AETNA LIFE & CASUALTY (BERMUDA) LTD.

(Incorporated in Bermuda)

Financial Statements

December 31, 2023 and 2022

(With Report of Independent Auditors Thereon)

AETNA LIFE & CASUALTY (BERMUDA) LTD.
(Incorporated in Bermuda)

Table of Contents

Ernst & Young LLP
20 Church St, 19th Floor
Hartford, CT 06103

Tel: +1 860 247 3100
Fax: +1 860 727 9728
ey.com

Report of Independent Auditors

Board of Directors
Aetna Life & Casualty (Bermuda) Ltd.

Opinion

We have audited the financial statements of Aetna Life & Casualty (Bermuda) Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, comprehensive income (loss), changes in shareholder's equity and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the incurred and paid claims development, net of reinsurance, prior to the most recent year disclosed in Note 8 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst + Young LLP

April 25, 2024

AETNA LIFE & CASUALTY (BERMUDA) LTD.

(Incorporated in Bermuda)

Balance Sheets

December 31, 2023 and 2022

(Expressed in United States dollars)

Assets	**2023**	**2022**
Cash and cash equivalents	$ 98,708,103	$ 143,985,913
Debt securities available for sale at fair value (amortized cost $60,379,052 and $67,374,923) (notes 3 and 5)	58,406,203	63,642,389
Accrued investment income	486,857	500,065
Premiums due and other receivables, net	12,741,219	31,647,174
Reinsurance recoverables and receivables	295	80,465
Due from affiliates (note 11)	775,730	22,722,320
Prepaid expenses (note 4)	291,881	6,224,363
Net deferred income tax (note 12)	2,180,678	—
Total assets	$ 173,590,966	$ 268,802,689
Liabilities		
Policyholders’ funds	$ 5,629,639	$ 2,458,221
Unpaid claims (note 8)	24,114,725	49,046,429
Experience rated liability	4,157,597	8,835,662
Unearned premiums	2,715,018	34,338,003
Total insurance reserve liabilities	36,616,979	94,678,315
Due to reinsurers	17,795	18,274
Current federal income taxes due to parent	3,910,508	1,556,775
Due to affiliates (note 11)	57,634,260	61,878,699
Commissions due	638,097	4,323,009
Investment payable	—	4,331,249
Other liabilities	6,796,248	6,288,748
Total liabilities	105,613,887	173,075,069
Commitments and contingent liabilities (notes 7 and 13)		
Shareholder’s Equity		
Common stock ($1 par value, 370,000 shares authorized, issued and outstanding)	370,000	370,000
Additional paid-in capital	50,840,461	90,840,461
Retained earnings	20,296,356	9,806,582
Accumulated other comprehensive loss	(3,529,738)	(5,289,423)
Total shareholder’s equity	67,977,079	95,727,620
Total liabilities and shareholder’s equity	$ 173,590,966	$ 268,802,689

See accompanying notes to financial statements.

AETNA LIFE & CASUALTY (BERMUDA) LTD.

(Incorporated in Bermuda)

Statements of Operations

Years ended December 31, 2023 and 2022

(Expressed in United States dollars)

	2023	2022
Revenue:		
Net earned premiums (note 10)	$ 173,234,268	$ 261,476,561
Net investment income (note 3)	6,926,484	4,188,359
Net realized capital (losses) gains (note 3)	(90,783)	312,407
Fees and other income	7,149,185	12,828,626
Total revenue	187,219,154	278,805,953
Benefits and expenses:		
Current and future benefits (note 9)	119,154,453	156,937,224
Operating expenses (note 11)	58,093,462	121,980,856
Total benefits and expenses	177,247,915	278,918,080
Income (loss) before income taxes	9,971,239	(112,127)
Provision for income taxes (note 12)	(518,535)	95,749
Net income (loss)	$ 10,489,774	$ (207,876)

See accompanying notes to financial statements.

AETNA LIFE & CASUALTY (BERMUDA) LTD.

(Incorporated in Bermuda)

Statements of Comprehensive Income (Loss)

Years ended December 31, 2023 and 2022

(Expressed in United States dollars)

	2023	2022
Net income (loss)	$ 10,489,774	$ (207,876)
Other comprehensive income (loss) net of tax:		
Change in unrealized income (loss) (note 6)	1,759,685	(10,637,453)
Other comprehensive income (loss) net of tax	1,759,685	(10,637,453)
Comprehensive income (loss)	$ 12,249,459	$ (10,845,329)

See accompanying notes to financial statements.

AETNA LIFE & CASUALTY (BERMUDA) LTD.

(Incorporated in Bermuda)

Statements of Changes in Shareholder's Equity

Years ended December 31, 2023 and 2022

(Expressed in United States dollars)

	Number of common shares outstanding	Common stock and additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholder's equity
Balance at January 1, 2022	370,000	91,210,461	10,014,458	$ 5,348,030	$ 106,572,949
Net loss	—	—	(207,876)	—	(207,876)
Other comprehensive loss	—	—	—	(10,637,453)	(10,637,453)
Balance at December 31, 2022	370,000	91,210,461	9,806,582	(5,289,423)	95,727,620
Net income	—	—	10,489,774	—	10,489,774
Other comprehensive income	—	—	—	1,759,685	1,759,685
Return of Capital	—	(40,000,000)	—	—	(40,000,000)
Balance at December 31, 2023	370,000	$ 51,210,461	$ 20,296,356	$ (3,529,738)	$ 67,977,079

See accompanying notes to financial statements.

AETNA LIFE & CASUALTY (BERMUDA) LTD.

(Incorporated in Bermuda)

Statements of Cash Flows

Years ended December 31, 2023 and 2022

(Expressed in United States dollars)

	2023	2022
Cash flows from operating activities:		
Net income (loss)	$ 10,489,774	$ (207,876)
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Amortization of net investment premium	(132,823)	75,257
Net realized capital gains	90,783	(312,407)
Deferred income tax	(2,180,678)	—
Effect of exchange rate changes on cash and cash equivalents	54,871	1,110,565
Changes in assets and liabilities:		
Accrued investment income	13,208	304,967
Premiums due and other receivables	18,905,955	29,443,446
Investment payables/receivables	(4,331,249)	4,337,806
Reinsurance recoverables and receivables	80,170	(28,207)
Current federal income taxes due to parent	2,353,733	1,105,205
Prepaid expenses	5,932,482	4,708,642
Policyholders' funds	3,171,418	41,112
Unpaid claims	(24,931,704)	(5,384,721)
Experience rated liability	(4,678,065)	7,393,516
Unearned premiums	(31,622,985)	(31,307,905)
Amount due to reinsurers	(479)	—
Amount due to/from affiliates	17,702,151	6,957,158
Commissions due	(3,684,912)	(4,695,408)
Other liabilities	507,500	4,261,204
Net cash (used) provided by operating activities	(12,260,850)	17,802,354
Cash flows from investing activities:		
Proceeds from debt securities matured and sold	9,451,665	51,362,878
Cost of debt securities purchased	(2,468,625)	(19,579,041)
Net cash provided by investing activities	6,983,040	31,783,837
Cash flows from financing activities:		
Return of capital	(40,000,000)	—
Net cash used for financing activities	(40,000,000)	—
Net change in cash and cash equivalents	(45,277,810)	49,586,191
Cash and cash equivalents, beginning of year	143,985,913	94,399,722
Cash and cash equivalents, end of year	$ 98,708,103	$ 143,985,913
Supplemental cash flow information:		
Income taxes refunded	$ 691,590	$ 1,009,456

See accompanying notes to financial statements.

Notes to Financial Statements

(1) General

Aetna Life & Casualty (Bermuda) Ltd. (a Bermuda corporation) (the “Company”) is a wholly-owned subsidiary of Aetna International LLC, whose ultimate parent is CVS Health Corporation (“CVS Health”).

The Company primarily writes group accident and health business for expatriates worldwide. The Company also offered accidental death and dismemberment, term life and group disability products prior to its decision to no longer quote or renew these offerings effective February 1, 2020. The Company is operated and managed as one business segment.

On March 23, 2022, an Asset Purchase Agreement (“APA”) was signed between Aetna Global Benefits (UK) Limited (“AGBUK”), and AWP Health & Life SA, acting through its Irish Branch (“Allianz”). This APA covers rest of world (“ROW”) medical insurance business (including fronted business) written by Aetna International Group including the Company. ROW excludes USA domestic business. Under the terms of the APA, AGBUK and its affiliates have introduced the Company’s existing customers to Allianz at renewal. Support for the migration of the Company’s business under the APA continued through 2023. This agreement became effective on May 17, 2022 and under terms specified in the APA, an up-front consideration was paid by Allianz to AGBUK in June 2022. There was a further deferred consideration amount, variable in nature, which was payable by Allianz upon completion of the business migration at the end of 2023. The amount of the deferred compensation to be paid by Allianz to AGBUK was formulaic in nature and conditional on performance criteria which was reasonably estimated as of December 31, 2023.

For the year ended December 31, 2023, the Company recognized its fair share (see note 2(b)) of the expected deferred consideration payable by Allianz upon completion of the business migration included in the APA totaling $6,518,200.

Liabilities ceded to the Company under reinsurance agreements with various business fronting partners were settled under Commutation and Release Agreements effective December 1, 2023. There was a novation agreement for one business fronting partner, which transferred all relevant ceded reinsurance obligations for this fronting partner on December 1, 2023 from Aetna Insurance Company Limited (“AICL”), a related party within the CVS Health group, to the Company. China fronting partners are expected to commute during 2024.

Effective July 10, 2023, the Company entered into a Master Services Agreement with MSH International (“MSH”), a Third Party Administrator (“TPA”) to directly support the ROW Run-Off business. MSH will act as a TPA for the ROW Run-Off business either directly for the Company or indirectly in respect of new arrangements MSH established with fronting partners.

Effective October 1, 2023, the Company entered into a reinsurance agreement with AWP Health & Life S.A. Under the terms of the agreement, the Company assumes liability arising under insurance policies related to European cover as agreed upon between the parties.

Effective December 1, 2023, the Company entered into Excess of Loss Reinsurance agreements with various fronting partners previously reinsured to the Company. Under the terms of these agreements, the Company will reimburse the reinsured for net losses incurred by the reinsured in excess of the IBNR calculated in accordance with the Commutation and Release Agreements. The Excess of Loss Reinsurance agreements will expire 3 years from commencement.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The following are the significant accounting policies adopted by the Company.

(b) Revenue Recognition

Premiums are recognized as revenue in the month in which the enrollee is entitled to receive health care services. Premiums are reported net of an allowance for estimated terminations (retroactivity adjustments) and uncollectible amounts. Premiums related to unexpired contractual coverage periods are reported as unearned premiums on the Balance Sheets and recognized as revenue when earned.

The Company's billings may be subsequently adjusted to reflect enrollment changes due to member terminations or other factors. These adjustments are known as retroactivity adjustments. In each period, the Company estimates the amount of future retroactivity and adjusts the recorded revenue accordingly. As information regarding actual retroactivity amounts becomes known, the Company refines its estimates and records any required adjustments to revenues in the period in which they arise. The balance of the Company estimate for enrollment changes due to member or other factors was $980,983 and $1,607,434 at December 31, 2023 and 2022, respectively, and is reflected as a reduction of premiums due and other receivables on the Balance Sheets.

Fees and other income consist primarily of deferred consideration for the APA and interest income.

The remaining Consideration for the APA will be paid to the Company's managing general underwriting agent, AGBUK, for all the Aetna International Group business. The amount of the consideration due to the Company was determined using underwriting factors agreed in the APA and applied to the estimated premium value for expiring contracts, allowing for experienced based assumptions on the level of business that migrates under the APA.

Some of the Company's contracts include guarantees with respect to certain functions, such as customer service response time, claim processing accuracy and claim processing turnaround time. With any of these guarantees, the Company is financially at risk if the conditions of the arrangements are not met, although the maximum amount at risk typically is limited to a percentage of the premium otherwise payable to the Company by the customer involved. The Company estimates its obligations under the terms of these guarantees and records its estimate as an offset to premium revenue.

(c) Investments

(i) Debt Securities

Debt securities consist primarily of U.S. Treasury and agency securities, corporate and foreign bonds and other debt securities. Debt securities are classified as available for sale and carried at fair value. Refer to Note 5 for additional information on how the Company estimates the fair value of these debt securities.

If a debt security is in an unrealized loss position and the Company has the intent to sell the security, or it is more likely than not that the Company will have to sell the security before recovery of its amortized cost basis, the amortized cost basis of the security is written down to its fair value and the difference is recognized in net income. If a debt security is in an unrealized loss position and the Company does not have the intent to sell and it is more likely than not that the Company will not have to sell such security before recovery of its amortized cost basis, the Company bifurcates the impairment into credit-related and noncredit related components. In evaluating whether a credit related loss exists, the Company considers a variety of factors including: the extent to which the fair value is less than the amortized cost basis; adverse conditions specifically related to the issuer of a security, an industry or geographic area; the payment structure of the security; the failure of the issuer of the security to make scheduled interest or principal payments; and any changes to the rating of the security by a rating agency. The amount of the credit-related component is recorded as an allowance for credit losses and recognized in net income, and the amount of the non-credit related component is included in other comprehensive income. Interest is not accrued on debt securities when management believes the collection of interest is unlikely.

The credit-related component is determined by comparing the present value of cash flows expected to be collected from the security, considering all reasonably available information relevant to the collectability of the security, with the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis of the security, the Company records an allowance for credit losses, which is limited by the amount that the fair value is less than amortized cost basis.

For mortgage-backed and other asset-backed securities, the Company recognizes income using an effective yield based on anticipated prepayments and the estimated economic life of the securities. When estimates of prepayments change, the effective yield is recalculated to reflect actual payments to date and anticipated future payments. The Company's investment in the security is adjusted to the amount that would have existed had the new effective yield been applied since the acquisition of the security, with adjustments recognized in net income.

(ii) Net Investment Income and Realized Capital Gains and Losses

Net investment income on the Company's investments is recorded when earned and is reflected in the Company's net income in the Statements of Operations.

Realized capital gains and losses are reflected in the Company's net income in the Statements of Operations and are determined on a specific identification basis. Purchases and sales of debt securities are reflected on the trade date.

Unrealized capital gains and losses on investments are reflected in shareholder's equity, net of tax, as a component of accumulated other comprehensive loss in the Balance Sheets.

(d) Commissions

Generally, commissions related to the Company's business are expensed as incurred. Commissions represent payments to brokers on new policies and renewal business sold by the Company.

(e) Policyholders' Funds and Related Experience Rated Balances

The estimated liabilities for experience rated refunds are established in anticipation of the payment of premium refunds. The refunds are determined by a pre-established formula, which limits the percentage of premiums retained by the Company after claim disbursements. An experience rated asset is recorded if sufficient stabilization reserves are available to offset unfavorable experience. Premium stabilization reserves exist when, in accordance with a funding contract, contributions or premiums paid by participating employers during a contract year exceed the total claims paid, change in reserves and the administrative and risk charges made by the plan. The premium stabilization reserve is shown on the Balance Sheets as Policyholders' funds.

(f) Unpaid Claims

Unpaid claims include estimates of accident and health and short-duration group disability payments the Company will make for (i) services rendered to the Company's insured members but not yet reported to the Company and (ii) claims which have been reported to the Company but not yet paid, each as of the financial statement date (collectively "IBNR"). Accident and health estimates are developed using actuarial principles and assumptions which consider, among other things, historical and projected claim submission and processing patterns, assumed and historical medical cost trends, historical utilization of services, claim inventory levels, changes in insured membership and product mix, seasonality and other relevant factors. The Company reflects changes in these estimates in benefit costs in the Company's operating results in the period they are determined. Reserves associated with short-duration group disability contracts, including an estimate for IBNR as of the financial statement date, are based upon the Company's estimate of the present value of future benefits, which is based on assumed investment yields and assumptions regarding mortality, morbidity and recoveries from government programs. Unpaid claims also include estimates for life claims incurred but not reported to the Company as of the balance sheet date. In general, the claim reserves for term life policies have been established based upon an expected loss ratio for each class of business. Expected loss ratios represent the Company's best estimate of ultimate losses.

The Company discounts certain claim liabilities related to group long-term disability and life insurance waiver of premium contracts. The discounted amount of these liabilities was $1,687,831 and $33,277 in 2023 and $2,133,885 and $75,708 in 2022, respectively. The undiscounted amount of these liabilities was $1,816,672 and $44,500 in 2023 and $2,357,883 and $97,529 in 2022, respectively. For 2023 and 2022, the discount rates were set based on indices consistent with the requirements of the U.S. Standard Valuation Law and vary based on the disability date of the insured. The discount rates associated with the Company's claim liabilities related to group long-term disability were 5.50% to 5.75% in 2023 and 2022. The discount rates associated with the Company's claim liabilities related to life premium waiver were 4.5% in 2023 and ranged from 4.00% to 6.00% in 2022.

For each reporting period, the Company uses an extensive degree of judgment in the process of estimating its unpaid claims. As a result, considerable variability and uncertainty is inherent in such estimates, particularly with respect to claims with claim incurred dates of three months or less before the financial statement date; and the adequacy of such estimates is highly sensitive to changes in assumed completion factors and the assumed unpaid claim trend rates. For each reporting period the Company recognizes the actuarial best estimate of unpaid claims considering the potential volatility in assumed completion factors and unpaid claim trend rates, as well as other factors. The Company believes its estimate of accident and health unpaid claims is reasonable and adequate to cover its obligations at December 31, 2023; however, actual claim payments may differ from the Company's estimates. A worsening (or improvement) of the Company's accident and health unpaid claims trend rates or changes in completion factors from those that the Company assumed in estimating accident and health unpaid claims at December 31, 2023 would cause these estimates to change in the near term, and such a change could be material.

Each quarter, the Company re-examines previously established unpaid claims estimates based on actual claim payments for prior periods and other changes in facts and circumstances. Given the extensive degree of judgment in this estimate, it is possible that the Company's estimates of unpaid claims could develop either favorably (that is, it's actual benefit costs for the period were less than estimated) or unfavorably. The changes in the Company's estimate of unpaid claims may relate to a prior quarter, prior year or earlier periods. For a roll forward of the Company's accident and health unpaid claims, see Note 8. The Company's reserving practice is to consistently recognize the actuarial best estimate of its ultimate liability for health unpaid claims.

(g) Premium Deficiency Reserves

The Company evaluates its short-duration insurance contracts to determine if it is probable that a loss will be incurred. A premium deficiency loss is recognized when it is probable that expected future claims, including maintenance costs (for example, claim processing costs), will exceed anticipated future premiums. Anticipated investment income is not considered in the calculation of premium deficiency losses. For purposes of determining premium deficiency losses, contracts are grouped consistent with the Company's method of acquiring, servicing and measuring the profitability of such contracts. The Company did not have any premium deficiency reserves at December 31, 2023 and 2022.

(h) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and temporary investments with original maturities of three months or less when purchased.

(i) Foreign Currencies

Transactions in foreign currencies are settled at the rate of exchange in effect at the end of the day in which the transaction took place. The resulting transaction adjustment is reflected in the Statements of Operations in net realized capital gains in the amount of $94,831 and $1,102,078 for 2023 and 2022, respectively.

(j) Reinsurance

In the normal course of business, the Company enters into reinsurance agreements with other insurance companies, primarily related to its health and disability products (refer to Note 8). Ceded reinsurance agreements permit the Company to recover a portion of its losses from reinsurers, although they do not discharge the Company's primary liability as the direct insurer of the risks reinsured. Failure of reinsurers to indemnify the Company could result in losses; however, the Company does not expect charges for unrecoverable reinsurance to have a material effect on its operating results or financial condition. The Company evaluates and monitors the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurers' insolvencies. Reinsurance recoverables are recorded as assets on the Balance Sheets.

The Company has fronting agreements with China Life Insurance Co., Ltd. and Huatai Insurance Co., Ltd. Gross premium receivable and offsetting payable balances for the years ended December 31 are as follows:

	2023		
	China Life Insurance Co., Ltd.	Huatai Insurance Co., Ltd.	Total
Gross premium receivable	$ 271,927	$ 33,485	$ 305,412
Fronting fees, claim fees, broker commissions payable	(577,297)	(1,284,826)	(1,862,123)
Unearned premium liability	—	—	—
Total net payable	$ (305,370)	$ (1,251,341)	$ (1,556,711)

	2022		
	China Life Insurance Co., Ltd.	Huatai Insurance Co., Ltd.	Total
Gross premium receivable	$ 2,601,639	$ 7,335,944	$ 9,937,583
Fronting fees, claim fees, broker commissions payable	(6,101,030)	(7,777,527)	(13,878,557)
Unearned premium liability	(987,833)	(4,565,804)	(5,553,637)
Total net payable	$ (4,487,224)	$ (5,007,387)	$ (9,494,611)

(k) Taxation

The Company made an irrevocable election under Section 953(d) of the Internal Revenue Code to be treated as a domestic insurance company for U.S. Federal income tax purposes. As a result of the election, the Company is subject to U.S. taxation on its worldwide income as if it were a U.S. corporation. The Company records its liability and expense for income taxes under the requirements of Accounting Standard Codification (ASC) 740. Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax purposes, measured by applying currently enacted laws. Valuation allowances are provided when it is considered more likely than not that deferred tax assets will not be realized.

For the year ended December 31, 2023, the Company will be filing a separate company tax return.

As of December 31, 2023, the Company has a capital loss carryforward of $24,601 and a net operating loss carryforward of $863,076 for tax purposes. As of December 31, 2022, the Company had no capital loss carryforward and a net operating loss carryforward of $1,568,734 for tax purposes.

The Company was part of the CVS Health Corporation and Subsidiaries federal income tax return until February 16, 2021. CVS Health participated in the Compliance Assurance Process (“CAP”) with the Internal Revenue Service (“IRS”) up to and including tax year 2019. Under the CAP, the IRS undertakes its audit procedures concurrently during the tax year and in the subsequent year as the tax return is being prepared for filing. The IRS has completed its examinations of the consolidated and certain separate U.S. federal income tax returns filed for CVS Health and Subsidiaries, of which the Company was formerly a part of, through tax year 2019, with the exception of tax year 2017. The IRS has substantially completed its examinations for 2017. The Company is also subject to audits by various state and local tax authorities for tax years 2014 through 2021.

The Company files a standalone U.S. Federal income tax return and meets the average “adjusted financial statement income” threshold for Corporate Alternative Minimum Tax (“CAMT”) calculations in 2023. As of December 31, 2023, the Company has determined that it is liable for CAMT expense of $1,127,682 in 2023 and has a CAMT credit deferred tax asset for the same amount.

On December 27, 2023, the Government of Bermuda enacted the Corporate Income Tax (“CIT”) Act of 2023 which established a 15 percent income tax on net taxable income of Bermuda entities effective January 1, 2025. The CIT regime provides for a one-time tax rebasing to fair value for all assets and liabilities of Bermuda tax resident entities and permanent establishments held as of September 30, 2023. This is referred to as the economic transition adjustment (“ETA”). The Company may make election to forego the ETA and, if such election is made, the Company would be allowed an opening tax loss carryforward (“NOL”) equal to the net taxable losses, if any, arising in the five fiscal years preceding January 1, 2025. As of December 31, 2023, the Company has not yet decided whether to opt for ETA or NOL. The Company’s exemption under prior Bermuda law will no longer be available once the CIT comes into effect.

(l) New Accounting pronouncements Recently Adopted

None that had a material impact.

(m) New Accounting Pronouncements Not Yet Adopted

Income Taxes
In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The standard requires the Company to provide further disaggregated income tax disclosures for specific categories on the effective tax rate reconciliation, as well as additional information about federal, state/local and foreign income taxes. The standard also requires the

Company to annually disclose its income taxes paid (net of refunds received), disaggregated by jurisdiction. The standard is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The standard is to be applied on a prospective basis, although optional retrospective application is permitted. While the standard will require additional disclosures related to the Company's income taxes, the standard is not expected to have any impact on the Company's consolidated operating results, financial condition or cash flows.

(n) Use of Estimates

The preparation of the accompanying financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the amounts reported in the accompanying financial statements and notes. Actual results could differ from those estimates.

(3) Investments

Debt securities available for sale as of December 31, 2023 and 2022 were as follows:

	2023			
	Amortized Cost [1]	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government securities	$ 12,590,583	$ —	$ 568,005	$ 12,022,578
States, municipalities and political subdivisions	2,870,024	110,100	112,869	2,867,255
U.S. corporate securities	41,384,640	173,927	1,479,546	40,079,021
Foreign securities	3,533,805	—	96,456	3,437,349
Total Securities	$ 60,379,052	$ 284,027	$ 2,256,876	$ 58,406,203

	2022			
	Amortized Cost [1]	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government securities	$ 15,004,197	$ —	$ 735,115	$ 14,269,082
States, municipalities and political subdivisions	2,977,897	54,747	154,445	2,878,199
U.S. corporate securities	42,351,323	55,247	2,499,570	39,907,000
Foreign securities	7,041,506	—	453,398	6,588,108
Total Securities	$ 67,374,923	$ 109,994	$ 3,842,528	$ 63,642,389

[1] Effective January 1, 2020, the Company adopted the available-for-sale debt security impairment model under ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326). The new impairment model requires the write down of amortized cost through an allowance for credit losses, rather than through a reduction of the amortized cost basis of the available-for-sale debt security. There was no allowance for credit losses recorded on available-for-sale debt securities at December 31, 2023 and December 31, 2022.

The amortized cost and fair value of debt securities at December 31, 2023 is shown below by contractual maturity. Actual maturities may differ from contractual maturities because securities may be restructured, called or prepaid, or we intend to sell a security prior to maturity.

	Amortized Cost	Fair Value
Less than one year	$ 4,999,455	$ 4,955,630
One year through five years	36,032,125	35,065,390
After five years through ten years	9,191,475	8,722,360
Greater than ten years	10,155,997	9,662,823
Total	$ 60,379,052	$ 58,406,203

(a) *Unrealized Capital Losses*

Summarized below are the Company's debt securities held at December 31, 2023 and 2022, that were in an unrealized capital loss position, aggregated by the length of time the investments have been in that position:

	December 31, 2023								
	Less than 12 months			More than 12 months			Total		
	Number of Securities	Fair Value	Unrealized losses	Number of Securities	Fair Value	Unrealized losses	Number of Securities	Fair Value	Unrealized losses
U.S. government securities	1	$ 856,094	$ 37,001	2	$ 11,166,484	$ 531,004	3	$ 12,022,578	$ 568,005
States, municipalities and political subdivisions	—	—	—	1	1,197,015	112,869	1	1,197,015	112,869
U.S. corporate securities	—	—	—	25	29,657,683	1,479,546	25	29,657,683	1,479,546
Foreign securities	1	1,972,979	61,297	1	1,464,370	35,159	2	3,437,349	96,456
Total	2	$ 2,829,073	$ 98,298	29	$ 43,485,552	$ 2,158,578	31	$ 46,314,625	$ 2,256,876

	December 31, 2022								
	Less than 12 months			More than 12 months			Total		
	Number of Securities	Fair Value	Unrealized losses	Number of Securities	Fair Value	Unrealized losses	Number of Securities	Fair Value	Unrealized losses
U.S. government securities	4	$ 14,269,082	$ 735,115	—	$ —	$ —	4	$ 14,269,082	$ 735,115
States, municipalities and political subdivisions	1	1,261,987	154,445	—	—	—	1	1,261,987	154,445
U.S. corporate securities	26	31,890,090	1,547,378	5	6,248,476	952,192	31	38,138,566	2,499,570
Foreign securities	4	4,629,849	412,211	1	1,958,259	41,187	5	6,588,108	453,398
Total	35	$ 52,051,008	$ 2,849,149	6	$ 8,206,735	$ 993,379	41	$ 60,257,743	$ 3,842,528

The Company reviewed the securities in the table above and concluded that these are performing assets generating investment income to support the needs of the Company's business. In performing this review, the Company considered factors such as the quality of the investment security based on research performed by the Company's internal credit analysts and external rating agencies and the prospects of realizing the carrying value of the security based on the investment's current prospects for recovery. At December 31, 2023, we did not intend to sell these securities and did not believe it was more likely than not that it would be required to sell these securities prior to anticipated recovery of their amortized cost basis.

The maturity dates for debt securities in an unrealized capital loss position at December 31, 2023 were as follows:

	Fair Value	Unrealized losses
Due to mature:		
Less than one year	$ 4,955,630	$ 43,825
One year through five years	28,701,743	988,919
After five years through ten years	5,054,940	561,033
Greater than ten years	7,602,312	663,099
Total	$ 46,314,625	$ 2,256,876

The Company did not incur any credit-related impairments in 2023 for those securities held at year end.

(b) Net Investment Income

The components of net investment income for the years ended December 31 are as follows:

	2023	2022
Debt securities	$ 2,214,285	$ 2,491,360
Cash equivalents	4,841,105	1,842,339
Gross investment income	7,055,390	4,333,699
Less investment expenses	128,906	145,340
Net investment income	$ 6,926,484	$ 4,188,359

(c) Realized Capital (Losses) Gains

Net realized capital (losses) gains for the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
OTTI losses on debt securities recognized in earnings	$ (17,054)	$ (239,228)
Other net realized capital (losses) gains	(73,729)	551,635
Net realized capital (losses) gains [1]	$ (90,783)	$ 312,407

[1] Net realized capital (losses) gains are net of other-than-temporary impairment ("OTTI") yield-related impairment losses on debt securities for the years ended December 31, 2023 and December 31, 2022. There were no credit-related losses on debt securities held at year ended December 31, 2023.

Proceeds from the sale of debt securities and the related gross realized capital gains and losses for 2023 and 2022 excluding the effect of foreign currency were as follows:

	2023	2022
Proceeds on sales	$ 1,366,665	$ 32,888,338
Gross realized capital gains	—	582,506
Gross realized capital losses	128,600	1,141,437

(4) Prepaid Expenses

Prepaid expenses primarily relate to deferred acquisition costs for deferred commissions and broker fees payable and deferred fronting fees. The deferred acquisition costs totaled $0 and $6,178,105 at December 31, 2023 and 2022, respectively.

(5) Financial Instruments Measured at Fair Value in the Company’s Balance Sheets

Certain of the Company’s financial instruments are measured at fair value in the Company’s Balance Sheets. The fair value of these instruments are based on valuations that include inputs that can be classified within one of three levels of a hierarchy established by GAAP. The following are the levels of the hierarchy and a brief description of the type of valuation information (inputs) that qualifies a financial asset or liability for each level:

- **Level 1** – Unadjusted quoted prices for identical assets in active markets.
- **Level 2** – Inputs other than Level 1 that are based on observable market data. These include: quoted prices for similar assets in active markets, quoted prices for identical assets in inactive markets, inputs that are observable that are not prices (such as interest rates and credit risks) and inputs that are derived from or corroborated by observable markets.
- **Level 3** – Developed from unobservable data, reflecting the Company’s own assumptions.

Financial assets and liabilities are classified based upon the lowest level of input that is significant to the valuation. When quoted prices in active markets for identical assets and liabilities are available, the Company uses these quoted market prices to determine the fair value of financial assets and liabilities and classify these assets and liabilities in Level 1. In other cases where a quoted market price for identical assets and liabilities in an active market is either not available or not observable, the Company estimates fair value using valuation methodologies based on available and observable market information or by using a matrix pricing model. These financial assets and liabilities would then be classified in Level 2. If quoted market prices are not available, the Company determines fair value using broker quotes or an internal analysis of each investment's financial performance and cash flow projections. Thus, financial assets and liabilities may be classified in Level 3 even though there may be some significant inputs that may be observable.

The following is a description of the valuation methodologies used for the Company's financial assets measured at fair value, including the general classification of such assets pursuant to the valuation hierarchy.

Cash and Cash Equivalents – The carrying value of cash and cash equivalents approximates fair value as maturities are less than three months. When quoted prices are available in an active market, cash equivalents are classified in Level 1 of the fair value hierarchy. Fair values of cash equivalent instruments that do not trade on a regular basis in active markets are classified as Level 2.

Debt Securities – Where quoted prices are available in an active market, the Company's debt securities are classified in Level 1 of the fair value hierarchy. Level 1 debt securities are comprised primarily of U.S. Treasury securities.

The fair values of the Company's Level 2 debt securities are obtained using models such as matrix pricing, which use quoted market prices of debt securities with similar characteristics, or discounted cash flows to estimate fair value. The Company reviews these prices to ensure they are based on observable market inputs that include, but are not limited to, quoted prices for similar assets in active markets, quoted prices for identical assets in inactive markets and inputs that are observable but not prices (for example, interest rates and credit risks). The Company also reviews the methodologies and the assumptions used to calculate prices from these observable inputs. On a quarterly basis, the Company selects a sample of its Level 2 debt securities' prices and compares them to prices provided by a secondary source. Variances over a specified threshold are identified and reviewed to confirm the price provided by the primary source represents an appropriate estimate of fair value. In addition, the Company's internal investment team consistently compares the prices obtained for select Level 2 debt securities to the team's own independent estimates of fair value for those securities. The Company obtained one price for each of its Level 2 debt securities and did not adjust any of these prices at December 31, 2023 or 2022.

There were no liabilities measured at fair value at December 31, 2023 and 2022. The financial assets with changes in fair value that are measured on a recurring basis at December 31, 2023 and 2022 were as follows:

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 79,577,979	$ 19,130,124	$ —	$ 98,708,103
Debt securities:				
U.S. government securities	12,022,578	—	—	12,022,578
State, municipalities and political subdivisions	—	2,867,255	—	2,867,255
U.S. corporate securities	—	40,079,021	—	40,079,021
Foreign securities	—	3,437,349	—	3,437,349
Total debt securities	12,022,578	46,383,625	—	58,406,203
Total	$ 91,600,557	$ 65,513,749	$ —	$ 157,114,306

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 61,228,714	$ 82,757,199	$ —	$ 143,985,913
Debt securities:				
U.S. government securities	14,269,082	—	—	14,269,082
State, municipalities and political subdivisions	—	2,878,199	—	2,878,199
U.S. corporate securities	—	39,907,000	—	39,907,000
Foreign securities	—	6,588,108	—	6,588,108
Total debt securities	14,269,082	49,373,307	—	63,642,389
Total	$ 75,497,796	$ 132,130,506	$ —	$ 207,628,302

There were no transfers between Levels 1 and 2 during the years ended December 31, 2023 and 2022.

There were no Level 3 financial assets or transfers into or out of Level 3 for the years ended December 31, 2023 and 2022.

(6) Net Unrealized Capital Losses

Net unrealized capital losses included in accumulated other comprehensive loss were as follows:

	2023	2022
Debt securities	$ (1,972,849)	$ (3,732,534)
Income taxes	(1,556,889)	(1,556,890)
Net after taxes	$ (3,529,738)	$ (5,289,423)

Reclassification Adjustment

Changes in accumulated other comprehensive income related to net unrealized gains (losses) on securities were as follows (net of tax):

	2023		
	Before Tax Amount	Tax Benefit	After Tax Amount
Net unrealized holding gains arising during period	$ 1,635,371	$ 27,072	$ 1,662,443
Less: Reclassification adjustment for realized gains included in net income (pretax)	124,314	(27,072)	97,242
Net unrealized gains	$ 1,759,685	$ —	$ 1,759,685

	2022		
	Before Tax Amount	Tax Benefit	After Tax Amount
Net unrealized holding losses arising during period	$ (11,195,735)	$ 121,613	$ (11,074,122)
Less: Reclassification adjustment for realized gains included in net income (pretax)	558,282	(121,613)	436,669
Net unrealized losses	$ (10,637,453)	$ —	$ (10,637,453)

(7) Letters of Credit

(a) Cayman Island Monetary Authority

The Company has deposit funds at the Bank of Butterfield Cayman in the amount of $15,112,044 and $14,464,081 at December 31, 2023 and 2022, respectively.

The funds were placed on deposit at the Bank of Butterfield Cayman to meet the requirements mandated by the Cayman Island Monetary Authority insurance regulations, requiring all insurance companies writing insurance policies in the Cayman Islands to deposit funds, investments or other acceptable financial instruments up to an amount sufficient to cover the insurance reserves, calculated annually at May 1, for policies issued and in force in the Cayman Islands.

At December 31, 2023 and 2022, the insurance reserves pertaining to the policies issued and in force in the Cayman Islands were $6,388,318 and $4,702,521, respectively.

The Cayman Island Monetary Authority and the Financial Services Commission have recourse to these funds, in the event that the Company defaults in meeting its insurance obligations on policies issued in the jurisdiction and should fail to correct any such defaults within sixty (60) and thirty (30) days, respectively, of notification of such defaults. As of December 31, 2023, the Company is not aware of any default in meeting its insurance obligations.

(b) HEREF Farnborough Limited

The Company was issued one letter of guarantee in favor of Farnborough Business Park Limited in the amount of GBP 687,170. The British Pounds corresponded to United States dollars of $874,788 at December 31, 2023. This letter of guarantee was issued by Citibank International Ltd. for the account of Citibank Europe PLC and will expire on August 25, 2024.

The Company had an outstanding letter of guarantee in favor of Farnborough Business Park Limited in the amount of GBP 687,170 at December 31, 2022. The letter of guarantee was issued by Citibank International Ltd, for the account of Citibank Europe PLC and expired on October 26, 2023.

The letter of guarantee was issued at the request of the Company on behalf of Aetna Global Benefits (UK) Limited (the Tenant) in favor of Farnborough Business Park Limited (the Landlord) covering obligations of the Tenant towards the Landlord in relation to the lease of the Second Floor Second Floor West Wing on the property situated at 25 Templer Avenue, Farnborough Business Park, Farnborough (the Property).

The Landlord may draw on this letter of guarantee if the Tenant fails to fulfill certain obligations under the lease between the Landlord and the Tenant dated August 20, 2015 regarding the Property.

(8) Unpaid Claims

The following is information about incurred and cumulative paid health care claims development as of December 31, 2023 and 2022, net of reinsurance, and the total IBNR liabilities plus expected development on reported claims included within the net incurred claims amounts. Refer to Note 2 for information on how the Company estimates its IBNR reserve and health care unpaid claims as well as changes to those methodologies, if any. The Company's estimate of IBNR liabilities is primarily based on trend and completion factors. Claim frequency is not used in the calculation of the Company's liability. In addition, it is impracticable to disclose claim frequency information for health care claims due to the Company's inability to gather consistent claim frequency information across its multiple claims processing systems. Any claim frequency count disclosure would not be comparable across the Company's different claim processing systems and would not be consistent from period to period based on the volume of claims processed through each system. As a result, the Company has not included health care claim count frequency in the disclosures below.

	Incurred Health Care Claims, Net of Reinsurance For the Years Ended December 31,	
Date of Service	**2022**	**2023**
	(Unaudited)	
Prior Years	$ 321,500,716	$ 322,493,421
2022	176,934,112	171,303,463
2023		123,961,137
Total		$ 617,758,021

	Cumulative Paid Health Care Claims, Net of Reinsurance For the Years Ended December 31,	
Date of Service	**2022**	**2023**
	(Unaudited)	
Prior Years	$ 320,043,194	$ 321,468,421
2022	131,975,489	167,160,709
2023		106,735,274
Total		$ 595,364,404
Total outstanding liabilities for unpaid claims, net of reinsurance		$ 22,393,617

At December 31, 2023 and 2022, total health care liabilities for IBNR plus expected development on reported claims totaled approximately $24.1 million and $49.0 million, respectively.

The following table shows the components of the change in health care reserves, net of reinsurance, for the years ended December 31:

	2023	2022
Unpaid claims, beginning of the period	$ 46,416,145	$ 49,063,232
Less: Reinsurance recoverables	—	—
Unpaid claims, beginning of the period	46,416,145	49,063,232
Add: Components of incurred claims		
Current year	123,961,137	166,042,652
Prior years	(4,637,944)	(6,395,804)
Total incurred claims	119,323,193	159,646,848
Less: Claims paid		
Current year	106,735,274	131,975,489
Prior years	36,610,447	30,318,446
Total claims paid	143,345,721	162,293,935
Unpaid claims, end of the period	$ 22,393,617	$ 46,416,145

Excluded from the above are reserves of $33,277 and $1,687,831 at December 31, 2023 related to life products and group disability products and $113,497, $2,188,661, and $328,126 at December 31, 2022, related to life products, group disability products and provider claim liabilities. Our estimates of prior year's health care unpaid claims decreased by $4,637,944 and $6,395,804 in 2023 and 2022, respectively, because claims were settled for amounts less than originally estimated (i.e., the amount of claims incurred was lower than originally estimated), primarily due to lower health care cost trends.

(9) Current and Future Benefits

Components of current and future benefits for the years ended December 31 are:

	2023	2022
Benefits paid:		
Group accident and health	$ 143,345,721	$ 163,048,998
Long-term disability	675,314	657,317
Group life	44,000	37,350
Change in claim reserves:		
Group accident and health	(24,309,463)	(3,402,150)
Long-term disability	(500,830)	(437,770)
Group life	(80,221)	(27,989)
Current and future benefits	$ 119,174,521	$ 159,875,756

Excluded from above for the years ended December 31, 2023 and 2022 are items totaling $(20,068) and $(2,938,532), respectively, primarily related to provider liabilities and certain reinsurance agreements with Aetna Insurance Company Limited ("AICL"), Aetna International Hong Kong Limited ("AIHK") and Aetna Health Insurance Company of Europe Ltd. ("AHICE"). (See Note 11.)

(10) Premiums and Reinsurance

Gross premiums written, ceded, and earned for the years ended December 31 are as follows:

	2023	2022
Gross premiums written:		
Direct	$ 140,902,076	$ 183,295,592
Assumed	4,760,821	52,414,899
Total premiums written	145,662,897	235,710,491
Change in unearned premiums:		
Direct	18,843,557	13,316,193
Assumed	12,779,428	19,237,400
Total change in unearned premiums	31,622,985	32,553,593
Gross premiums earned	177,285,882	268,264,084
Change in allowance for estimated terminations and uncollectible amounts	626,451	605,993
Change in experience rating refunds reserves	(4,678,065)	(7,393,516)
Net Premiums Earned	$ 173,234,268	$ 261,476,561

(11) Related-Party Transactions

Aetna and its affiliates provided various administrative and support functions to the Company in 2023 and 2022. The financial statements reflect the actual charges incurred by Aetna and allocated to the Company based on services used. The charges by Aetna amounted to $16,116,041 and $24,106,311 in 2023 and 2022, respectively.

Aetna Life Insurance Company (ALIC) pays certain claims each month on behalf of the Company. The Company completes a settlement to ALIC for the prior month’s paid claims.

The Company returned capital in the amount of $40,000,000 in 2023. No dividends were paid in 2023 and 2022.

During 2016 and amended September 2022, the Company entered into a reinsurance agreement with AICL. Under the terms of the agreement, the Company assumes liability arising under policies of insurance issued by AICL to the Corporation of the President of The Church of Jesus Christ of Latter-Day Saints to cover its missionaries assigned to the European Union. The reinsured premiums and claims for this arrangement were $764,247 and $368,681 for the year ended December 31, 2023 and $859,806 and $716,046 for the year ended December 31, 2022. The reserves for this arrangement are included in unpaid claims on the Balance Sheets and were $0 and $391,610 at December 31, 2023 and 2022, respectively. This reinsurance agreement expired effective September 30, 2023 and novated to the Company.

During 2014, the Company entered into an Excess of Loss Reinsurance agreement with AICL, formerly known as InterGlobal Insurance Company Limited (IGICL). Under the terms of the agreement, the Company will reimburse AICL for claims paid in excess of $250,000 in respect of business written in AICL’s Private Medical Insurance and Personal Accident accounts. In return, the Company receives premium as stated under the terms of the agreement. For the year 2023, there was no material activity related to this agreement. For the year ended December 31, 2022, the premiums earned were $3,771,414 and claims incurred under this agreement were $1,353,406. This excess of loss reinsurance agreement was fully commuted on December 31, 2022.

During 2018, the Company entered into an Excess of Loss Reinsurance agreement with Aetna Insurance (Hong Kong) Limited ("AIHK"). Under the terms of this agreement, the Company will reimburse AIHK for claims paid in excess of $250,000 in respect of business written on AIHK. In return, the Company receives premium as stated under the terms of the agreement. For the year ended December 31, 2023, the premiums earned were $0 and claims incurred under this agreement were $0 and for the year ended December 31, 2022, the premiums earned were $860,934 and claims incurred under this agreement were $0. This excess of loss reinsurance agreement was fully commuted on December 31, 2022.

During 2020, the Company entered into an Excess of Loss Reinsurance agreement with Aetna Health Insurance Company of Europe ("AHICE"). Under the terms of this agreement, the Company will reimburse AHICE for claims paid in excess of $250,000 in respect of business written on AHICE. In return, the Company receives premium as stated under the terms of the agreement. For the year ended December 31, 2023, the premiums earned were $0 and claims incurred under this agreement were $0 and for the year ended December 31, 2022, the premiums earned were $331,786 and claims incurred under this agreement were $0. This excess of loss reinsurance agreement was fully commuted on December 31, 2022.

During 2021 and amended September 2022, the Company entered into a reinsurance agreement with AHICE. Under the terms of the agreement, the Company assumes liability arising under policies of insurance issued by AHICE to the Corporation of the President of The Church of Jesus Christ of Latter-Day Saints to cover its missionaries assigned to the European Union. The reinsured premiums and claims for this arrangement were $2,822,944 and $838,300 for the year ended December 31, 2023 and $3,022,527 and $903,901 for the year ended December 31, 2022. The reserves for this arrangement are included in unpaid claims on the Balance Sheets and were $0 and $322,916 at December 31, 2023 and 2022, respectively. This reinsurance agreement was terminated and novated to the Company effective September 30, 2023 and novated to the Company.

Effective January 1, 2017, the Company entered into an Employee Services Agreement with Aetna Resources, LLC to provide employee services and staffing resources for the operation and management of the Company. Expenses incurred under this arrangement for the years ended December 31, 2023 and December 31, 2022 amounted to $9,285,710 and $12,418,596, respectively.

Aetna Global Benefits (Bermuda) Limited ("AGB") and its various affiliates, are managing general underwriting agents for international private medical insurance. The Company is an underwriter for this business and reimburses AGB and its various affiliates for claims paid and recovers from AGB and its affiliates premium collected. In addition, the Company pays a fee to AGB and its various affiliates for administration and support functions provided. During 2017, the Company adopted a group wide transfer pricing policy to align the costs of services provided to the Company. The transfer pricing policy includes a markup and was in effect starting January 1, 2017. Fees paid to AGB and its affiliates for the years ended December 31, 2023 and December 31, 2022 were $30,045,585 and $62,759,937, respectively.

Significant payables at year end for transactions carried out with related parties during the year were as follows:

	2023	2022
Aetna Life Insurance Company	$ (54,333,737)	$ (46,647,851)
Aetna Global Benefits (UK) Limited	(840,332)	(3,634,213)
Aetna Shanghai Enterprise Services	(668,164)	(7,394,952)
Aetna Life Insurance Company	(639,814)	—
Aetna International Inc.	(584,897)	(668,013)
Aetna Global Benefits (Asia Pacific) Limited	(355,091)	—
Aetna Resources, LLC	(123,578)	(436,391)
Aetna Global Benefits Limited (DIFC)	(54,243)	(127,257)
Aetna Insurance Company Limited	—	(1,370,257)
Aetna Inc.	—	(1,230,379)
Goodhealth Worldwide Global Limited	—	(274,360)
Aetna Global Benefits (Europe) Limited	—	(32,206)
Aetna Health Insurance Company of Europe Ltd	—	(4,092)
Other	(34,404)	(58,728)
	$ (57,634,260)	$ (61,878,699)

Significant receivables at year end for transactions carried out with related parties during the year were as follows:

	2023	2022
Aetna Health Management LLC	$ 331,541	$ 169,634
Aetna Inc.	251,785	—
Aetna Global Benefits (Middle East) LLC	101,884	17,170,954
ALIC - SEG. 6 AUSHC CAN TRSTD	32,349	—
Aetna Insurance Company Limited	49,413	—
Aetna Global Benefits (Europe) Limited	6,764	—
Goodhealth Worldwide Global Limited	1,759	—
Aetna Global Benefits (Asia Pacific) Limited	—	3,517,890
Aetna Life Insurance Company	—	1,357,181
Goodhealth Worldwide (Asia) Limited	235	478,125
Other	—	28,536
	$ 775,730	$ 22,722,320

(12) Income Taxes

Bermuda

In December 2023, Bermuda enacted legislation that will impose a corporate income tax of 15% for tax years beginning January 1, 2025. As a result of the Company's election to be treated as a US entity for US federal income tax purposes, the Company's income is taxable in the United States at a 21% rate and such taxes would be creditable against the Bermuda income tax. Accordingly, the Company does not expect that it will be materially impacted by the Bermuda income tax when it is effective in 2025.

Under prior Bermuda law, the Company was not required to pay any taxes in Bermuda on income or capital gains. The Company had received notification from the Minister of Finance in Bermuda that in the event of any such taxes being imposed, the Company would be exempted from taxation until the year 2035.

United States

Income tax expense (benefit) for the year ended December 31 is comprised of:

	2023	2022
Current expense	$ 1,662,143	$ 95,749
Deferred expense	(2,180,678)	-
Provision for income taxes	$ (518,535)	$ 95,749

The difference between the effective tax rate of the Company and the U.S. federal statutory tax rate is as follows:

	2023		2022	
Tax (benefit) at statutory rate	$ 2,093,960	21.00%	$ (23,547)	21.00%
Other permanent differences	5,111	0.05%	4,163	(3.71%)
Change in valuation allowance	(3,196,527)	(32.06%)	(21,251)	18.95%
Non-US tax	344,247	3.45%	206,005	(183.72%)
State income tax provision	77,273	0.77%	(5,940)	5.30%
Prior year true-up and other	157,401	1.58%	(63,681)	62.09%
	$ (518,535)	(5.21%)	$ 95,749	(85.39%)

The tax effects of temporary differences that give rise to deferred tax assets and liabilities at December 31 were as follows:

	2023	2022
Deferred tax assets:		
Unpaid claims and claim adjustment expense	$ 69,703	$ 133,203
Unearned premium	118,254	1,496,007
Deferred acquisition costs	24,661	30,928
Net unrealized loss on debt securities	441,056	824,504
CAMT credit carryforward	1,127,682	-
Net operating loss carryforward	863,076	1,568,734
Other	33,056	2,231
Gross deferred tax assets	2,677,488	4,055,607
Deferred tax liabilities:		
Investments, net	99,930	62,150
Insurance reserves	-	16,178
Other	5	8
Gross deferred tax liabilities	99,935	78,336
Valuation allowance	396,875	3,977,271
Net deferred tax asset	$ 2,180,678	$ -

In assessing the realizability of the deferred tax asset, management considers whether it is more likely than not that some portion or all of each deferred tax asset will not be realized. The ultimate realization of a deferred tax asset is dependent upon generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the projections for future taxable income over the periods in which the deferred tax assets are deductible, management does not believe more likely than not that the Company will realize its capital deferred tax assets. Accordingly, a capital valuation allowance in the amount of $396,875 has been provided for at December 31, 2023. As of December 31, 2022, the Company had a valuation allowance of $3,977,351.

At December 31, 2023, an uncertain tax position related to a prior year financial restatement of unrealized gains/losses on foreign exchange in the amount of $2,750,433, including interest, is reflected on the Balance Sheets. As of December 31, 2022, the Company had an uncertain tax position of $2,603,314.

(13) Commitments and Contingencies

Litigation and Regulatory Proceedings

The following description of litigation and regulatory proceedings covers CVS Health and certain of its subsidiaries, including the Company. Certain of the proceedings described below may not impact the Company directly but may have an indirect impact on the Company as the Company is a member of the CVS Health holding company group (the “CVS Health Group”).

The CVS Health Group has been involved or is currently involved in numerous legal proceedings, including litigation, arbitration, government investigations, audits, reviews and claims. These include routine, regular and special investigations, audits and reviews by CMS, state insurance and health and welfare departments, the U.S. Department of Justice (the “DOJ”), state Attorneys General, the U.S. Drug Enforcement Administration (the “DEA”), the U.S. Federal Trade Commission (the “FTC”) and other governmental authorities.

Legal proceedings, in general, and securities, class action and multi-district litigation, in particular, and governmental special investigations, audits and reviews can be expensive and disruptive. Some of the litigation matters may purport or be determined to be class actions and/or involve parties seeking large and/or indeterminate amounts, including punitive or exemplary damages, and may remain unresolved for several years. The CVS Health Group also may be named from time to time in qui tam actions initiated by private third parties that could also be separately pursued by a governmental body. The results of legal proceedings, including government investigations, are often uncertain and difficult to predict, and the costs incurred in these matters can be substantial, regardless of the outcome.

The Company records accruals for outstanding legal matters when it believes it is probable that a loss will be incurred and the amount can be reasonably estimated. The Company evaluates, on a quarterly basis, developments in legal matters that could affect the amount of any accrual and developments that would make a loss contingency both probable and reasonably estimable. If a loss contingency is not both probable and reasonably estimable, the Company does not establish an accrued liability. Other than the controlled substances litigation accruals described below, none of the Company’s accruals for outstanding legal matters are material individually or in the aggregate to the Company’s consolidated balance sheets. Except as otherwise noted, the Company cannot predict with certainty the timing or outcome of the legal matters described below, and the Company is unable to reasonably estimate a possible loss or range of possible loss in excess of amounts already accrued for these matters. The Company believes that its defenses and assertions in pending legal proceedings have merit and does not believe that any of these pending matters, after consideration of applicable reserves and rights to indemnification, will have a material adverse effect on the Company’s financial position. Substantial unanticipated verdicts, fines and rulings, however, do sometimes occur, which could result in judgments against the Company, entry into settlements or a revision to its expectations regarding the outcome of certain matters, and such developments could have a material adverse effect on its results of operations. In addition, as a result of governmental investigations or proceedings, the Company may be subject to damages, civil or criminal fines or penalties, or other sanctions including possible suspension or loss of licensure and/or exclusion from participating in government programs. The outcome of such governmental investigations of proceedings could be material to the Company.

Provider Proceedings

The CVS Health Group is named as a defendant in purported class actions and individual lawsuits arising out of its practices related to the payment of claims for services rendered to its members by providers with whom the CVS Health Group has a contract and with whom the CVS Health Group does not have a contract ("out-of-network providers"). Among other things, these lawsuits allege that the CVS Health Group paid too little to its health plan members and/or providers for out-of-network services (including COVID-19 testing) and/or otherwise allege that the CVS Health Group failed to timely or appropriately pay or administer claims and benefits (including the CVS Health Group's post payment audit and collection practices). Other major health insurers are the subject of similar litigation or have settled similar litigation.

The CVS Health Group also has received subpoenas and/or requests for documents and other information from, and been investigated by, state Attorneys General and other state and/or federal regulators, legislators and agencies relating to claims payments, and the CVS Health Group is involved in other litigation regarding its out-of-network benefit payment and administration practices. It is reasonably possible that others could initiate additional litigation or additional regulatory action against the CVS Health Group with respect to its out-of-network benefit payment and/or administration practices.

Other Legal and Regulatory Proceedings

The CVS Health Group is also a party to other legal proceedings and is subject to government investigations, inquiries and audits, and has received and is cooperating with the government in response to CIDs, subpoenas, or similar process from various governmental agencies requesting information. These other legal proceedings and government actions include claims of or relating to bad faith, medical or professional malpractice, breach of fiduciary duty, claims processing, dispensing of medications, the use of medical testing devices in the in-home evaluation setting, non-compliance with state and federal regulatory regimes, marketing misconduct, denial of or failure to timely or appropriately pay or administer claims and benefits, provider network structure (including the use of performance-based networks and termination of provider contracts), rescission of insurance coverage, improper disclosure or use of personal information, anticompetitive practices, the CVS Health Group's participation in the 340B program, general contractual matters, product liability, intellectual property litigation, discrimination and employment litigation. Some of these other legal proceedings are or are purported to be class actions or derivative claims. The CVS Health Group is defending itself against the claims brought in these matters.

Awards to the CVS Health Group and others of certain government contracts, particularly Medicaid contracts and other contracts with government customers in the CVS Health Group's Health Care Benefits segment, frequently are subject to protests by unsuccessful bidders. These protests may result in awards to the CVS Health Group being reversed, delayed, or modified. The loss or delay in implementation of any government contract could adversely affect the CVS Health Group's operating results. The CVS Health Group will continue to defend contract awards it receives.

There also continues to be a heightened level of review and/or audit by regulatory authorities and legislators of, and increased litigation regarding, the CVS Health Group's and the rest of the health care and related benefits industry's business and reporting practices, including premium rate increases, utilization management, development and application of medical policies, complaint, grievance and appeal processing, information privacy, provider network structure (including provider network adequacy, the use of performance-based networks and termination of provider contracts), provider directory accuracy, calculation of minimum MLRs and/or payment of related rebates, delegated arrangements, rescission of insurance coverage, limited benefit health products, student health products, PBM practices (including manufacturers' rebates, pricing, the use of narrow networks and the placement of drugs in formulary tiers), sales practices, customer service practices, vendor oversight, and claim payment practices (including payments to out-of-network providers).

As a leading national health solutions company, the CVS Health Group regularly is the subject of government actions of the types described above. These government actions may prevent or delay the CVS Health Group from implementing planned premium rate increases and may result, and have resulted, in restrictions on the CVS Health Group's businesses, changes to or clarifications of the CVS Health Group's business practices, retroactive adjustments to premiums, refunds or other payments to members, beneficiaries, states or the federal government, withholding of premium payments to the CVS Health Group by government agencies, assessments of damages, civil or criminal fines or penalties, or other sanctions, including the possible suspension or loss of licensure and/or suspension or exclusion from participation in government programs.

The CVS Health Group can give no assurance that its businesses, financial condition, operating results and/or cash flows will not be materially adversely affected, or that the CVS Health Group will not be required to materially change its business practices, based on: (i) future enactment of new health care or other laws or regulations; (ii) the interpretation or application of existing laws or regulations as they may relate to one or more of the CVS Health Group's businesses, one or more of the industries in which the CVS Health Group competes and/or the health care industry generally; (iii) pending or future federal or state government investigations of one or more of the CVS Health Group's businesses, one or more of the industries in which the CVS Health Group competes and/or the health care industry generally; (iv) pending or future government audits, investigations or enforcement actions against the CVS Health Group; (v) adverse developments in any pending qui tam lawsuit against the CVS Health Group and/or the Company, whether sealed or unsealed, or in any future qui tam lawsuit that may be filed against the CVS Health Group and/or the Company; or (vi) adverse developments in pending or future legal proceedings against the CVS Health Group and/or the Company or affecting one or more of the industries in which the Company competes and/or the health care industry generally.

Litigation Insurance Coverage

The Company maintains insurance coverage for certain litigation exposures in an amount it believes is reasonable.

(14) Statutory Requirements

Under the Bermuda Insurance Act, 1978 and related regulations, the Company is subject to enhanced capital requirements in addition to minimum levels of solvency. The enhanced capital requirement (ECR) is determined by reference to a standardized statutory risk-based capital model used to measure the risk associated with the Company's assets, liabilities and premiums. If a company fails to maintain or meet the ECR, various degrees of regulatory action may be taken. Actual statutory capital and surplus is $66.8 million at December 31, 2023. The Company is allowed to pay cumulative dividends up to 25% of this total statutory capital and surplus in the financial year without prior notice to the Bermuda Monetary Authority. The principal difference between statutory capital and surplus and shareholder's equity presented in accordance with U.S. GAAP are unrelated party letters of credit and guarantees which are considered liabilities of the Company for statutory purposes. As of December 31, 2023, the Company met the ECR.

(15) Subsequent Events

The commutation and release agreements and excess of loss reinsurance arrangements with the Company and China Life Insurance Co., Ltd. and Huatai Insurance Co., Ltd. were executed and effective April 1, 2024.

The remaining Consideration for the APA was received by the Company's managing general underwriting agent, AGBUK, April 2024.

The Company evaluated subsequent events through April 25, 2024 and no further material events were identified other than what has been disclosed above.