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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Lion Reinsurance Company, Ltd.

Opinion

We have audited the condensed financial statements of Lion Reinsurance Company, Ltd. ("the Company"), which comprise the condensed balance sheet as at December 31, 2023, the condensed statements of income for the year then ended, capital and surplus, and notes to the condensed financial statements, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying condensed financial statements are prepared, in all material respects, in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Accounts Rules 2016 with respect to condensed general purpose financial statements (the "Legislation").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the condensed financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the condensed financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of accounting

We draw attention to Note 3 to the condensed financial statements, which describes the basis of accounting. The condensed financial statements are prepared to assist the Company to comply with the financial reporting provisions of the Legislation referred to above. The accounting policies used and the disclosures made are not intended to, and do not, comply with all of the requirements of U.S. Generally Accepted Accounting Principles. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the condensed financial statements

Management is responsible for the preparation of the condensed financial statements in accordance with the financial reporting provisions of the Legislation, and for such internal control as management determines is necessary to enable the preparation of condensed financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditor's responsibilities for the audit of the condensed financial statements

Our objectives are to obtain reasonable assurance about whether the condensed financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these condensed financial statements.

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

- Identify and assess the risks of material misstatement of the condensed financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the condensed financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
June 19, 2024

CONDENSED CONSOLIDATED BALANCE SHEET

Lion Reinsurance Company Ltd.

As at **December 31, 2023**

expressed in **United States Dollars**

| LINE No. | | 2023 | 2022 |
|----------|--|------------|------------|
| 1. | CASH AND CASH EQUIVALENTS | 599,808 | 607,464 |
| 2. | QUOTED INVESTMENTS: | | |
| (a) | Bonds and Debentures | | |
| | i. Held to maturity | | |
| | ii. Other | 54,319,216 | 41,297,643 |
| (b) | Total Bonds and Debentures | 54,319,216 | 41,297,643 |
| (c) | Equities | | |
| | i. Common stocks | | |
| | ii. Preferred stocks | | |
| | iii. Mutual funds | 5,626,276 | 5,471,203 |
| (d) | Total equities | 5,626,276 | 5,471,203 |
| (e) | Other quoted investments | | |
| (f) | Total quoted investments | 59,945,492 | 46,768,846 |
| 3. | UNQUOTED INVESTMENTS: | | |
| (a) | Bonds and Debentures | | |
| | i. Held to maturity | | |
| | ii. Other | | |
| (b) | Total Bonds and Debentures | - | - |
| (c) | Equities | | |
| | i. Common stocks | | |
| | ii. Preferred stocks | - | - |
| | iii. Mutual funds | | |
| (d) | Total equities | - | - |
| (e) | Other unquoted investments | | |
| (f) | Total unquoted investments | - | - |
| 4. | INVESTMENTS IN AND ADVANCES TO AFFILIATES | | |
| (a) | Unregulated entities that conduct ancillary services | | |
| (b) | Unregulated non-financial operating entities | | |
| (c) | Unregulated financial operating entities | | |
| (d) | Regulated non-insurance financial operating entities | 500,000 | 500,000 |
| (e) | Regulated insurance financial operating entities | | |
| (f) | Total investments in affiliates | 500,000 | 500,000 |
| (g) | Advances to affiliates | | |
| (h) | Total investments in and advances to affiliates | 500,000 | 500,000 |
| 5. | INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE: | | |
| (a) | First liens | | |
| (b) | Other than first liens | | |
| (c) | Total investments in mortgage loans on real estate | - | - |
| 6. | POLICY LOANS | | |
| 7. | REAL ESTATE: | | |
| (a) | Occupied by the company (less encumbrances) | | |
| (b) | Other properties (less encumbrances) | | |
| (c) | Total real estate | - | - |
| 8. | COLLATERAL LOANS | | |
| 9. | INVESTMENT INCOME DUE AND ACCRUED | 622,989 | 471,688 |
| 10. | ACCOUNTS AND PREMIUMS RECEIVABLE: | | |
| (a) | In course of collection | 7,728,745 | 7,184,587 |
| (b) | Deferred - not yet due | | |
| (c) | Receivables from retrocessional contracts | | |
| (d) | Total accounts and premiums receivable | 7,728,745 | 7,184,587 |
| 11. | REINSURANCE BALANCES RECEIVABLE: | | |
| (a) | Foreign affiliates | | |
| (b) | Domestic affiliates | | |
| (c) | Pools & associations | | |
| (d) | All other insurers | | |
| (e) | Total reinsurance balance receivable | - | - |
| 12. | FUNDS HELD BY CEDING REINSURERS | | |

CONDENSED CONSOLIDATED BALANCE SHEET

Lion Reinsurance Company Ltd.

As at **December 31, 2023**

expressed in **United States Dollars**

| LINE No. | | 2023 | 2022 |
|----------|--|------------|------------|
| 13. | SUNDRY ASSETS: | | |
| (a) | Derivative instruments | | |
| (b) | Segregated accounts companies - long-term business - variable annuities | | |
| (c) | Segregated accounts companies - long-term business - other | | |
| (d) | Segregated accounts companies - general business | | |
| (e) | Deposit assets | | |
| (f) | Deferred acquisition costs | | |
| (g) | Net receivables for investments sold | | |
| (h) | Other Sundry Assets (Specify) | | |
| (i) | Other Sundry Assets (Specify) | | |
| (j) | Other Sundry Assets (Specify) | | |
| (k) | Total sundry assets | - | - |
| 14. | LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS | | |
| (a) | Letters of credit | | |
| (b) | Guarantees | | |
| (c) | Other instruments | | |
| (e) | Total letters of credit, guarantees and other instruments | - | - |
| 15. | TOTAL | 69,397,034 | 55,532,585 |
| | TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS | | |
| 16. | UNEARNED PREMIUM RESERVE | | |
| (a) | Gross unearned premium reserves | 15,250,598 | 12,125,293 |
| (b) | Less: Ceded unearned premium reserve | | |
| | i. Foreign affiliates | 125,791 | 97,044 |
| | ii. Domestic affiliates | | |
| | iii. Pools & associations | | |
| | iv. All other insurers | | |
| (c) | Total ceded unearned premium reserve | 125,791 | 97,044 |
| (d) | Net unearned premium reserve | 15,124,807 | 12,028,249 |
| 17. | LOSS AND LOSS EXPENSE PROVISIONS: | | |
| (a) | Gross loss and loss expense provisions | 13,545,637 | 14,176,024 |
| (b) | Less: Reinsurance recoverable balance | | |
| | i. Foreign affiliates | 23,902 | 169,657 |
| | ii. Domestic affiliates | | |
| | iii. Pools & associations | | |
| | iv. All other reinsurers | | |
| (c) | Total reinsurance recoverable balance | 23,902 | 169,657 |
| (d) | Net loss and loss expense provisions | 13,521,735 | 14,006,367 |
| 18. | OTHER GENERAL BUSINESS INSURANCE RESERVES | | |
| 19. | TOTAL GENERAL BUSINESS INSURANCE RESERVES | 28,646,542 | 26,034,616 |
| | LONG-TERM BUSINESS INSURANCE RESERVES | | |
| 20. | RESERVE FOR REPORTED CLAIMS | | |
| 21. | RESERVE FOR UNREPORTED CLAIMS | | |
| 22. | POLICY RESERVES - LIFE | | |
| 23. | POLICY RESERVES - ACCIDENT AND HEALTH | | |
| 24. | POLICYHOLDERS' FUNDS ON DEPOSIT | | |
| 25. | LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS | | |
| 26. | OTHER LONG-TERM BUSINESS INSURANCE RESERVES | | |
| 27. | TOTAL LONG-TERM BUSINESS INSURANCE RESERVES | | |
| (a) | Total Gross Long-Term Business Insurance Reserves | - | - |
| (b) | Less: Reinsurance recoverable balance on long-term business | | |
| | (i) Foreign Affiliates | | |
| | (ii) Domestic Affiliates | | |
| | (iii) Pools and Associations | | |
| | (iv) All Other Insurers | | |
| (c) | Total Reinsurance Recoverable Balance | - | - |
| (d) | Total Net Long-Term Business Insurance Reserves | - | - |

CONDENSED CONSOLIDATED BALANCE SHEET

Lion Reinsurance Company Ltd.

As at **December 31, 2023**

expressed in **United States Dollars**

| LINE No. | 2023 | 2022 |
|---|-----------|-----------|
| OTHER LIABILITIES | | |
| 28. INSURANCE AND REINSURANCE BALANCES PAYABLE | 3,419,781 | 2,929,132 |
| 29. COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE | | |
| 30. LOANS AND NOTES PAYABLE | | |
| 31. (a) INCOME TAXES PAYABLE | | |
| (b) DEFERRED INCOME TAXES | | |
| 32. AMOUNTS DUE TO AFFILIATES | | |
| 33. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES | 76,954 | 64,421 |
| 34. FUNDS HELD UNDER REINSURANCE CONTRACTS: | | |
| 35. DIVIDENDS PAYABLE | | |
| 36. SUNDRY LIABILITIES: | | |
| (a) Derivative instruments | | |
| (b) Segregated accounts companies | | |
| (c) Deposit liabilities | | |
| (d) Net payable for investments purchased | | |
| (e) Advances Received | - | 57,545 |
| (f) Other sundry liabilities (specify) | | |
| (g) Other sundry liabilities (specify) | | |
| (h) Total sundry liabilities | - | 57,545 |
| 37. LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS: | | |
| (a) Letters of credit | | |
| (b) Guarantees | | |
| (c) Other instruments | | |
| (d) Total letters of credit, guarantees and other instruments | - | - |

CONDENSED CONSOLIDATED BALANCE SHEET

Lion Reinsurance Company Ltd.

As at **December 31, 2023**expressed in **United States Dollars****LINE No.**

| | 2023 | 2022 |
|--|-------------|-------------|
| 38. TOTAL OTHER LIABILITIES | 3,496,735 | 3,051,098 |
| 39. TOTAL INSURANCE RESERVES AND OTHER LIABILITIES | 32,143,277 | 29,085,714 |
| CAPITAL AND SURPLUS | | |
| 40. TOTAL CAPITAL AND SURPLUS | 37,253,757 | 26,446,871 |
| 41. TOTAL | 69,397,034 | 55,532,585 |

TRUE**TRUE**

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Lion Reinsurance Company Ltd.
 As at **December 31, 2023**
 expressed in **United States Dollars**

| LINE No. | 2023 | 2022 |
|---|-------------|-------------|
| GENERAL BUSINESS UNDERWRITING INCOME | | |
| 1. GROSS PREMIUMS WRITTEN | | |
| (a) Direct gross premiums written | 38,496,637 | 29,436,820 |
| (b) Assumed gross premiums written | | |
| (c) Total gross premiums written | 38,496,637 | 29,436,820 |
| 2. REINSURANCE PREMIUMS CEDED | 288,128 | 41,390 |
| 3. NET PREMIUMS WRITTEN | 38,208,509 | 29,395,430 |
| 4. INCREASE (DECREASE) IN UNEARNED PREMIUMS | (3,125,305) | (1,564,881) |
| 5. NET PREMIUMS EARNED | 35,083,204 | 27,830,549 |
| 6. OTHER INSURANCE INCOME | | |
| 7. TOTAL GENERAL BUSINESS UNDERWRITING INCOME | 35,083,204 | 27,830,549 |
| GENERAL BUSINESS UNDERWRITING EXPENSES | | |
| 8. NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED | 13,958,907 | 12,949,209 |
| 9. COMMISSIONS AND BROKERAGE | 10,824,012 | 7,241,377 |
| 10. TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES | 24,782,919 | 20,190,586 |
| 11. NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS | 10,300,285 | 7,639,963 |
| LONG-TERM BUSINESS INCOME | | |
| 12. GROSS PREMIUMS AND OTHER CONSIDERATIONS: | | |
| (a) Direct gross premiums and other considerations | | |
| (b) Assumed gross premiums and other considerations | | |
| (c) Total gross premiums and other considerations | - | - |
| 13. PREMIUMS CEDED | | |
| 14. NET PREMIUMS AND OTHER CONSIDERATIONS: | | |
| (a) Life | | |
| (b) Annuities | | |
| (c) Accident and health | | |
| (d) Total net premiums and other considerations | - | - |
| 15. OTHER INSURANCE INCOME | | |
| 16. TOTAL LONG-TERM BUSINESS INCOME | - | - |
| LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES | | |
| 17. CLAIMS - LIFE | | |
| 18. POLICYHOLDERS' DIVIDENDS | | |
| 19. SURRENDERS | | |
| 20. MATURITIES | | |
| 21. ANNUITIES | | |
| 22. ACCIDENT AND HEALTH BENEFITS | | |
| 23. COMMISSIONS | | |
| 24. OTHER | | |
| 25. TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES | - | - |
| 26. INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES): | | |
| (a) Life | | |
| (b) Annuities | | |
| (c) Accident and health | | |
| (d) Total increase (decrease) in policy reserves | - | - |

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Lion Reinsurance Company Ltd.
 As at **December 31, 2023**
 expressed in **United States Dollars**

| LINE No. | | 2023 | 2022 |
|----------|--|-------------------|--------------------|
| 27. | TOTAL LONG-TERM BUSINESS EXPENSES | - | - |
| 28. | NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS | - | - |
| 29. | COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS | <u>10,300,285</u> | <u>7,639,963</u> |
| | UNDERNOTED ITEMS | | |
| 30. | COMBINED OPERATING EXPENSE | | |
| | (a) General and administration | 592,517 | 452,456 |
| | (b) Personnel cost | | |
| | (c) Other | | |
| | (d) Total combined operating expenses | <u>592,517</u> | <u>452,456</u> |
| 31. | COMBINED INVESTMENT INCOME - NET | <u>2,025,650</u> | <u>1,348,446</u> |
| 32. | COMBINED OTHER INCOME (DEDUCTIONS) | <u>11,862</u> | <u>(1,169,567)</u> |
| 33. | COMBINED INCOME BEFORE TAXES | <u>11,745,280</u> | <u>7,366,386</u> |
| 34. | COMBINED INCOME TAXES (IF APPLICABLE): | | |
| | (a) Current | | |
| | (b) Deferred | | |
| | (c) Total | - | - |
| 35. | COMBINED INCOME BEFORE REALIZED GAINS (LOSSES) | 11,745,280 | 7,366,386 |
| 36. | COMBINED REALIZED GAINS (LOSSES) | <u>(50,113)</u> | <u>(18,740)</u> |
| 37. | COMBINED INTEREST CHARGES | | |
| 38. | NET INCOME | <u>11,695,167</u> | <u>7,347,646</u> |

CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

Lion Reinsurance Company Ltd.

As at
expressed in

December 31, 2023
United States Dollars

| LINE No. | | 2023 | 2022 |
|----------|--|-------------|-------------|
| 1. | CAPITAL: | | |
| (a) | Capital Stock | | |
| | (i) Common Shares | 4,000,000 | 4,000,000 |
| | authorized _____ shares of par | | |
| | value _____ each issued and | | |
| | fully paid _____ shares | | |
| | (ii) | | |
| | (A) Preferred shares: | | |
| | authorized _____ shares of par | | |
| | value _____ each issued and | | |
| | fully paid _____ shares | | |
| | aggregate liquidation value for – | | |
| | 2023 _____ | | |
| | 2022 _____ | | |
| | (B) Preferred shares issued by a subsidiary: | | |
| | authorized _____ shares of par | | |
| | value _____ each issued and | | |
| | fully paid _____ shares | | |
| | aggregate liquidation value for – | | |
| | 2023 _____ | | |
| | 2022 _____ | | |
| | (iii) Treasury Shares | | |
| | repurchased _____ shares of par | | |
| | value _____ each issued | | |
| (b) | Contributed surplus | | |
| (c) | Any other fixed capital | | |
| | (i) Hybrid capital instruments | | |
| | (ii) Guarantees and others | | |
| | (iii) Total any other fixed capital | - | - |
| (d) | Total Capital | 4,000,000 | 4,000,000 |
| 2. | SURPLUS: | | |
| (a) | Surplus - Beginning of Year | 22,446,871 | 21,883,970 |
| (b) | Add: Income for the year | 11,695,167 | 7,347,646 |
| (c) | Less: Dividends paid and payable | (3,000,000) | (1,500,000) |
| (d) | Add (Deduct) change in unrealized appreciation (depreciation) of investments | 2,111,719 | (5,284,745) |
| (e) | Add (Deduct) change in any other surplus | | |
| (f) | Surplus - End of Year | 33,253,757 | 22,446,871 |
| 3. | MINORITY INTEREST | | |
| 4. | TOTAL CAPITAL AND SURPLUS | 37,253,757 | 26,446,871 |

**NOTES TO CONDENSED CONSOLIDATED GENERAL PURPOSE FINANCIAL
STATEMENTS**

General Note to the Financial Statements

1. Lion Reinsurance Company, Ltd. (the “Company”) is incorporated under the laws of Bermuda and is a registered Class 3A Insurer under the Insurance Act 1978 of Bermuda, related regulations, and amendments thereto (“The Act”). The Company is a wholly owned subsidiary of ASSA Compania Tenedora, S.A., a Company incorporated in Panama. The Company’s ultimate parent is Grupo ASSA, s.a. (the “Parent Company”).
2. The Company assumes reinsurance risks only from its parent company and affiliates for property, liability, marine, life personal accident and health and miscellaneous coverages in Central America. The Company procures reinsurance as part of the group’s purchase of retrocession cover.
3. The Condensed General Purpose Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America permitted under the Insurance Act 1978 and the Insurance Rules 2016.
4. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Deferred Acquisition Costs

The costs of acquiring insurance policies that vary with and are related to the production of such policies are deferred and amortized over the period the related premiums are earned. Such costs include consisting of commissions and taxes relating to business underwritten by the Company. Deferred acquisition costs are reviewed to determine if they are recoverable from the future income, including investment income. If such costs are estimated to be unrecoverable, they are expensed in the period the determination is made.

Investments

Debt securities are classified as available for sale and are carried at fair value with unrealized gains and losses included in unrealized appreciation (depreciation) of investments under the condensed statement of capital and surplus.

The Company classifies its equity securities as available for sale. The changes in the fair value of equity investments are recognized in combined other income on the condensed statement of income.

A decline in the market value of any available for sale security below cost, that is deemed other than temporary, is charged to earnings, resulting in the establishment of a new cost basis for the security.

Realized gains and losses on sales of securities are recognized in net income on the specific identification basis.

Allowance for expected credit losses

The Company recognized changes in the allowance for expected credit losses on available for sale securities of \$21,892 (2022- \$90,672) for the year ended December 31, 2023 which is recognized

in “Combined Other income” in the condensed statement of income.

Losses and Loss Adjustment Expenses

Loss and loss expenses are charged to income as incurred based on the estimated liability for claim settlement costs arising from events that have occurred up to the balance sheet date. The Company’s cedants have a policy of requiring claims to be reported within 30 days from the date of the loss.

Loss and loss expense reserves are comprised of the estimated cost to settle all the reported claims but not settled at the date of the financial statements including claims administrative expenses. The amount of provision made is based on the information which is currently available, including potential claims which have been reported by the ceding insurers, their experience of the development of similar claims, historical trends, and actuarial assessment, along with other factors. Whilst the Company considers that the provision for these claims is fairly stated on the basis of the information currently available, the ultimate liability may vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Adjustments to the amount provided are reflected in the financial statements in the accounting period in which the adjustments arise.

Income Taxes

Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Bermuda Government that in the event of income or capital gains taxes being imposed, the Company will be exempted from such taxes until the year 2035.

On December 27, 2023 the Bermuda Corporate Income Tax Act 2023 became law which, effective January 1, 2025, introduces a 15% corporate income tax applicable to Bermuda businesses that are part of a multinational enterprise (“MNE”) group with annual revenue of at least €750M. The Company has worked with its advisors to analyze the impact of the new Bermuda tax rules. Based on the analysis it was concluded that the Company is not currently in scope of the new law, with the group not meeting the definition of an MNE group, and therefore there will be no impact to the financial statements.

Fair Value of Financial Instruments

The Company’s estimates of fair value for financial assets and financial liabilities are based on the framework established in ASC 820. The framework is based on the inputs used in valuation and gives the highest priority to quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the ASC 820 hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company’s significant market assumptions.

The three levels of the hierarchy are as follows:

- Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets that the Company can access.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable or can be corroborated by observable market data.
- Level 3 - Valuations based on models where significant inputs are not observable. The unobservable inputs reflect the Company’s own assumptions about the assumptions that market participants would use.

For investments that have quoted market prices in active markets, the Company uses the quoted market prices as fair value and includes these prices in the amounts disclosed in the Level 1 hierarchy. When quoted market prices are unavailable, the Company utilizes a pricing service to determine an estimate of fair value. These fair value estimates are included in the Level 2 hierarchy.

The Company will challenge any prices for its investments which are considered to not represent

fair value. If quoted market prices and an estimate from pricing services are unavailable, the Company produces an estimate of fair value based on dealer quotations for recent activity in positions with the same or similar characteristics to that being valued or through consensus pricing of a pricing service. Depending on the level of observable inputs, the Company will then determine if the estimate is Level 2 or Level 3 hierarchy.

The Company bases its estimates of fair values for assets on the bid price as it represents what a third-party market participant would be willing to pay in an arm's length transaction.

5. The basis of recognition of premium, investment and commission income is as follows:

a) Premiums assumed are recorded when advised by the ceding companies and are included in income on a straight-line basis over the period of the primary insurer's insurance contract. Any unearned premiums are deferred on the balance sheet in consistency with the primary insurer's unearned premiums. Reinsurance premiums ceded are similarly pro-rated over the terms of the insurance treaties with the unearned portion being deferred in the balance sheet as reinsurance premiums paid in advance.

b) Investment income, which consists of interest income from cash at bank, time deposits, and dividends from mutual funds and preferred shares, is recognised on the accrual basis.

c) Commission income is recognised on an accrual basis.

6. Not applicable

7. Not applicable

8. Not applicable

9. Not applicable

10. Not applicable

11. Not applicable

12. Not applicable

13. The following table provides the fair value hierarchy for all quoted and unquoted investments.

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------------------------|-------------------|------------------|----------------|-------------------|
| Investments - FVOCI | | | | |
| Corporate and Government Bonds | 54,319,216 | - | - | 54,319,216 |
| Investments - FVPL | | | | |
| Mutual Funds | - | 5,626,276 | - | 5,626,276 |
| Preferred Shares | - | - | 500,000 | 500,000 |
| | <u>54,319,216</u> | <u>5,626,276</u> | <u>500,000</u> | <u>60,445,492</u> |

14. The contractual maturity profile of the insurers' fixed maturity and short-term investments is as follows:

| | 2023 | |
|--|-------------------------------|-----------------------------|
| | Cost or Amortised Cost | Estimated Fair Value |
| Due in one year or less | \$ 11,903,715 | 10,592,334 |
| Due after one year through five years | 12,202,575 | 11,544,635 |
| Due after five years through ten years | 40,672,415 | 38,050,394 |
| Due after ten years | 743,794 | 707,518 |
| Total | \$ 65,522,500 | 60,894,882 |

15. The Company exclusively underwrites the risk of its holding and related corporations and premiums are received from and claims are paid to those related corporations. Therefore, the following assets, liabilities and transactions are conducted with related parties: reinsurance balances receivable, reinsurance premiums paid in advance, loss and loss expense reserves (net of reinsurance), reinsurance balances payable, net premiums assumed, loss and loss expenses incurred and net acquisition costs.

The Company has a \$500,000 investment in Series C preferred shares of La Hipotecaria (Holding) Inc. ("La Hipotecaria"), an entity under common control by Grupo ASSA, S.A. Dividend income of \$33,750 (2022: \$33,750) from La Hipotecaria was recorded during the year, \$1,387 (2022: \$1,387) of which are presented as part of "Accrued Investment Income".

16. Not applicable.

17. Not applicable.

Notes to the Consolidated Statement of Capital and Surplus

1(a) Capital Stock

As respects authorized capital stock the following is disclosed severally:

- a) There are 4,000,000 common shares authorized of U.S. dollars \$1.00 each. All the authorized shares are issued and fully paid.
- b) Not applicable.
- c) Not applicable.
- d) Not applicable.

1(b) Not applicable.

2(c) Cash dividends of \$3,000,000 were declared and paid for the year ended 31 December 2023.

Notes to the Consolidated Balance Sheet

1. Cash and cash equivalents
There are no encumbrances.
2. Quoted investments
Debt securities are valued using quoted market prices if available.
3. Unquoted investments
Not applicable.
4. Investment in and advances to affiliates
The Company's investment in Series C preferred shares of La Hipotecaria is carried at market value determined by the share price listed on a market which is not considered to be active.
5. Investments in mortgage loans on real estate
Not applicable
6. Policy loans
Not applicable.
7. Real estate
Not applicable.
8. Collateral loans
Not applicable
9. Investment income due and accrued.
Accrued investment income was \$622,989 at 31 December 2023.
10. Accounts and premiums receivable
 - (a) There are no collateralized balances.
 - (b) Premiums receivable of \$7,728,745 are due from various affiliates.
11. Reinsurance balances receivable
Not applicable.
12. Funds held by ceding reinsurers
Not applicable.
13. Sundry assets
Not applicable.
14. Letters of credit, guarantees and other
Not applicable.
16. Unearned premium reserve
The reserve for unearned premium represents the portion of premiums written relating to the unexpired term of insurance treaties prorated on a straight-line basis.

17. Loss and loss expense provisions

(a)

| | 2023 | 2022 |
|---|---------------------|---------------------|
| Balance at beginning of year | \$ 14,176,024 | \$ 12,267,952 |
| Less: Reinsurance recoverable, beginning of year | 169,657 | 222,742 |
| Net Loss and loss provision at beginning of year | <u>14,006,367</u> | <u>12,045,210</u> |
| Incurred Losses relating to: | | |
| Current year | 19,314,526 | 18,555,510 |
| Prior year | (5,355,619) | (5,606,301) |
| Total Incurred | <u>13,958,907</u> | <u>12,949,209</u> |
| Paid losses related to: | | |
| Current year | (10,157,925) | (8,570,545) |
| Prior year | (4,285,615) | (2,417,507) |
| Total paid losses | <u>(14,443,540)</u> | <u>(10,988,052)</u> |
| Net loss and loss expense provisions at end of year | 13,521,735 | 14,006,367 |
| Add: Reinsurance recoverable at end of year | 23,902 | 169,657 |
| Balance at end of year | <u>13,545,637</u> | <u>14,176,024</u> |

(b) The favourable adjustment in incurred losses relating to prior year is as a result of the change in the estimate of insured events mainly in the automobile line of business.

(c) Not applicable.

20. Reserves for reported claims

Loss and loss expenses are charged to income as incurred based on the estimated liability for claim settlement costs arising from events that have occurred up to the balance sheet date. The Company's cedants have a policy of requiring claims to be reported within 30 days from the date of the loss.

21. Reserves for unreported claims

The amount of provision made is based on the information, which is currently available, including potential claims which have been reported by the ceding insurers, their experience of the development of similar claims, historical trends, and actuarial assessment, along with other factors. Whilst the Company considers that the provision for these claims is fairly stated on the basis of the information currently available, the ultimate liability may vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Adjustments to the amount provided are reflected in the financial statements in the accounting period in which the adjustments arise.

22. Policy reserves – life
Not applicable

23. Policy reserves accident and health
Not applicable.

24. Policyholders' funds on deposit
Not applicable.

25. Liability for future policyholders' dividends
Not applicable

26. Other insurance reserves - long term
Not applicable

27. Total long-term business insurance reserves
Not applicable

28. Insurance and reinsurance balances payable
Losses payable, net of accounts paid in advance, in the amount of \$3,419,780 are due to affiliates.

29. Commissions, expenses, fees and taxes payable
Not applicable

- 30. Loans and notes payable
Not applicable
- 31. (a) Income taxes payable – not applicable
(b) Deferred income taxes – not applicable
- 32. Amounts due to affiliates
Not applicable.
- 33. Accounts payable and accrued liabilities
Accounts payable in the amount of \$76,954 are due for audit and actuarial fees.
- 34. Funds held under reinsurance contracts.
Not applicable.
- 35. Dividends payable
Not applicable.
- 36. Sundry liabilities
Not applicable.
- 37. Letters of credit, guarantees and other instruments
Not applicable.

Notes to the Consolidated Statement of income

- 6. Not applicable
- 15. Not applicable
- 32. Combined other income consists of the unrealized gain on equity instruments and the movement in the expected credit loss provision for debt securities.
- 36. Combined realized (gains) losses refers to realized losses on the sale of investments.