Best Doctors
INSURANCE

Financial Condition Report

Best Doctors Insurance Limited

March 31, 2023

Contents

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

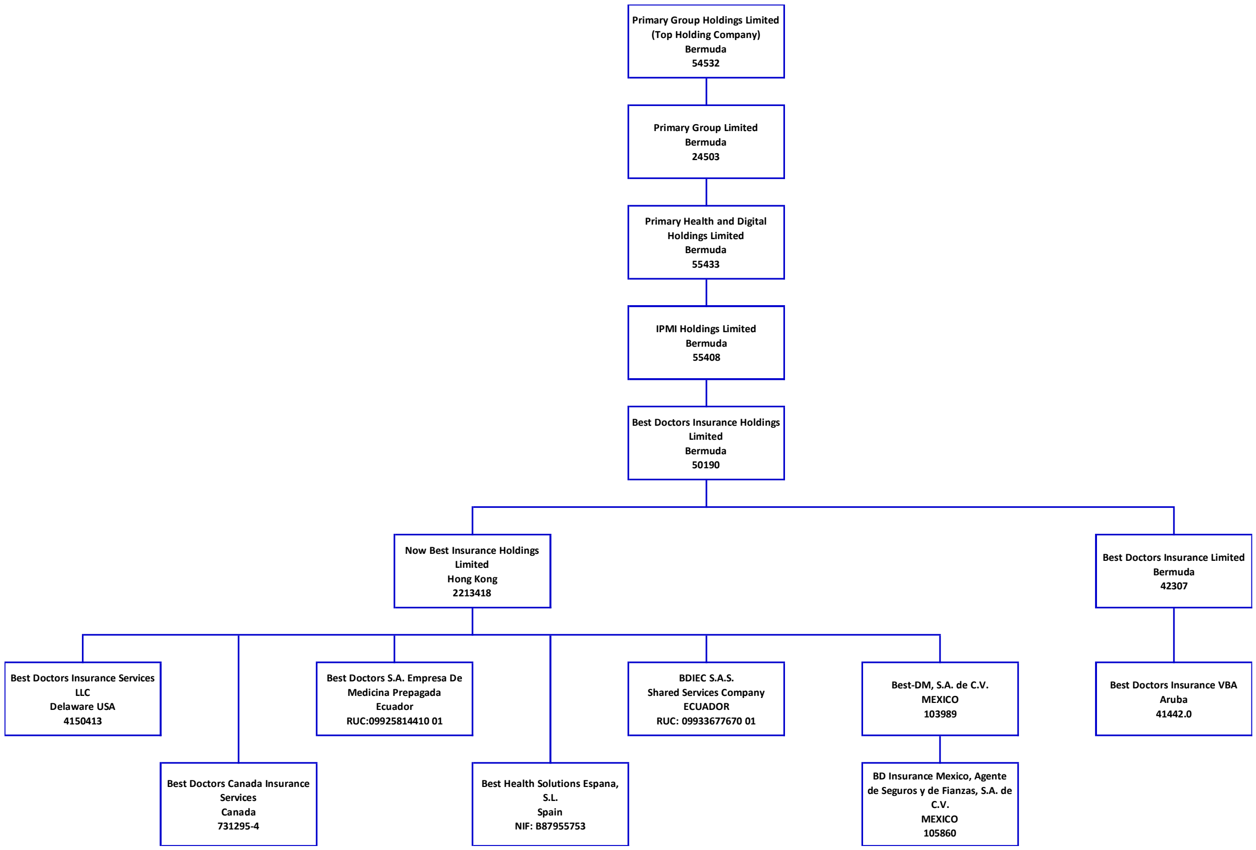
KPMG
Crown House
4 Par-La-Ville Road
Hamilton, Bermuda

d. Ownership details

The Company's parent is Best Doctors Insurance Holdings Limited (BDIHL) 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 in the UK and in other jurisdictions. The majority shareholder in PGL is Primary Group 1 Holdings Limited (PGHL). The ultimate controlling party of PGHL1 is Mr P W H James.

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 throughout Europe, Asia and Africa.

Gross premium written for the year ended March 31, 2023, was $244,439,193
(2022: $234,443,253)

	2023	**2022**
	$'000	**$'000**
Health	244,439	234,443
Total	**244,439**	**234,443**

<u>Gross Premium Written by Geographical Region for the Reporting Period</u>

	2023 $'000	2022 $'000
Latin America & Caribbean	217,256	208,530
Canada	64	95
Other	27,119	25,818
Total	**244,439**	**234,443**

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

All amounts disclosed in this section are extracted from the Company's US GAAP Consolidated Financial Statements for the years ended March 31, 2023, and March 31, 2022.

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, 2023, by asset class was as follows:

Investment Type	Year End Balance $'000	Investment Income $'000	% Return
Cash and cash equivalents	71,368		
Bond fund	11,067	961	8.7%
Loans to Related Companies	42,090	1,464	3.5%
Total		2,425	

The return on investments for the year ended March 31, 2022, by asset class was as follows:

Investment Type	Year End Balance $'000	Investment Income $'000	% Return
Cash and cash equivalents	61,486		
Bond fund	11,178	-286	-2.6%
Loans to Related Companies	41,626	1,436	3.4%
Total		1,150	

Material income and expenses

The Company's main revenue source is premiums. The Company cedes 95% (2022: 90%) 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 reinsurance agreement the company receives ceding commission from the reinsurer which offsets administrative costs, underwriting, and business acquisition expenses.
Sources of income were as follows:

	2023 $'000	2022 $'000
Net premiums earned	13,354	21,764
Transaction fee income	1,716	1,906
Ceding commission	102,703	75,953
Total underwriting income	**117,773**	**99,623**

The Company's major expenses are losses incurred, commission fees, support and claims management fees, bank fees and general and administrative expenses:

	2023 $'000	2022 $'000
Losses and loss expenses incurred	13,753	18,976
Commission fees	65,573	63,299
Bank fees	3,873	3,939
Management support fees	26,839	22,244
General and administrative expenses	3,463	4,907
Total	**113,501**	**113,365**

h. Any other material information.

On November 23rd, 2017, the BMA used its powers and issued directions to the Company because of the Company not meeting certain conditions of its license which included decreasing liquidity, filing, and reporting requirements in 2018.

Due to the Company missing the filing deadlines for the year ends of 31 March 2018, 2019, 2020, 2021, $943,750 of late filing fines were paid in November 2022.The Company could also be subject to costs for exiting regulatory direction. Although the quantum and timing cannot be reasonably estimated at this time, the Company opted for prudency by establishing a provision for legal and regulatory matters of $450,000.

Given the fact that the Company is under BMA direction, dividends and other distributions are not permitted.

GOVERNANCE STRUCTURE

a. Board and Senior Executives

i. Structure and responsibilities

The Board of the Company drives the strategy of the business, is actively engaged, and makes all decisions, with support from four key service providers: its Insurance Manager and Corporate Secretary in Bermuda, an affiliated entity providing finance, administration, claims administration, actuarial and risk management functions, and an independent internal audit firm. The services are subject to contracts and service agreements.

The Board consists of 8 directors, including 3 independent non-executive directors. The following sub-committees report to the Board:

- Audit Committee
- Risk Committee
- Investment Committee

ii. Remuneration policy

Most of the administration of the Company is outsourced under the delegated authority of the Board. Directors, who do not perform executive functions in the Company or in affiliated companies, receive a fixed sum as remuneration. Directors, who also perform executive functions in affiliated companies or perform duties as part of an outsourced service provision, do not receive individual remuneration from the Company.

iii. Pension scheme

There is no pension or early retirement scheme.

iv. Material transactions

Material transactions with shareholder controllers, persons who exercise significant influence over the board or senior executives were as follows:

- The Company accrued interest of $1,464,322 on the loan to its ultimate parent during the year ended March 31, 2023 (2022: $1,435,666).

b. Fitness and Propriety Requirements

i. Fit and proper process

The Board obtains when relevant, the necessary information for each assessment of a candidate for the Board to allow the Board to adequately assess whether the candidate satisfies the following criteria:

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

ii. Professional Qualifications, Skills, and Expertise

The professional qualifications, skills, and expertise of the Board on March 31, 2023, were as follows:

Directors:

Ulisses Soares

Mr. Soares has been the CEO of Best Doctors Insurance since July 2022. He has over 25 years of experience as an international executive in the Insurance sector. He has occupied local and regional positions in multinational companies such as AIG, AON, Chubb, and Starr.

He has successfully implemented disruptive strategies and led transformational initiatives, turning around businesses and divisions into high-growth and profitable engines. He is an innovative, business-focused, and results-driven entrepreneur with experience in Latin America and the U.S. domestic market.

Mr. Soares has been focused on enhancing both the customer product and delivering excellent service and care at Best Doctors.

He has a Bachelor of Science with a Major in Communication and a Minor in Advertising from Universidad Federal de Minas Gerais and completed Part-time Graduate studies with a Major in Business Administration and a Minor in Marketing Management at Centro Universitario UNA.

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 is responsible for all client matters for a captive portfolio of 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.

Cyril H Whitter, Jr

Mr. Whitter has worked at Independent Management Ltd (IML) since 1993. He was appointed Executive Vice President of IML in 2007 with responsibility for day-to-day operations and was appointed President and CEO of IML in 2009. At IML he has been responsible for the management of insurance companies and has expertise in many areas including: the administration of and financial reporting for insurance companies domiciled in Bermuda, Barbados, The Cayman Islands and Hong Kong. His experience covers many classes of insurance including property/casualty, medical malpractice, professional liability, directors & officers' liability, group life and health, strike insurance and employment practices liability insurance. He previously worked at Jardine Pinehurst Management Company Limited as an accountant specializing in the management of captive insurance companies. He completed a Diploma in Accountancy at The Bermuda College in 1978.

Carol Feathers

Carol (FCA, ACII) is a Director of Client Services at Ocorian's Bermuda office. She joined Ocorian in January 1999. Carol brings over 30 years' fiduciary services experience and expertise to her current role as a consultant with the team at Ocorian's Bermuda office. She principally focuses on providing insurance management and principal representative services for Bermuda registered insurers and enjoys advising other international clients on accounting or related back-office solutions. During her previous tenure as managing director she was instrumental in the development of several new services. She has extensive understanding of company and captive management, insurance company administration, reinsurance and trust accounting services and has frequently served as a board member for client companies. In the UK she has experience as finance director and general manager of a private hospital and also in private practice, providing accounting, audit and tax services.

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.

Philip James

Mr. James 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.

Gary Stropoli

Mr. Stropoli is the CFO for the Best Doctors Insurance group of companies. In this role he is responsible for overseeing the financial stability of the business and budget management. Mr Stropoli has experience with multinational companies of all sizes, from startups to Fortune 100 and served as Chief Financial Officer for Munich Health North America where he provided financial leadership across the North American region encompassing three healthcare business units, including risk management and IT development functions, in Princeton, NJ. Gary also served as the CFO, Global Reinsurance Division of AIG Property Casualty in New York City. He has an MBA and a BBA in Finance.

Alternate Directors:

Alternates to Cyril Whitter:

Adrienne Hintz
Ms. Hintz joined IML in 1994 and is currently Senior Vice President and manages the accounts of a group of companies. She received a Bachelor of Science degree in Accounting from Widener University in Chester, Pennsylvania in 1985.

Natalie King
Ms. King joined IML in 1998. She is responsible for management of a group of IML client insurance companies primarily relating to medical malpractice and hospital professional liability insurance. She received a Bachelor of Commerce Degree in Accounting from Saint Mary's University in Halifax, Nova Scotia in 1994.

c. Risk Management and Solvency Self-Assessment

i. Risk Management Process and Procedures

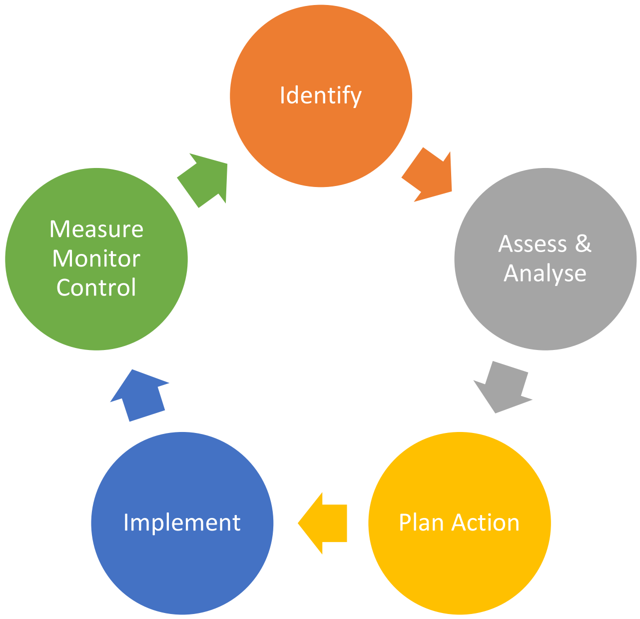
The Company's Risk Management Framework seeks to set out a risk based and proactive approach to:

- 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, staff at outsourced service providers, regulators, and the wider community).
- The main purpose of the Framework is to ensure that 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 by the Company.

The specific objectives of the 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.

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



Identify Risks: The Board is responsible for identifying new and emerging risks.
Risk assessment and analysis: 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 to 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. Risk policies are in place which articulate the Board's requirements for the management of risk and provide the basis on which the risk management framework is implemented and integrated into the Company's operations and risk management adequacy is assessed.
Risk information from the risk management systems is used to complete Solvency Self-Assessments (CISSA) of the capital required to support the Company's operations and strategy.
The CISSA is reviewed to ensure that the Company's capital adequacy and liquidity resources are sufficient based on the risks to the Company that arise from its operations.

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 always 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 Board is responsible for the oversight and approval of the CISSA.

The CISSA is performed annually, however, events or a combination of factors may occur during the interim period that may require revision. The Company's position will be continuously monitored through the risk management framework in place.

iv. Solvency self-assessment approval process

The Company's CISSA report is prepared by the risk management staff at the outsourced service providers in consultation with the Directors. 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 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 is outsourced. The compliance function in consultation with the Directors 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 risk faced by the Company.

a. Internal Audit

The Internal Audit function will develop a plan of audit activities and operations and submit it to the Board for approval. The annual audit plan will include identification of each audit to be conducted in terms of the programs, functions, and activities to be audited. The plan may be amended during the year with the approval of or at the direction of the Board. Audits are conducted in compliance with Generally Accepted Auditing Standards.

The Internal Audit function will provide the Company with an efficient, proactive, and comprehensive internal audit programme through the conduct of:

- Internal control audits to determine that required internal controls are in place, are current and are working efficiently and effectively to minimize the operational and other risks faced by the Company.
- Compliance audits to ensure conformance with the requirements of the various laws, regulations and standards which effect the business of the Company.
- Information/data audits to ensure that all data collected by the Company is stored, updated, and destroyed in accordance with all applicable data protection legislation; and
- Special reviews of various areas of the business as may be required from time to time.

The internal audit function is outsourced to an independent service provider.
The Company's internal audit function is independent of the activities audited and must also be independent from the everyday internal control process. The following guidelines describe how the internal audit function maintains its independence and objectivity from the activities it reviews:

- The Board authorizes the Internal Audit function to exercise its assignment on its own initiative in all functions of the Company and all relevant departments of entities providing outsourced services to the company.
- The Internal Audit function is free to report its findings and appraisals and to disclose them to the Board as required. This principle of independence of the Internal Audit function entails that the Internal Audit function operates under the direct control of the Board.
- The compensation scheme for those who are involved in discharging the responsibilities of the Internal Audit function is consistent with the objectives of the Internal Audit.
- The Internal Audit function is objective and impartial. All individuals (e.g., directors and all entities providing outsourced services to The Company) co-operate fully and on a proactive basis with the work of the Internal Audit function.
- All individuals involved in the work of the Internal Audit function seek to avoid any conflict of interest, real or perceived, with their duty to discharge the responsibilities of the Internal Audit function.
- Those involved in discharging the duties assigned to the Internal Audit function are not involved in the operations of the Company or in selecting or implementing internal control measures.

b. Actuarial Function

The Actuarial Function is outsourced to Best Doctors Insurance Services LLC (BDIS), an affiliated company in the USA. The Chief Actuary has responsibility for supporting the setting of the risk appetite by the Board and for providing comprehensive information on the Company's underwriting performance and reserves which enable the Board to understand the overall risk profile of the Company.

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 an 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;
- 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 administration of the Company is outsourced under the delegated authority of the Board.

The Company outsources the following key functions:
a) Principal representative/Insurance Manager: management company in Bermuda
b) Compliance Support: management company in Bermuda
c) Corporate Secretary: legal company in Bermuda
d) Finance Administration and Risk Management Support: BDIS (USA)
e) Internal Audit: independent audit firm in the USA
f) Actuarial Services: BDIS (USA)
g) Loss Reserve Specialist: independent company in Ireland

ii Intra-group outsourcing

As noted in section g.i above the Company outsources finance administration, risk management and actuarial support to BDIS, an affiliated company in the USA. BDIS also provides claims management and underwriting and distribution support services to the Company and collects premiums and pays insurance claims on behalf of the Company and remits the net cash to 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 is a material risk for the Company due to the nature of the business. Pricing risk relates to the risk that premiums may be insufficient to cover future claims and other expense costs of the Company.

Underwriting risk

Underwriting risk is a material risk for the Company and relates to the risk that outsourced providers of 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 is exposed to an increase in claims costs due to ineffective management of claims by the Company's outsourced partners.

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

Reinsurance risk is the risk that the Company has purchased insufficient reinsurance protection and so is a material risk for the Company.

The Company uses the Bermuda Solvency Capital Requirement (BSCR) to quantify the exposure to underwriting risk and performs various stress tests to determine the adequacy of the BSCR.

Credit Risk

Credit risk is the risk that the Company will suffer a financial loss as a result 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 amounts due from its ultimate parent and on balances due from reinsurers. The Company uses the BSCR to quantify the exposure to credit risk.

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. All functions other than management are outsourced. After mitigation, the residual operational risk is not considered material for the Company. The Company uses the BSCR to quantify the exposure to operational risk.

Liquidity risk

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

Market risk

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

Legal and Regulatory Risk

The risk reflects the reductions in earnings and/or value, through financial or reputational loss, from failing to comply with the laws, regulations or codes applicable. Regulatory risk is considered a material risk and will be mitigated and controlled by compliance with the various Company policies.

Strategic Risk

Strategic risk is the risk of loss arising from lapse of business in key territories or due to unexpected changes in environmental factors that impact policyholders or the health insurance markets in key territories. This risk is material for the Company because its business is concentrated in Latin America. This risk is reduced by the Company's strategic initiatives and monitoring of environmental factors.

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. This risk is reduced by compliance with the Company's policies.

b. Risk mitigation and monitoring

Risks are reported and monitored by the Board through the risk management framework outlined in section c.ii above. The Board and the outsourced 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. If a new risk emerges, the Board establishes new controls to manage the risk.
The Company's material risks are mitigated as follows:

Underwriting risk

Underwriting risk will be mitigated by ensuring that the Company's underwriting risk policy, reserving and claims management policy and reinsurance risk policy are embedded within the Company's procedures. Key mitigating actions under these policies are:

Pricing risk

Actuarial analysis of premium and claims data analytics, calculation of technical premium rates and stress and scenario testing on lapse rates and rate sufficiency.

Underwriting risk

Quality assurance reviews, monitoring against underwriting manual and review of management information.

Claims management risk

Procedures and controls in place to ensure effective oversight of the outsourced claims administration providers.

Reserving risk

Purchase of excess of loss reinsurance reduces the impact of large losses and purchase of quota share reinsurance reduces the overall impact of losses. Regular monitoring of claims development and hindsight analysis are undertaken. Independent loss reserve specialist review on a quarterly basis.

Reinsurance risk

Purchase of excess of loss and quota share reinsurance and stress testing of scenarios on a gross and net of reinsurance basis.

Credit risk

Credit Risk is mitigated by using binding contracts for all insurance and reinsurance contracts. The amount due from ultimate parent will be 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 mitigated by right of offset of funds held balances.

Operational risk

The material operational risks will be mitigated by ensuring that contractual agreements are in place with all outsourced providers setting out expected service levels. Due diligence is performed on inception and on an annual basis to ensure that service providers continue to meet risk appetite requirements and they will be subject to an annual performance review. All material outsourcers are required to have data security, business continuity and disaster recovery policies in place and appropriate management information systems.

Liquidity risk

The material liquidity risks will be mitigated by monitoring of liquidity projections.

Legal and Regulatory Risk

Legal and regulatory risk will be mitigated and controlled by compliance with the various Company policies.

Strategic Risk

Strategic risk is mitigated by the Company's strategic initiatives and monitoring of environmental factors.

Reputational Risk

Reputational risk is mitigated by compliance with the Company's policies.

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 for the amount due from ultimate parent which will be reduced over time by repayment of the outstanding balance.

d. Prudent person principle

The Company applies the "Prudent Person Principle" in relation to investing its assets. It has taken a prudent investment approach by investing in cash deposits and cash equivalents. Annual monitoring procedures have been established under the prudent person principle to assess security and quality of the amount due from its ultimate parent.

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 31st March 2023. The amount due from the ultimate parent is considered an acceptable exposure and therefore no specific stress tests were performed for credit risk.

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 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 comply with the contractual obligations of the organisation and regulatory requirements upon experiencing losses within its risk tolerance.

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. Therefore, such balances are held at fair value under the BMA's solvency valuation basis.

Investment income due and accrued

Investment income due and accrued comprises accrued interest on the loan to the ultimate parent and on the investments. This balance has been valued at cost which approximates fair value under the BMA's solvency valuation basis.

Accounts and premiums receivable

Insurance balances receivable are based on the GAAP value adjusted to reclassify insurance balances that are not yet due to technical provisions. These balances are considered to be held at fair value under the BMA's solvency valuation basis.

Advances to affiliates

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.

Reinsurance balances receivable

Reinsurance balances receivable includes paid losses recoverable from reinsurers and is based on the GAAP value. These balances are considered to be 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 contained inherent in the underlying cash flows which is calculated using the cost of capital approach and a risk-free discount rate term structure. The discount rate term structures are prescribed by the BMA for each reporting period.

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

- Removal of any prudence margins
- Allowance for discounting
- Allowance for payables and receivables in respect of the claims provision
- Allowance for expenses

- 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, 2023, 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, 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**

On March 31, 2022, EBS technical provisions were:

	Gross $'000	Net $'000
Premium provisions	63,011	67,807
Loss and loss expense provisions	34,429	6,880
Risk margin	529	529
Total	**97,969**	**75,216**

c. Recoverables from reinsurance contracts

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

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. This plan is reviewed at least annually following the completion of the CISSA and specifically addresses any capital needs that are identified.

ii. Eligible capital categorised by tiers

The eligible capital at March 31,2023 was US$47,948,000. The capital is all Tier 1 and comprises capital stock, contributed surplus, and statutory surplus.

iii Eligible capital categorised 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, 2023, the Company's Eligible Capital for its ECR and MSM was categorised as follows:

	ECR $'000	MSM $'000
Tier 1 capital	47,948	47,948

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 statutory 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.

b. Regulatory Capital Requirements:

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

At the end of the reporting period, the Company's regulatory capital requirements were assessed based on the Bermuda solvency capital requirement model (BSCR) as follows: (US$'000).

Requirement	Amount
Minimum Solvency Margin	$2,340
Enhanced Capital Requirement	$7,951

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

The Company was compliant with the MSM 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.

SUBSEQUENT EVENTS

The Company has evaluated subsequent events through July 2023.

The Company could be subject to costs for exiting regulatory direction. Although the quantum and timing cannot be reasonably estimated at this time, the Company opted for prudency by establishing a provision for legal and regulatory matters of $450,000.After evaluation of the results of BDIVBA for the year ended March 31, 2018, and taking into consideration the lack of significant commercial opportunities that could provide an increase in the subsidiary's business volume, the Company made the decision to discontinue operations once approved by the Central Bank of Aruba (CBA) as requested by the Company on April 5, 2019. The transfer of members to its parent company, BDIL, took place in FY23.

BDIVBA is currently under the final stages of liquidation. It is expected that once the liquidation is published in the Official Gazette and in two local newspapers and assuming no unknown creditors object, BDIVBA will repay its parent the intercompany balance owed and transfer any remaining cash as a liquidation distribution.

DECLARATION ON FINANCIAL CONDITION
Prepared in accordance with section 5 of the Insurance (Public Disclosure) Rules 2015
For the year ending – March 31, 2023

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

DocuSigned by:
Cyril Whitter
6108A6ABB0C14E7...
____
Cyril H Whitter, Jr
Director

DocuSigned by:
Gary Stropoli
EDAFF534C219496...
____
Gary Stropoli
Chief Financial Officer