorporated in Bermuda. PGL is the investment holding company of the Primary Group, a group of predominantly small to medium size businesses engaged in insurance and other financial distribution activities. The majority shareholder in PGL is Primary Group Holdings Limited (PGHL).

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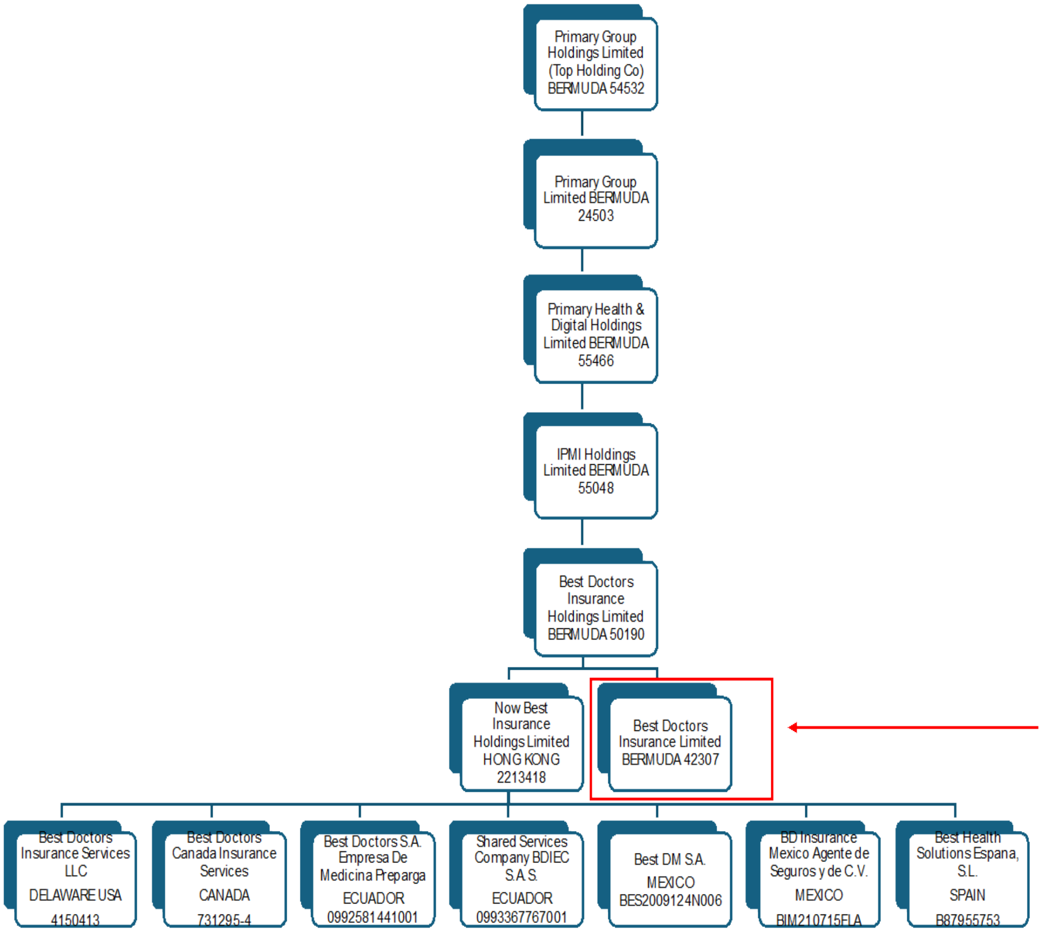
e. Group structure

The following chart shows the Best Doctors group structure:



f. Insurance business written

The Company writes International Private Medical Insurance (IPMI) policies through selected intermediaries (agents and brokers) mainly in Latin America, and the Caribbean. The Company accepts business from both individuals and employees of corporations through a range of products focused on expatriate and high net worth individuals. The Company also accepts risks from an affiliated intermediary under the terms of a Binding Authority that provides IPMI in parts of Europe, Asia, and Africa.

Gross premium written for the year ended March 31, 2024, was $273,164,169 (2023: $244,439,193)

<u>Gross Premium Written by Business Segment for the Reporting Period</u>

	2024 $'000	2023 $'000
Health	273,164	244,439
Total	**273,164**	**244,439**

Docusign Envelope ID: 22946111-DA3A-49D3-8C7F-47BB032DC45D

Gross Premium Written by Geographical Region for the Reporting Period

	2024 $'000	2023 $'000
Latin America & Caribbean	245,419	217,256
Canada	33	64
Other	27,712	27,119
Total	**273,164**	**244,439**

g. Performance of Investments and Material Income & Expenses for the Reporting Period

All amounts disclosed in this section are extracted from the Company's consolidated financial statements audited in accordance with United States generally accepted accounting principles (U.S. GAAP) for the years ended March 31, 2024, and March 31, 2023.

Performance of Investments

The Company invests in a combination of cash and cash equivalents, fixed income securities and loans to related companies.

The return on investments for the year ended March 31, 2024, by asset class was as follows:

Investment Type	Year End Balance $'000	Investment Income $'000
Cash and cash equivalents	86,336	3,103
Bond fund	11,452	363
Loans to related companies	34,082	1,485
Total		**4,951**

The return on investments for the year ended March 31, 2023, by asset class was as follows:

Investment Type	Year End Balance $'000	Investment Income $'000
Cash and cash equivalents	71,368	-
Bond fund	11,067	961
Loans to related companies	42,090	1,464
Total		**2,425**

Material income and expenses

The Company's main revenue source is premiums. The Company cedes 95% of net earned premiums and losses (after inuring excess of loss reinsurance) to a third-party reinsurer with a loss corridor of 4%.

As per the reinsurance agreement, the Company receives ceding commission from the reinsurer which offsets administrative costs, underwriting, and business acquisition expenses.

The sources of underwriting income are illustrated below:

	2024 $'000	2023 $'000
Net premiums earned	14,267	13,354
Transaction fee income	1,647	1,716
Ceding commission	100,754	102,703
Total	**116,668**	**117,773**

The Company's major underwriting expenses include losses incurred and commission fees, with other expenses being management support and claims management fees, bank fees and general and administrative expenses as illustrated below:

	2024 $'000	2023 $'000
Losses and loss expenses incurred	13,854	13,753
Commission fees	69,766	65,573
Bank fees	4,397	3,873
Management support fees	24,398	26,839
General and administrative expenses	2,736	3,463
Total	**115,151**	**113,501**

h. Any other material information.

On November 23, 2017, the BMA used its powers and issued directions to the Company because the Company did not meet certain conditions of its license in fiscal year 2018. Management, directed by the Board, developed a plan to rectify the issues that prevented the Company meeting certain conditions of its license including operational, governance, filing, and reporting requirements

The Company paid $943,750 of late filing fees in November 2022 for missing the filing deadlines for the years 2018 - 2021. The Company may also be subject to a penalty from the BMA due to its non-compliance, which will be determined when the Company exits regulatory direction. Although the ultimate quantum and timing of a penalty are uncertain, the Company holds a provision of $450,000.

GOVERNANCE STRUCTURE

a. Board and Senior Executives

i. Structure and responsibilities

The Board of the Company has established a corporate governance framework to develop and oversee the Company's strategic objectives and business. Management is directed to implement these strategic objectives. Services provided to the Company are subject to contracts and agreed upon service standards.

The Board consists of four directors including one independent non-executive director. The following sub-committees report to the Board:

- Audit Committee
- Risk Committee
- Investment Committee
- Remuneration Committee
- Underwriting Committee
- Information Technology and Operations Committee

The Committees meet quarterly and report to the Board in the Board's quarterly board meetings.

ii. Remuneration policy

The Company's remuneration policy applies to its directors and any staff providing services to the Company. Independent Non-Executive Directors are remunerated directly by the Company. Non-Executive Directors are remunerated by the Company's shareholder.

iii. Pension scheme

There is no pension or early retirement scheme.

iv. Material Related Party Transactions

Related party transactions are reviewed by the Audit Committee. Material related party transactions during the year were:

- The Company accrued interest of $1,484,720 on the loan to its ultimate parent during the year ended March 31, 2024 (2023: $1,464,322).

b. Fitness and Propriety Requirements

i. Fit and proper process

The Board obtains the necessary information to assess each candidate for appointment to the Board to allow the Board to adequately assess whether the candidate's fitness and propriety satisfies the following criteria:

- the candidate possesses the necessary skills, knowledge, expertise, diligence, relevant qualification, and soundness of judgment to undertake and fulfil the particular duties and responsibilities of the position.
- the candidate has demonstrated the appropriate competence and integrity in fulfilling

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occupational, managerial or professional responsibilities previously in their professional career.

- it is prudent for the Company to conclude that the person possesses the competence, character, diligence, honesty, integrity, and judgment to perform properly their duties.
- the person does not have a conflict of interest in performing the duties and will disclose any potential conflicts as they arise.

ii. Professional Qualifications, Skills, and Expertise

The professional qualifications, skills, and expertise of the Board on March 31, 2024, were as follows:

Directors:
Stephen Welch

Stephen has 29 years' experience and takes appointments as Chief Risk Officer, Chair or Non-executive Director working with financial sponsors and private investors in complex business environments providing strategic governance, regulatory and financial management advice. He is currently the Chairman of the Telegraph Media Group and The Spectator, preparing both businesses for sale. He qualified as a chartered accountant at KPMG Sydney, was a Partner at McGrathNicol (a former restructuring division of KPMG) and was previously a Senior Managing Director at FTI Consulting in London. He holds a Commerce Degree and Masters in Commerce from the Australian National University and is a Chartered Accountant accredited by the ICAA. He has held regulated positions in the UK (CF1, CF3), Netherlands, Sweden, Dubai, Luxembourg and in Switzerland.

Philip James

Philip is the majority beneficial shareholder in the Primary Group which he founded in 1997. He has been instrumental in building the group to its current market position. Through a number of Primary's investments Philip has held senior supervisory, management and directorship roles in the insurance industry for over thirty years. His background includes significant experience in both the Accident and Health and Property Casualty insurance sectors in the United States, South America, Australasia, Europe and Asia. As a part of Primary's development Philip has spent extensive time living and working in the US, Bermuda, Asia, and Europe.

William Nichol

Mr. Nichol has been working with Primary Group as Asia Chairman since late 2016. Prior to joining Primary Group, he spent over 25 years as an Investment Banker. The highlights of his investment banking career include 14 years at Deutsche Bank, Investment Banking Division Hong Kong where he was Managing Director and Global Head of Insurance; 9 years at Lehman Brothers, Investment Banking Division New York/Tokyo/Hong Kong as Head of Financial Institutions, Greater China and Southeast Asia and 3 years at Barclays de Zoete Wedd, Investment Banking Division London/Tokyo in the Corporate Finance Department.

Docusign Envelope ID: 22946111-DA3A-49D3-8C7F-47BB032DC45D

Gail Fox

Ms. Fox has worked as an independent consultant since 2005 and is a non- executive director for companies in Bermuda. In addition, she has a part-time role for Cranham Management Limited where she has been responsible for a portfolio of captive insurance and reinsurance companies including a segregated cell insurer. She previously worked at Aon Insurance Managers (Bermuda) Ltd for 9 years as Managing Director/ Executive Vice President where she was responsible for the overall financial and qualitative performance of the captive management operation and client service for a portfolio of insurance subsidiaries of major North American entities. Ms. Fox has an MBA from Queens University in Canada.

c. Risk Management and Solvency Self-Assessment

i. Risk Management Process and Procedures

The objective of the Company's Risk Management Framework ("Risk Management Framework" or "RMF") is to ensure the Company can achieve its strategic objectives by promoting a pro-active and risk-based approach to managing and mitigating risks associated with the business conducted.

The Company's Risk Management Framework seeks to set out a risk based and proactive approach to:

- Identify circumstances relevant to the Company's objectives.
- Assess them in terms of likelihood and scale of potential impact.
- Determine a risk management response strategy (risk mitigation).
- Monitor identified risks.
- Modify actions and mitigation as required.

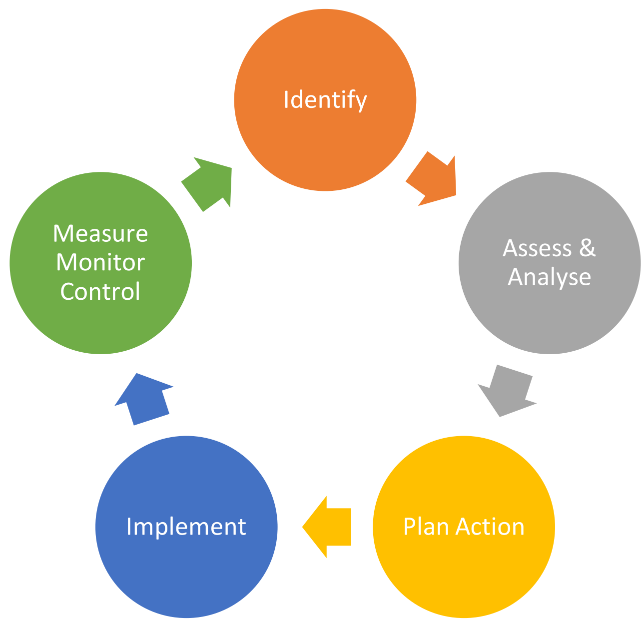
By identifying and proactively addressing risks and opportunities, the Company seeks to protect and enhance value for stakeholders (investors, customers, regulators, and the wider community).

The specific objectives of the Risk Management Framework are to:

- Ensure that all the current and future material risk exposures are identified and assessed, quantified, appropriately mitigated, and managed in accordance with the Company Risk Appetite and key tolerances.
- Introduce a governance and control framework for the Company's risk management processes.
- Ensure all stakeholders are aware of the framework and clear on their respective roles and responsibilities.
- Review all risk types and ensure risk mitigation is put in place.
- Ensure a systematic and uniform approach to the management and mitigation of risks.
- Facilitate compliance with relevant regulatory and legislative guidelines.

Docusign Envelope ID: 22946111-DA3A-49D3-8C7F-47BB032DC45D

The cycle of risk management is as follows, and the Board is accountable for each stage:



Identify: The Board is responsible for identifying new and emerging risks, with the assistance of the chief and senior executives, the Board Underwriting Committee, and the Board Risk Committee.
Assess and Analyse: The Board will assess risks both in terms of inherent (pre controls) and residual (post controls) basis. The likelihood of the event and potential financial impact will be the key measures reported by the Board.
Plan Action: Any actions required to mitigate risks will be recommended by the Board.
Implement: The Board will be responsible for ensuring required actions are implemented.
Measure, Monitor and Control: A means of measuring the effectiveness of actions taken will be implemented and reported to the Board.

ii. Integration of Risk Management Systems into Operations

Central to the Company's risk management approach is the close oversight and active participation of the Board, supported by documented risk management policies and the Board Underwriting Committee and the Board Risk Committee. A risk framework is in place which articulates the Board's requirements for the management of risk, and provides the basis by which the risk function is continually developed.

Risk information from the risk management systems is used to monitor the Company's solvency and prepare the Commercial Insurer's Solvency Self-Assessment (CISSA).

iii Relationship between the solvency self- assessment, solvency needs, and capital and risk management systems

The Company performs a CISSA to identify, assess, monitor, manage and report on the short and long-term risks it faces and to determine the capital resources it requires to remain solvent and achieve its business goals. The process includes the consideration of severe stress events and the identification of contingent sources of liquidity and capital support to ensure that the Company continues to be able to achieve agreed strategic objectives. The CISSA projections assist in the design of the Company's capital management plan including its reinsurance program and the need, if any, for additional capital.

Whilst the CISSA is performed annually, events or a combination of factors may occur during a year that may require further assessment. The Company's position is monitored through the Risk Management Framework.

iv. Solvency self-assessment approval process

The Company's CISSA report has been prepared by risk management personnel in consultation with the Board. The review process includes an assessment of the current policies and procedures in place and whether they are being adhered to. The final report is presented to and approved by the Risk Committee of the Board and ultimately by the Board.

d. Internal Controls

i. Internal control system

The Company's internal control system encompasses the policies, procedures, processes, tasks, and behaviours that:

- facilitate effective and efficient operations by enabling the Company to respond to its significant risks;
- assist in ensuring the quality of internal and external information and reporting;
- assist in compliance with applicable laws, regulations, and internal policies and procedures; and
- provide the Board with the capability to monitor and assess the level of compliance with internal controls.

ii. Compliance Function

The compliance function identifies the laws, regulations, and codes of conduct to which the Company is subject and seeks to embed compliance with these laws, regulations, and codes of conduct in the way the Company does business.

The compliance function maintains a compliance risk management control and reporting system in conjunction with the risk management function to assist in managing the compliance risks faced by the Company.

e. Internal Audit Function

The Internal Audit function develops and submits an annual audit plan for the Board's approval, which includes detailed audits of the Company's programs, functions, and activities. The plan can be amended with the Board's approval and ensures compliance with Generally Accepted Auditing Standards. The function provides a comprehensive internal audit program, conducting internal control audits to ensure effective risk minimization, compliance audits for adherence to laws and regulations, information/data audits for proper data handling, and special reviews as needed. These audits are conducted by an independent service provider to maintain objectivity and independence from the Company's daily operations and internal control processes.

To uphold its independence, the Internal Audit function operates under the direct control of the Board and is authorized to audit all company functions and relevant outsourced service providers. It reports its findings directly to the Audit Committee of the Board, ensuring transparency. Compensation for internal audit personnel aligns with audit objectives, promoting impartiality. All company directors and service providers are expected to cooperate proactively with the Internal Audit function, avoiding any conflicts of interest.

f. Actuarial Function

The Chief Actuary is responsible for supporting the setting of the risk appetite by the Board and for providing comprehensive information on the Company's underwriting performance and reserves. This enables the Board to understand the overall risk profile of the Company. In addition, the Company has engaged Artex Risk as its independent Loss Reserve Specialist.

Key duties and responsibilities include the following:

- Performing or overseeing the estimation of policyholder obligations, including assessing the adequacy of methodologies and assumptions and the quality of underlying data;
- Assisting in the execution of the Risk Management Framework particularly as it relates to modelling techniques used to estimate policyholder obligations, potential exposures, and capital requirements;
- Performing analysis comparing the estimated policyholder obligations against actual policyholder obligations paid; and
- Reporting to the Board on the dependability and sufficiency of the estimates.

The year end reserve estimates are reviewed by the independent Loss Reserve Specialist.

g. Outsourcing

i. Outsourcing practice

The Board has an outsourcing policy in place which sets out the Board approved parameters for the outsourcing of operational activities. The outsourcing policy ensures that:

- the risks associated with outsourcing are appropriately managed;
- outsourced service providers have the appropriate expertise and experience to undertake the outsourced activities to the standards required by the Company;
- there is no reduction in the responsibility of the Board because of outsourcing;

Docusign Envelope ID: 22946111-DA3A-49D3-8C7F-47BB032DC45D

- there is no material impairment of the quality of the Company's system of governance because of outsourcing;
- the Company's approved policies and procedures are adhered to by the outsourced service provider;
- there is no undue increase in operational risk or cost because of outsourcing; and
- there is no material impairment of the Company's ability to fulfil its obligations to stakeholders, nor impede effective supervision by regulators because of outsourcing.

The Company outsources the following key functions:

a) Principal representative/Insurance Manager: management company in Bermuda
b) Compliance support: management company in Bermuda
c) Affiliated service companies provide finance, administration, claims administration, actuarial, audit and risk management functions
d) Corporate secretary: corporate secretarial services company in Bermuda
e) Internal audit: independent consulting firm in the USA
f) Actuarial services: Independent Loss Reserve Specialist in Ireland

ii. Intra-group servicing

As noted above the Company receives finance, administration, claims administration, actuarial, audit and risk management support services from affiliated companies. These service companies collect premiums and pay insurance claims on behalf of the Company.

h. Any Other Information

The Company does not have any other material information to disclose.

RISK PROFILE

a. Material risks that the Company is exposed to during the reporting period

Insurance Risk

Insurance risk comprises pricing risk, underwriting risk, claims management risk, reserving risk and reinsurance risk.

Pricing risk

Pricing risk in a health insurance company refers to the potential for financial loss due to inaccuracies in setting premium rates for health insurance products. This risk arises from several factors, including but not limited to, incorrect assumptions about future medical costs, changes in the healthcare delivery system, regulatory changes, and unexpected shifts in the insured population's health status. Inaccurate pricing can result in premiums that are too low to cover the cost of claims and administrative expenses, leading to financial deficits.

Underwriting risk

Underwriting risk is a material risk for the Company and relates to the risk that outsourced providers or underwriting support services write business that is not in accordance with contractual arrangements or underwriting manuals.

Claims management risk

Claims management risk is a material risk for the Company and is the risk that the Company will be exposed to an unexpected increase in claims costs.

Reserving risk

Reserving risk is deemed material due to the potential impact on the Company's financial statements from fluctuations in the frequency and severity of claims, relative to the expectations of the Company.

Reinsurance risk

The Company purchases reinsurance as part of its insurance risk mitigation program to limit its exposure to single claims and the aggregation of claims from catastrophic events. Reinsurance is placed with companies that have a credit rating of A- or better. The Company purchases excess of loss reinsurance (XoL) and quota-share reinsurance. There is a risk of the reinsurance being insufficient.

Credit Risk

Credit risk is the risk that the Company will suffer a financial loss because of a counterparty failing to meet all or part of their contractual obligations. It is considered a material risk for the Company. Credit risk arises from accounts and premiums receivable, balances due from reinsurers, and amounts due from affiliates.

Operational Risk

Operational risk is considered material for the Company and includes outsourcing, information technology (IT) and management information risks due to the significant amount of outsourcing engaged in by the Company.

Docusign Envelope ID: 22946111-DA3A-49D3-8C7F-47BB032DC45D

Liquidity risk

Liquidity risk is considered material because the Company's current assets include amounts due from the ultimate parent. The Company has reduced its liquidity risk exposure by using monthly liquidity monitoring, reviewed by the Investment Committee, to ensure that sufficient liquid assets are available.

Market risk

Market Risk is not considered material because the Company's assets, which are available to pay cedant's claims, are invested in low risk holdings. As such the Company is not exposed to material market risk.

Foreign exchange (FX) risk

FX can impact the cost of the Company's product and, consequently, sales and renewals. The devaluation of the local currency could inflate U.S. Dollar denominated premium. At the same time, the cost of local medical services may be reduced and lower the loss ratio, potentially increasing profit. Conversely, should the U.S. Dollar be devalued relative to local currencies, the cost for the Company's product becomes more affordable, sales may increase, but travel for medical services may also increase, which could increase the overall claims costs and, consequently, the average cost of claims.

To mitigate FX risks, the Company continuously monitors its markets and considers sales incentives, premium financing and product and pricing changes to facilitate ongoing sales while minimizing anti-selection.

Legal and Regulatory Risk

The risk reflects the reductions in earnings and/or value, through financial or reputational loss, from failing to comply with applicable laws, regulations, or codes.

Strategic Risk

The Company's business is mainly located in Latin America and the Caribbean, and the business portfolio is concentrated with several master agents. These master agents may exercise influence over the decisions made by the policyholders from time to time, exposing the Company to increased lapse risk based on pricing or acquisition strategies.

Reputational Risk

Reputational risk is the risk that the Company's reputation with brokers and agents is damaged by business practices or conduct of business.

b. Risk mitigation and monitoring

Risks are reported and monitored by the Board through the Risk Management Framework. The Board, the risk management function and internal audit will review the risk management framework and ensure the controls in place for managing the risk exposures are operating as intended. The Company assesses new risk exposures where additional controls may be required.

Docusign Envelope ID: 22946111-DA3A-49D3-8C7F-47BB032DC45D

The Company's material risks are mitigated as follows:

Underwriting risk

Underwriting risk is mitigated by having comprehensive guidelines in place for individual and group business, including clearly defined authority levels for each team of underwriters. Regular reviews are conducted to ensure these guidelines align with the Company's risk appetite and business profitability. Management information for business written by the Company is reviewed periodically, and the Underwriting Committee monitors and acts on business segment results. Additionally, underwriting staff participate in periodic product and rate reviews, as well as new business initiatives, to ensure compliance with guidelines. Internal audits by quality control and internal audit teams are performed to verify adherence to underwriting guidelines and binding authority terms. Training programs are also implemented to keep underwriting staff updated on guidelines and their revisions.

Pricing risk

Pricing risk is mitigated by ensuring compliance with the underwriting manual and the guidelines in place for the business. Premium and claim data analytics provide insight for each health plan by territory and age group. Thorough actuarial analysis of past and recent claim levels, combined with forward projections and changes in provider claim reimbursement levels, is conducted. An experienced actuarial team calculates technical premium rates. Additionally, regular monitoring and analysis of performance are conducted to mitigate pricing risk.

Claims management risk

The Company ensures compliance with reserving and claims management policies and procedures through pre-authorization of services, outpatient benefit limits, and using consultant networks and agreed hospital networks, all of which are audited for adherence to guidelines and authorities.

Reserving risk

Compliance with reserving and claims management policies is ensured through quarterly reviews by an independent third party, monthly actuarial reviews, ongoing data quality monitoring, regular reserve adjustments, quarterly reserve committee meetings, independent actuarial opinions, continual claims development review, board approval, hindsight analysis, and the purchase of excess of loss and quota share reinsurance protections.

Reinsurance risk

Retentions and reinsurance strategies are reviewed on a regular basis to ensure that the existing program structures and strategies continue to be appropriate considering the Company's strategic objectives. In addition, compliance with the reinsurance risk policy is monitored along with quarterly reviews of the reinsurance results by the Board. Stress testing results are prepared on a gross and net basis to determine if reinsurance is appropriate and to consider the impact on future years if loss ratios increase in earlier or open years.

Credit risk

Credit Risk is mitigated by using binding contracts for all insurance and reinsurance contracts. The amount due from the ultimate parent is reviewed on an annual basis, demonstrating recoverability when required and the Company's risk appetite restricts the use of reinsurers that do not meet the Company's external credit rating requirements. Credit risk from the Company's quota share reinsurer is also mitigated by the right of offset of funds held balances.

Operational risk

The Company outsources key activities to service providers, and the relevant oversight is monitored through the Risk Committee of the Board. The risk is mitigated through ensuring contractual agreements are in place with all outsourced providers, due diligence is performed, and periodic performance reviews are undertaken.

In addition, the Company relies on information technology used by its outsourced service providers to support the business and as such may be susceptible to risks associated with information security breaches, cyber -attacks or other failures. The Company's risk management framework continues to drive IT initiatives to mitigate risks in these areas.

Liquidity risk

The Company holds significant short- term assets in cash and cash equivalents, all of which are easily available at short notice.

Legal and Regulatory Risk

The Company is susceptible to disputes with contracting counterparties and breach of laws where compliance requirements are not followed. This risk is mitigated in large part through implementing, observing and updating policies, guidelines, protocols and controls to comply with applicable regulations, and complying with filing and reporting obligations.

Strategic Risk

This risk is mitigated where the Company has engaged a team having strong relationships with the agents, regular communication and feedback strategies.

Reputational Risk

This is considered a material risk since the Company depends largely on independent agents and their expertise, knowledge and guidance. Mitigation includes providing for strong and easily demonstrable financial and operational Key Performance Indicators, the fast activation of communication channels and the support of professional public relations and crisis management agencies if and when they may be required.

c. Material risk concentrations

The Company monitors risk concentrations through its risk appetite monitoring process. The Company has a material underwriting risk concentration due to its exposure to concentrations of business in the Latin American region and to claims inflation caused by an increase in treatment costs in the US. These concentrations are mitigated using quota share and excess of loss reinsurance.

The Company has material credit risk concentration in relation to the loan extended to the ultimate parent company.

d. Prudent person principle

The Company has taken a prudent investment approach by investing in cash deposits, a bond fund, and cash equivalents. Annual monitoring procedures have been established to assess security and quality of the amount due from its ultimate parent.

Docusign Envelope ID: 22946111-DA3A-49D3-8C7F-47BB032DC45D

e. Stress testing and sensitivity analysis to assess material risks

The Company performs various stress tests and scenario analysis on an annual basis to determine the adequacy of capital/liquidity to ensure regulatory requirements can be met. The most recent analysis included stress tests on underwriting risk exposures, currency risk and inflation rate risk. The latest tests were performed based on its balance sheet position and aggregate in-force exposures as of 31 March 2024.

Underwriting Risk Exposures

Underwriting risk exposure is tested to identify stress events that can lead to material losses across the portfolio.

Currency Risk

The Company's loss provisions are tested for sensitivity to exchange rate changes.

Inflation Rate Risk

The Company's loss provisions are tested for sensitivity to medical inflation rate changes.

Following a review of the results of the stress and scenario testing, the Board believes that it has sufficient capital and liquidity to provide for its contractual obligations and regulatory requirements.

f. Any other material information

The Company does not have any other material information to disclose.

SOLVENCY VALUATION

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

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

Cash and Cash Equivalents

Cash and Cash Equivalents include certain highly liquid debt instruments with maturities of three months or less when purchased. Cash and cash equivalents are carried at face value which represents their fair value.

Investments

Investments consist of an investment in a bond fund which is carried at fair value. The units of account that are valued by the Company is its interest in the fund and not the underlying holdings of such fund. Thus, the inputs used by the Company to value its investment in the fund may differ from the inputs used to value the underlying holdings of such funds. This fund is stated at fair value, which ordinarily will be the most recently reported net asset value ("NAV") as reported by their investment managers or third-party administrators. Investments are recorded at fair value in line with GAAP with both changes in fair value and realized gains/losses netted off Statutory Economic Capital and Surplus.

Accounts and premiums receivable

Insurance balance receivables are adjusted to reclassify insurance balances that are not yet due, in accordance with the technical provisions.

Due from ultimate parent

This includes the loan and interest receivable from the ultimate parent. The loan has been valued at cost which approximates fair value under the BMA's solvency valuation basis. For solvency purposes the loan is excluded as an asset in the Economic Balance Sheet and thus the BSCR solvency coverage ratio.

Reinsurance balances receivable

Reinsurance balances receivable includes paid losses recoverable from reinsurers and is based on the GAAP value. These balances are held at fair value under the BMA's solvency valuation basis.

b. Valuation bases, assumptions and methods used to derive the value of technical provisions

Insurance technical provisions are valued based on best estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure with an appropriate illiquidity adjustment. In addition, there is a risk margin to reflect the uncertainty inherent in the underlying cash flows which is calculated using the cost of capital approach and a risk-free discount rate term structure. The discount rate term structures are prescribed by the BMA for each reporting period.

The claims provision is calculated using the GAAP reserves as a starting point, and then adjusting for:

a. Removal of any prudence margins
b. Allowance for discounting
c. Allowance for payables and receivables in respect of the claims provision
d. Allowance for expenses
e. Allowance for Events Not in Data (ENID)

The best estimate for the premium provision is calculated by using the unearned premium reserve on a GAAP basis, adjusting for bound but not incepted business as of March 31, 2024, and applying expected future loss ratios, expense ratios and appropriate claims pay-out patterns to derive cash flows which were then discounted. Future premiums receivable was then deducted from the premium provision.

There is an inherent uncertainty in the value of the technical provisions. Actual future losses will not develop exactly as projected and may vary significantly from the actuarial projections. Actuarial projections are subject to uncertainty from various sources, including but not limited to changes in frequency and severity of claims caused by a variety of factors including fluctuations in the cost of healthcare treatment and medicine.

On March 31, 2024, the Economic Balance Sheet (EBS) technical provisions were:

	Gross $'000	**Net $'000**
Premium provisions	59,586	63,956
Loss and loss expense provisions	36,868	4,983
Risk margin	379	379
Total	**96,833**	**69,318**

On March 31, 2023, EBS technical provisions were:

	Gross $'000	**Net $'000**
Premium provisions	49,627	54,142
Loss and loss expense provisions	30,803	5,660
Risk margin	513	513
Total	**80,943**	**60,315**

c. Recoverable from reinsurance contracts

The value of recoverables from reinsurance contracts is estimated using the amounts recorded on the US GAAP balance sheet.

Docusign Envelope ID: 22946111-DA3A-49D3-8C7F-47BB032DC45D

d. The valuation bases, assumptions and methods used to derive the value of other liabilities

Insurance and reinsurance balances payable

Insurance and reinsurance balances payable are based on the GAAP value. These balances are held at fair value under the BMA's solvency valuation basis.

Commissions, expenses, fees, and taxes payable

Commissions, expenses, fees, and taxes payable are based on the GAAP value. These balances are held at fair value under the BMA's solvency valuation basis.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are based on the GAAP value. These balances are held at fair value under the BMA's solvency valuation basis.

Funds held under reinsurance contracts

Funds held under reinsurance contracts are based on the GAAP value. These balances are held at fair value under the BMA's solvency valuation basis.

e. Any other material information.

The Company does not have any other material information to disclose.

CAPITAL MANAGEMENT

a. Eligible Capital:

i. Capital management policy

The Company has a capital management policy to ensure that there is statutory economic capital and surplus available to meet the capital requirements and that processes are in place to ensure the appropriateness of the capital items. The Company has developed a medium-term capital management plan.

ii. Eligible capital categorized by tiers

The eligible capital at March 31,2024 was US$17,953,000. The capital is all Tier 1 and comprises capital stock, contributed surplus, and statutory surplus.

Iii Eligible capital categorized by tiers, in accordance with the Eligible Capital Rules used to meet the Enhanced Capital Requirement ("ECR") and the Minimum Solvency Margin ("MSM")

As of March 31, 2024, the Company's Eligible Capital for its ECR and MSM was categorized as follows:

	ECR	**MSM**
	$'000	**$'000**
Tier 1 capital	17,953	17,953

iv. Eligible capital subject to transitional arrangements

There is no eligible capital that is subject to transitional arrangements.

v. Encumbrances affecting the availability and transferability of capital to meet the ECR

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

vi. Ancillary capital instruments that have been approved by the Authority

The Company does not have any ancillary capital instruments.

vii. Identification of differences in shareholder's equity as stated in the financial statements versus available statutory capital and surplus.

The Company's shareholders' equity on a GAAP basis is adjusted to produce the Company's capital and surplus on an EBS basis. The following adjustments were applied to the Company's GAAP shareholders' equity to produce the Bermuda statutory capital and surplus:

- Adjustments for the impact of the revaluation of the GAAP premium receivables, unearned premium reserve, loss and loss expense provisions and related items to reflect values based on best-estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure.
- Adjustment to include the general business risk margin.

- Adjustment to remove the intercompany loan, to the ultimate parent, as an admissible asset.

b. Regulatory Capital Requirements:

i. ECR and MMS at the end of the reporting period

At the end of the reporting period, the Company's regulatory capital requirements were assessed as follows: (US$'000)

Requirement	Amount
Minimum Margin of Solvency	$3,043
Enhanced Capital Requirement	$12,173

ii. Identification of any non-compliance with the MMS and the ECR

The Company was compliant with the MMS and ECR requirements during the reporting period.

iii. The amount and circumstances surrounding the non-compliance, the remedial measures taken and their effectiveness

Not applicable.

iv Where the non-compliance has not been resolved, a description of the amount of the noncompliance at the end of the reporting period.

Not applicable.

c. Approved Internal Capital Model used to derive the ECR:

The Company does not use an internal capital model and therefore this section is not applicable.

Docusign Envelope ID: 22946111-DA3A-49D3-8C7F-47BB032DC45D

SIGNIFICANT SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 2024, and there are none to note.

Docusign Envelope ID: 22946111-DA3A-49D3-8C7F-47BB032DC45D

DECLARATION ON FINANCIAL CONDITION
Prepared in accordance with section 5 of the Insurance (Public Disclosure) Rules 2015.
For the year ending – March 31, 2024.

We, the undersigned Directors of the Company, declare that to the best of our knowledge and belief, this report fairly represents the financial condition of the Company in all material respects.

Signed by:
William Nichol
B3A85781459A432...
Name
William Nichol, Director

DocuSigned by:
Gail Fox
A1B8C45DD82E4CB...
Name
Gail Fox, Director