

**BEST DOCTORS INSURANCE VBA**

**Financial Statements**

(With Independent Auditor's Report Thereon)

March 31, 2020 and 2019

Best Doctors Insurance VBA  
Index  
March 31, 2020 and 2019

	Page(s)
Independent Auditor's Report	1
<b>Financial Statements</b>	
Balance Sheet	2
Statement of Income	3
Statement of Changes in Shareholder's Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 11



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To the Management and Supervisory Board of Best Doctors Insurance VBA

*Report on the audit of the financial statements*

*Opinion*

We have audited the accompanying financial statements of Best Doctors Insurance VBA, which comprise of:

- ▶ Balance sheet as at March 31, 2020
- ▶ Statement of Income for year ended March 31, 2020
- ▶ Statement of Changes in Shareholder's Equity for the year ended March 31, 2020
- ▶ Statement of Cash Flows for the year ended March 31, 2020
- ▶ Notes to the financial statements

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Best Doctors Insurance VBA as of March 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 independent of the Company in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Responsibilities of management for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

*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 a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- ▶ 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.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Management and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Oranjestad, August 20, 2020  
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For Ernst & Young Accountants



Garrick de Cuba, MSc, RA

# BEST DOCTORS INSURANCE VBA

## Balance Sheet

March 31, 2020 and March 31, 2019  
(Expressed in United States Dollars)

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 545,198	\$ 592,968
Long-term investment (Note 5)	492,598	492,598
Accrued interest receivable	2,692	3,471
Premiums receivable	23,327	66,014
Deferred acquisition costs	<u>9,512</u>	<u>42,476</u>
Total assets	<u>\$ 1,073,327</u>	<u>\$ 1,197,527</u>
<b>Liabilities</b>		
Reserve for outstanding losses and loss expenses (Note 6)	\$ 15,301	\$ 67,726
Unearned premium reserve	38,002	169,560
Due to related companies (Note 7)	464,071	318,303
Accounts payable and accrued expenses	<u>51,997</u>	<u>81,657</u>
Total liabilities	<u>\$ 569,371</u>	<u>\$ 637,246</u>
<b>Shareholder's equity</b>		
Share capital (Note 10)	113,000	113,000
Additional paid in capital	1,246,000	1,246,000
Retained earnings	<u>(855,044)</u>	<u>(798,719)</u>
Total shareholder's equity	<u>503,956</u>	<u>560,281</u>
Total liabilities and shareholder's equity	<u>\$ 1,073,327</u>	<u>\$ 1,197,527</u>

*The accompanying notes are an integral part of these financial statements.*

Signed on behalf of the Board

\_\_\_\_\_ Director

# BEST DOCTORS INSURANCE VBA

## Statement of Income

Year ended March 31, 2020 and March 31, 2019  
(Expressed in United States Dollars)

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	<u>2020</u>	<u>2019</u>
<b>Underwriting income</b>		
Gross premiums written-direct	\$ 72,189	\$ 429,482
Movement in unearned premiums	<u>131,558</u>	<u>81,225</u>
Net premiums earned	203,747	510,707
Transaction fee income	<u>150</u>	<u>2,475</u>
Total underwriting income	<u>203,897</u>	<u>513,182</u>
<b>Underwriting expenses</b>		
Losses and loss expenses incurred (Note 6)	17,838	415,955
Excess of loss reinsurance premium	94,094	7,574
Sales and Commission fees	<u>49,277</u>	<u>132,440</u>
Total underwriting expenses	<u>161,209</u>	<u>555,969</u>
Net underwriting loss	42,688	(42,787)
<b>Other income (expenses)</b>		
Net investment income	8,515	4,630
General and administrative expenses	<u>(107,528)</u>	<u>(205,309)</u>
Net loss before tax	\$ (56,325)	\$ (243,466)
Profit tax		
Net loss after tax	\$ <u>(56,325)</u>	\$ <u>(243,466)</u>

*The accompanying notes are an integral part of these financial statements.*

**BEST DOCTORS INSURANCE VBA**

## Statements of Changes in Shareholder's Equity

Year ended March 31, 2020 and March 31, 2019  
(Expressed in United States Dollars)

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	<u>Share Capital</u>	<u>Additional paid in Capital</u>	<u>Retained earnings</u>	<u>Shareholder's equity</u>
Balance March 31, 2018	\$ 113,000	\$ 76,000	\$ (569,045)	\$ (380,045)
Net loss			(243,466)	(243,466)
Prior Year Adjustment			13,792	13,792
Additional Paid in Capital	<u>—</u>	<u>1,170,000</u>	<u>—</u>	<u>1,170,000</u>
Balance March 31, 2019	\$ 113,000	\$ 1,246,000	\$ (798,719)	\$ 560,281
Net loss			(56,325)	(56,325)
Balance March 31, 2020	\$ 113,000	\$ 1,246,000	\$ (855,044)	\$ 503,956

*The accompanying notes are an integral part of these financial statements.*

**BEST DOCTORS INSURANCE VBA**Statements of Cash Flows  
Years ended March 31, 2020 and 2019*(Expressed in United States Dollars)*

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	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Net loss	\$ (56,325)	\$ (243,466)
Adjustments to reconcile net loss to net cash Provided by operating activities:		
Prior year Adjustment	-	13,792
Changes in non-cash working capital:		
Accrued interest receivable	779	(2,569)
Premiums receivable	42,687	(25,587)
Due from / to related companies	145,768	515,773
Deferred acquisition costs	32,964	4,661
Outstanding losses and loss expenses	(52,425)	(646,625)
Unearned premium reserve	(131,558)	(17,368)
Accounts payable and accrued expenses	<u>(29,660)</u>	<u>(3,448)</u>
Cash flows (used in) / from operating activities	<u>(47,770)</u>	<u>(404,837)</u>
<b>Cash flows from investing activities</b>		
Additional paid capital	-	<u>1,170,000</u>
Cash flows provided by investing activities	<u>-</u>	<u>1,170,000</u>
Net increase in cash and cash equivalents	(47,770)	765,163
Cash and cash equivalents at beginning of year	<u>1,085,566</u>	<u>320,403</u>
Cash and cash equivalents at end of year	<u>\$ 1,037,796</u>	<u>\$ 1,085,566</u>

*The accompanying notes are an integral part of these financial statements.*



# BEST DOCTORS INSURANCE VBA

Notes to Financial Statements

March 31, 2020 and 2019

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## 1. General

Best Doctors Insurance VBA (the “Company”) was incorporated under the laws of Aruba on November 29, 2011. The registered business address of the Company is Seroe Lopes 5C-1, Paradera, Aruba. The Company obtained their permit to operate as a general insurance company on February 1, 2013. The Company commenced writing business in March, 2013.

The Company is a wholly owned subsidiary of Best Doctors Insurance (“BDIL”), a company incorporated in Bermuda. The ultimate parent of the company is Primary Group Limited, a Bermuda Company. The Company insures the healthcare risks of individuals and corporations, located in Aruba, on claims-made and occurrence bases.

The Company currently provides cover to a limit of \$5,000,000 or less per person per policy year depending on the policy agreements. The Company retains the first \$1,000,000 of its gross liability per covered person per contract year.

Effective from July 1, 2018, The Company ceased writing new business. After evaluation of the results of The Company for the year ended March 31, 2018, and taking into consideration the lack of significant commercial opportunities that could provide an increase in The Company’s business volume, the Company has made the decision to discontinue operations in the near future once approved by the CBA as requested by the company on April 5, 2019. As of the date of this report, The Company has not received feedback on its request to the CBA.

Primary Group Limited provided a comfort letter asserting adequate financial support to Best Doctors Insurance Company VBA when required to maintain the Company as a going concern for the twelve months from the date of signing financial statements as at and for the year ended 31 March 2020.

The Company’s outlook until the operations are discontinued is to be profitable. The Company’s management does not expect the discontinuation of the operations to take place within a year of the date of the balance sheet date.

## 2. Summary of significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

### (a) Basis of accounting

The accompanying financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) which require management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing these financial statements are reasonable. Actual results could differ from those estimates. The financial statements of the Company are presented in United States dollars (USD or \$), which is the functional currency of the Company and rounded to the nearest USD.

### (b) Functional and presentation currency

Assets and liabilities denominated in currencies other than the U.S. dollar are translated into USD at year-end exchange rates. The Aruban Florin (“AWG”) is pegged to the US dollar at a fixed exchange rate of 1.79 and therefore its value versus other currencies fluctuates with the US dollar. Transactions denominated in foreign currencies are translated at the foreign currency exchange rates on the transaction date.

**2. Summary of significant accounting policies (continued)**

*(c) Premiums written and net premium earned*

Premiums written are recorded on the accrual basis. Premiums are recognized as income on a pro-rata basis over the terms of the underlying contracts with the unearned portion deferred in the balance sheet.

*(d) Commission fees and deferred acquisition costs*

Commissions are paid to sales agents and agencies once the contract is effective and premium is paid. The commission payment is entered as deferred acquisition costs. Deferred acquisition costs are reclassified to commission expense as the revenue from the underlying insurance contract is earned.

*(e) Transaction fee income*

Transaction fee income is recognized on each policy at a fixed rate once the policy is written.

*(f) Reserve for outstanding losses and loss adjustment expenses*

The reserve for outstanding losses and loss adjustment expenses is estimated on a total basis for the parent company including the Company. Due to the size of Aruba, the data is not enough to apply traditional statistical methods. Subsequently the total estimated reserve is divided for the parent company and the Company based on their respective insurance premiums. The reserve is provided on the basis of current estimates made by the parent company's actuary (BDIL). Management believes that the reserve for outstanding losses and loss adjustment expenses will be adequate to cover the ultimate net cost of losses incurred to the balance sheet date. This reserve is an estimate and actual losses may be significantly greater or lesser than the amount recorded. It is reasonably possible that management will need to revise this estimate significantly. Any subsequent differences arising are recorded in the year in which they are determined. The reserve for outstanding losses and loss adjustment expenses is not discounted.

*(g) Long-term investment*

The long-term investment represents a time deposit with maturity of more than one year when purchased. The time deposit is classified as held-to-maturity and carried at cost based on management's intention to hold the investments to maturity.

*(h) Cash and cash equivalents*

Cash and cash equivalents comprises of current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash.

*(i) Income taxes*

The Company is subject to income taxes. Income tax on the taxable income for the year, if any, is comprised of current tax and is recognized in the statement of income. Current tax, if any, is expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at balance sheet date, and any adjustment to tax payable in respect of previous years.

The tax jurisdiction where the Company files income tax returns is Aruba.

**3. Use of judgements and estimates**

The preparation of financial statements in compliance with US GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing these financial statements are reasonable. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

**4. Concentrations of credit risk**

As at March 31, 2020 and 2019, cash, cash equivalents and long-term investment comprise of USD 1,037,796 and USD 1,085,566 respectively, held by one bank domiciled in Aruba which management believes is a high credit quality financial institution. The Company's management evaluates the financial strength and stability of this institution on an ongoing basis.

**5. Long-term investment**

The Company has a time deposit with the Caribbean Mercantile Bank N.V. ("CMB") for the amount of AWG 881,750 (USD 492,598), with the maturity date of November 20, 2020 and an interest rate of 1.9%.

**6. Reserve for outstanding losses and loss adjustment expenses**

(i) Reserve for outstanding losses and loss adjustment expenses

	As at March 31, 2020	As at March 31, 2019
IBNR	13,363	62,931
LAE Reserves	1,938	4,795
Total reserve for outstanding losses	\$15,301	\$67,726

(ii) Statement of reserve for outstanding losses

	As at March 31, 2020	As at March 31, 2019
Balance as per beginning of the year	67,726	714,350
Total incurred in the current year	17,838	415,955
Total paid in current year	(70,263)	(1,062,579)
Reserve for outstanding losses as per year end	\$15,301	\$67,726

**6. Reserve for outstanding losses and loss adjustment expenses (continued)**

The establishment of the reserve for outstanding losses and loss adjustment expenses is based on known facts and interpretation of circumstances and is therefore a complex and dynamic process influenced by a large variety of factors.

These factors include the Company’s experience with similar cases and historical trends involving claim payment patterns, pending levels of unpaid claims, claim severity, and frequency patterns.

Other factors impacting the reserve include the continually evolving and changing regulatory and legal environment, actuarial studies, the professional experience and expertise of the Company’s management and affiliated adjusters retained to handle individual claims, the quality of the data used for projection purposes, existing claims management and settlement practices, the effect of inflationary trends on future claim settlement costs, court decisions, economic conditions and public attitudes.

In addition, time can be a critical part of the provision’s determination, since the longer the span between the incidence of a loss and the payment or settlement of a claim, the more variable the ultimate settlement amount can be. Consequently, the establishment reserve for outstanding losses and loss adjustment expenses relies on the judgement and opinion of a large number of individuals, on historical precedent and trends, on prevailing legal, economic, social and regulatory trends, and on expectations as to future developments. The process of determining the reserve necessarily involves risks that the actual results will deviate from the best estimate made.

The method currently employed to estimate the reserve takes as base the reserve of the parent company multiplied for a percentage determined by the ratio of the premium written of both the parent and its subsidiary. This method is statistically acceptable to estimate the reserve given that the bloc of business of the entity itself is too small to use traditional statistical methods.

**7. Related party-transactions**

As at March 31, 2020 and 2019, the net amounts due to related companies can be specified as follows:  
 Best Doctors Insurance Limited (BDIL): Funding that was provided to the parent company offset with expenses paid by BDIL on the Company’s behalf.

Best Doctors Insurance Services (BDIS): The net amounts related to premiums from to BDIS, netted with commission funding and commission settlement fees.

	As at 31-Mar-20	As at 31-Mar-19
Due to Best Doctors Insurance Limited, Bermuda	421,400	309,662
Due to Best Doctors Insurance Service (BDIS)	42,671	8,641
	<u>464,071</u>	<u>318,303</u>

## BEST DOCTORS INSURANCE VBA

Notes to Financial Statements

March 31, 2020 and 2019

### 8. Income Taxes

The Company is subject to Aruban taxation and files an Income Tax return. There were no temporary differences and consequently no deferred assets or liabilities recognized. The company has a loss for the years ending March 31, 2020 and 2019, therefore no income taxes are incurred.

### 9. Statutory requirements

The Company is required by its license to have a solvency margin equal to the highest outcome of the following calculation: 15% of the gross premiums booked in the preceding financial year, or 15% of the average gross claims incurred in the past three financial years. The minimum solvency margin should at all times be held or invested in Aruba. The minimum solvency margin that an insurer must have at its disposal is equivalent to USD 168,539 (AWG 300,000) if it is engaged in the general insurance business. The minimum solvency margin was met as at March 31, 2020.

		<u>2020</u>
Total shareholders' equity (available solvency margin)	\$	\$ 503,956
15% of gross premium 2019	64,422	
15% of average claims 2018 - 2020	69,155	
Minimum solvency margin	168,539	
Required solvency margin		<u>168,539</u>
Excess		\$ 335,417

The Company is required to maintain adequate technical provisions, which are fully covered by sufficient and acceptable assets in order to guarantee that the Company can meet its actual and future obligations. The Central Bank of Aruba has issued guidelines for assets, which are acceptable. Acceptable assets covered the technical provisions presented on the balance sheet at March 31, 2020.

		<u>2020</u>
Total Assets		1,073,327
Balance due from related companies		<u>-</u>
<b>Net Assets</b>		<b>1,073,327</b>
Current Liabilities		<u>\$ 51,997</u>
<b>Assets available to cover technical provisions</b>		<b>1,021,330</b>
Technical Provisions	\$	53,303
<b>Surplus</b>	\$	<b>968,027</b>
<b>Coverage Ratio</b>		<b>1,916.08%</b>

## BEST DOCTORS INSURANCE VBA

Notes to Financial Statements

March 31, 2020 and 2019

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### 10. **Share capital and contributed surplus**

The Company's authorized share capital is 1,130 ordinary shares of the par value \$ 100 each, of which 1,130 are issued and fully paid at March 31, 2020. On June 15<sup>th</sup>, 2018, Best Doctors Insurance Limited, (the parent company), injected cash in the amount of \$650,000 as additional paid in capital, making the total additional paid in capital at \$1,246,000. There are no stock based compensation.

### 11. **Subsequent events**

The Company has evaluated subsequent events through August 20, 2020 which is the date the financial statements were available to be issued. In December 2019, a new strain of coronavirus (COVID-19) was reported in China. In January 2020, the World Health Organization (WHO) declared the COVID-19 outbreak a public health emergency of international concern and in March 2020, it was declared a pandemic. A number of actions have been taken around the world to try to mitigate the pandemic including quarantines, travel restrictions, forced closures of public places and businesses. Although these actions have had an adverse impact on the economy and financial markets of many countries, The Company has not experienced any material business fluctuation other than the continuous plan to close its operations.