Xpedition Re Limited

(Incorporated in Bermuda)

Financial Statements

December 31, 2023 and 2022

(expressed in U.S. dollars)

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Xpedition Re Limited

Opinion
We have audited the financial statements of Xpedition Re Limited (incorporated in Bermuda) (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and comprehensive income (loss), changes in shareholder's equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 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 of the financial statements in accordance with auditing standards generally accepted in the United States of America (US 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 from 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 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 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 absolute assurance and therefore is

not a guarantee that an audit conducted in accordance with US 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 US 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
Management has omitted the required supplemental information pertaining to Short-Duration Contracts disclosures that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information is the responsibility of management and, although not a required part of the basic financial statements, is required by Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Grant Thornton LLP

Dallas, Texas
June 24, 2024

Xpedition Re Limited
Balance Sheet
As at December 31, 2023 and 2022

(expressed in U.S. dollars)

	2023 $	2022 $
Assets		
Cash, restricted cash and cash equivalents (Note 3)	5,778,845	5,692,965
Restricted investments – available for sale securities (Note 3 and 4)	8,530,774	7,802,266
Deferred acquisition costs (Note 12)	1,520,339	2,079,663
Premiums receivable (Note 9)	7,203,333	2,170,270
Due from related party	22,041	7,062
Accrued Interest	259	-
Total Assets	23,055,591	17,752,226
Liabilities		
Accrued expenses	113,684	83,320
Due to related party	3,757	3,757
Loss and loss expenses payable	14,943,869	3,775,882
Loss and loss expense provisions (Note 5)	4,487,941	3,724,395
Unearned premiums	3,898,306	3,978,372
Total Liabilities	23,447,557	11,565,726
Shareholder’s Equity (Deficit)		
Share capital -		
Authorized, issued and fully paid		
120,000 shares of a par value of $1 each	120,000	120,000
Contributed surplus (Note 7)	14,113,944	12,564,003
Accumulated other comprehensive Income/(Loss)	7,920	(5,121)
Accumulated deficit	(14,633,830)	(6,492,382)
Total Shareholder's Equity (Deficit)	(391,966)	6,186,500
Total Liabilities and Shareholder’s Equity (Deficit)	23,055,591	17,752,226

Approved by the Board of Directors

____________________ Director ____________________ Director

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

Xpedition Re Limited
Statements of Operations and Comprehensive Income / (Loss)
For the years ended December 31, 2023 and 2022

(expressed in U.S. dollars)

	2023 $	2022 $
Underwriting income		
Gross premiums written	17,485,980	17,372,049
Change in unearned premiums	80,066	(796,231)
Net premiums earned	17,566,046	16,575,818
Underwriting expenses		
Loss and loss expenses (Note 5)	13,131,533	7,910,940
Acquisition costs	13,012,242	12,054,189
Total underwriting expenses	26,143,775	19,965,129
Net underwriting (loss)/income	(8,577,729)	(3,389,311)
General and administrative expenses	(257,858)	(239,443)
Amortization on investments (Note 4)	681,377	179,600
Investment income (Note 4)	12,762	23,303
Net loss for the year	(8,141,448)	(3,425,851)
Other comprehensive income (loss)		
Other comprehensive income (loss)	13,041	(4,082)
Total loss for the year	(8,128,407)	(3,429,933)

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

Xpedition Re Limited
Statements of Changes in Shareholder’s Equity (Deficit)
For the year ended December 31, 2023 and 2022

(expressed in U.S. dollars)

	Contributed Surplus $	Share Capital $	Accumulated Deficit $	Accumulated Other Comprehensive Income / (Loss) $	Total $
January 1, 2022	9,309,510	120,000	(3,066,531)	(1,039)	6,361,940
Net loss for the year	-	-	(3,425,851)	-	(3,425,851)
Other comprehensive loss	-	-	-	(4,082)	(4,082)
Paid in surplus during year	3,254,493	-	-	-	3,254,493
Balance - December 31, 2022	12,564,003	120,000	(6,492,382)	(5,121)	6,186,500
Net loss for the year	-	-	(8,141,448)	-	(8,141,448)
Other comprehensive income	-	-	-	13,041	13,041
Paid in surplus during year	1,549,941	-	-	-	1,549,941
Balance - December 31, 2023	14,113,944	120,000	(14,633,830)	7,920	(391,966)

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

Xpedition Re Limited
Statements of Cash Flows
For the year ended December 31, 2023 and 2022

(expressed in U.S. dollars)

	2023 $	2022 $
Cash flows used in operating activities		
Net loss for the year	(8,141,448)	(3,425,851)
Adjustments to reconcile net loss to net cash flows (used in) provided by operating activities:		
Change in unrealized (loss) gain	13,041	(4,082)
Changes in operating assets and liabilities:		
Premiums receivable	(5,033,063)	(77,956)
Accrued interest	(259)	32,411
Deferred acquisition costs	559,324	(167,774)
Unearned premium reserves	(80,066)	796,231
Loss and loss expenses payable	11,167,987	2,901,947
Loss and loss expense provisions	763,546	2,398,669
Accounts payable and accruals	30,364	6,264
Net cash (used in)/provided by operating activities	(720,574)	2,459,859
Cash flows used in investing activities		
Purchases of investments	(67,517,110)	(76,907,142)
Proceeds from investments	66,773,623	73,967,075
Net cash used in investing activities	(743,487)	(2,940,067)
Cash flows from financing activity		
Contributed surplus received	1,549,941	3,254,493
Net cash provided by financing activities	1,549,941	3,254,493
Increase in cash and cash equivalents	85,880	2,774,285
Cash and cash equivalents - Beginning of year	5,692,965	2,918,680
Cash and cash equivalents – End of year	5,778,845	5,692,965

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

(expressed in U.S. dollars)

1. The Company

Xpedition Re Limited (the "Company"), a wholly owned subsidiary of Xpedition Re Holdings Limited (the "Parent"), was incorporated in Bermuda on May 23, 2017 and is registered as a Class 3A insurer under The Insurance Act 1978, amendments thereto and related regulations ("The Act") as of December 22, 2017. The Company reinsures travel risks written through an affiliated managing general agent. The reinsurance agreement commenced on January 1, 2018 and the Company's participation in these risks thereafter have been equal to a 100% quota share of the total business produced by UnivOps Insurance Services LLC ("UnivOps"), and written by select companies within the State National Group.

2. Significant accounting policies

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities as at the balance sheet date. Estimates also affect the reported amounts of income and expenses for the reporting period. Actual results could differ from those estimates.

The following is a summary of the significant accounting policies adopted by the Company:

(a) **Cash and cash equivalents**
Cash includes amounts held in financial institutions in operating accounts, treasury bills, and money market funds. The Company considers money market funds and securities with maturities within 3 months of the purchase date to be equivalent to cash. The carrying amount approximates fair value because of the short maturity of these investments.

(b) **Premiums written and unearned premiums**
Premiums are recognized as revenue on a pro-rated basis over the period of exposure. The exposure period is determined to be the date from which the policy was sold to the date the respective travel ends. The unearned portion of premiums is deferred on the balance sheet.

(c) **Acquisition costs and deferred acquisition costs**
Acquisition costs are comprised of ceding commissions, general agent commissions, partner commissions, and premium taxes that relate directly to the acquisition of premium.

Deferred acquisition costs are recognized in expenses on a pro-rated basis over the exposure period which is the date from which the policy was sold to the date the respective travel ends.

A premium deficiency exists if the sum of expected losses and loss adjusted expense and deferred acquisition costs exceed the related unearned premiums (and, if appropriate, expected future premium). In this event, deferred acquisition costs are immediately expensed to the extent necessary to eliminate the premium deficiency. The Company does not consider investment income in the calculation according to ASC 944-60-50.

(d) **Loss and loss expenses**
Losses and loss expenses are recognized as incurred and are based on the estimated ultimate cost of settlement. Measures of experience and judgement are involved in assessing outstanding liabilities, the ultimate cost of which may not be known with certainty at the balance sheet date.

(expressed in U.S. dollars)

2. Significant accounting policies (cont'd)

Such liabilities are necessarily based on estimates and while the directors and management believe that the amounts are fairly stated, the ultimate liability may be in excess of, or less than, the amounts provided.

(e) **Loss and loss expense provisions**
The provision for unpaid claims and claims expenses includes losses reported at the balance sheet date and an amount, based on past experience, for losses incurred but not reported ("IBNR"). The Company provides IBNR based on an analysis of the loss experience of the risks insured and the recommendations of independent actuaries. Adjustments to estimates will be included in the financial statements of subsequent periods when such adjustments become known.

(f) **Fair value of financial instruments**
Fair values of financial instruments are disclosed in the notes to the financial statements when they differ from the carrying values. Where amounts receivable and payable are subject to normal credit terms, their carrying values are used as an approximation of their fair values.

- Level 1 – inputs are based upon quoted prices for identical instruments traded in active markets.

- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for similar or identical instruments in inactive markets and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets and liabilities.

- Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models and similar valuation techniques.

(g) **Investments**
Fixed interest securities are classified as available-for-sale and are carried at fair value with the unrealized holding gain or loss reported in a separate component of accumulated other comprehensive income (loss).

Interest income is recognized on an accrual basis. Premium or discount on fixed interest securities purchased at amounts different from their par value are amortized using the straight-line method.

Realized gains and losses on sales of investments classified as available-for-sale are recognized in investment income on the specific identification basis.

For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to 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, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectability of an available-for-sale security is confirmed or when either of the criteria regarding

(expressed in U.S. dollars)

2. *Significant accounting policies (cont'd)*

intent or requirement to sell is met. Accrued interest receivable on available-for-sale debt securities totaled $259 at December 31, 2023 and is excluded from the estimate of credit losses. The Company determines the credit loss component of fixed maturity investments by utilizing discounted cash flow modeling to determine the present value of the security and comparing the present value with the amortized cost of security. If the amortized cost is greater than the present value of the expected cash flows, the difference is considered a credit loss and recognized in net realized investment gains (losses).

(h) **Investment income**
Investment income includes amounts received and accrued in respect of periodic interest ("Coupons") payable to the Company by the issuer of the fixed income securities.

3. *Restricted balances*

Under the terms of the reinsurance agreement, the Company has established a trust account for the benefit of the ceding insurer as security for the Company's obligations for losses, loss expenses, and unearned premiums. The fair value of restricted assets in the trust accounts as a December 31, 2023 is $14,042,845 **(**2022 - $13,294,796**)** and is comprised of $5,512,071 **(**2022 - $5,492,530) of cash and $8,530,774 **(**2022 - $7,802,266) of investments.

4. *Investments – available for sale securities*

The amortized cost and estimated fair value of available for sale investments is as follows:

As at December 31, 2023	**Amortized cost $**	**Gross unrealized gains $**	**Gross unrealized losses $**	**Fair value $**
US government securities	4,620,722	9,177	(1,300)	4,628,599
Corporate commercial paper	3,902,132	43	-	3,902,175
	8,522,854	9,220	(1,300)	8,530,774

As at December 31, 2022	**Amortized cost $**	**Gross unrealized gains $**	**Gross unrealized losses $**	**Fair value $**
US government securities	3,901,909	1,139	(2,523)	3,900,525
Corporate commercial paper	3,903,362	49	(1,670)	3,901,741
	7,805,271	1,188	(4,193)	7,802,266

(expressed in U.S. dollars)

4. *Investments – available for sale securities (cont'd)*

The following is a summary of our securities by level within the fair value hierarchy on a recurring basis at December 31:

	Total $	Level 1 $	Level 2 $	Level 3 $
US government securities	4,628,599	4,628,599	-	-
Corporate commercial paper	3,902,175	-	3,902,175	-
Total – December 31, 2023	8,530,774	4,628,599	3,902,175	-

	Total $	Level 1 $	Level 2 $	Level 3 $
US government securities	3,900,525	3,900,525	-	-
Corporate commercial paper	3,901,741	-	3,901,741	-
Total – December 31, 2022	7,802,266	3,900,525	3,901,741	-

The following table sets forth certain information regarding the investment ratings by Standard & Poor's, of the Company's fixed interest securities portfolio as at December 31:

	2023	
	Amortized cost $	%
A-1+	8,373,151	98
AA-	149,702	2
	8,522,854	100

(expressed in U.S. dollars)

4. Investments – available for sale securities (cont'd)

	2022	
	Amortized cost $	**%**
A-1+	7,017,039	90
A-1	788,233	10
	7,805,272	100

The following table presents, for all securities in an unrealized loss position, the aggregate fair value and gross unrealized loss by length of time the security has continuously been in an unrealized loss position:

	2023					
	Less Than 12 Months		**12 Months or More**		**Total**	
	Fair Value $	**Gross Unrealized Losses $**	**Fair Value $**	**Gross Unrealized Losses $**	**Fair Value $**	**Gross Unrealized Losses $**
US government securities	1,223,486	(1,300)	-	-	1,223,486	(1,300)
Total – December 31, 2023	1,223,486	(1,300)	-	-	1,223,486	(1,300)

(expressed in U.S. dollars)

4. Investments – available for sale securities (cont'd)

	2022					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value $	Gross Unrealized Losses $	Fair Value $	Gross Unrealized Losses $	Fair Value $	Gross Unrealized Losses $
US government securities	1,467,465	(2,523)	-	-	1,467,465	(2,523)
Corporate commercial paper	8,290,503	(1,670)	-	-	8,290,503	(1,670)
Total – December 31, 2022	9,757,968	(4,193)	-	-	9,757,968	(4,193)

For fixed interest securities held as at December 31, 2023, the maturity distribution is as follows:

	Amortized Cost $	Fair value $
Within one year	8,522,854	8,530,774

Proceeds from maturities of investments classified as available-for-sale at December 31, 2023 were $55,757,000 (2022 – $62,577,000).

Major categories of investment income are summarized as follows:

	2023 $	2022 $
Amortization on fixed interest securities	681,377	179,600
Interest income	15,925	24,840
Realized (loss) gain on sale of investments	(3,163)	(1,537)
	694,139	202,903

(expressed in U.S. dollars)

5. *Provision for loss and loss expenses*

	2023 $	2022 $
Outstanding loss reserves	1,388,741	2,017,335
Incurred but not reported	3,099,200	1,707,060
Total	4,487,941	3,724,395

	2023 $	2022 $
Balance - Beginning of period	3,724,395	1,325,726
Losses incurred for the period related to:		
Current period	8,299,805	5,833,842
Prior period	4,831,728	2,077,098
Total	13,131,533	7,910,940
Losses payable for the period related to:		
Current period	3,984,086	2,266,581
Prior period	8,383,901	3,245,691
Total	12,367,987	5,512,272
Balance - End of period	4,487,941	3,724,395

Losses incurred related to prior periods of $4,831,728 (2022 - $2,077,098) are the result of unfavorable movement in 2022 and 2021 loss provisions.

Reserving Methodology

The Company uses a combination of methods to project ultimate losses for all lines of business, which include:

- Expected Loss Ratio Method
- Paid Bornhuetter-Ferguson Method
- Incurred Bornhuetter-Ferguson Method

- **Expected Loss Ratio Method** – In the Expected Loss Ratio method, the ultimate losses are estimated by multiplying the earned premium by a selected ultimate loss ratio. The Expected Loss Ratio method was also used to estimate expected losses for the Expected Paid Emergence method. The selected ultimate loss ratio was based on the third-party actuary's review of the Company's data and insurance industry data.
- **Paid Bornhuetter-Ferguson Method** – The Paid Bornhuetter-Ferguson method estimates ultimate losses as the sum of two components: actual paid losses and expected unpaid losses. To estimate the expected unpaid losses, the Paid Bornhuetter-Ferguson method requires paid loss development factors (LDFs) and an initial expectation of the ultimate loss amount. The payment patterns associated with the LDFs imply that a specific percentage of the ultimate loss will be paid after the evaluation date.

(expressed in U.S. dollars)

5. Provision for loss and loss expenses (cont'd)

The amount of unpaid loss is estimated by applying this percentage to the expected ultimate loss. As stated above, the expected ultimate losses are based on the Expected Loss Ratio method.

- **Incurred Bornhuetter-Ferguson Method** – The Incurred Bornhuetter-Ferguson method is similar to the Paid Bornhuetter-Ferguson method, except that incurred losses are used in place of paid losses and the method estimates expected IBNR reserves in place of expected unpaid losses. Estimated ultimate losses are equal to the sum of two components: actual incurred losses reported to date and expected unreported losses (or expected IBNR reserves). To estimate the expected IBNR reserves, the Incurred Bornhuetter-Ferguson method requires incurred LDFs and an initial expectation of the ultimate loss amount. The reporting patterns associated with the LDFs imply that a specific percentage of the ultimate loss will be reported after the evaluation date. The amount of unreported loss is estimated by applying this percentage to the expected ultimate loss.

6. Provision for unpaid claims and claims expenses

In determining management's best estimate of the reserves for losses and loss adjustment expenses as at December 31, 2023, consideration was given both to the input of the Company's engaged third party actuary estimate and a number of other internal and external factors, including:

- Competitive changes within the industry;
- Geographic / industry concentrations;
- Access to capital markets;
- Legislative and judicial changes in the jurisdictions in which the Company writes insurance business;
- Industry experience.

The following factors are relevant to the additional information included in the tables below:

- **Table Organization:** The tables are organized by accident period and include policies written on an occurrence basis.
- **Groupings:** We believe our policies have homogenous risk characteristics with similar development patterns and would generally be subject to similar trends and therefore are presented as one grouping.
- **Claim counts:** We consider a reported claim to be one claim for each claimant for each loss occurrence.
- There are limitations that should be considered on the reported claim count data in the tables below, including:
  - Claim counts are presented only on a reported (not an ultimate) basis.

1) Schedules of incurred and paid losses and loss adjustment expenses by accident period

a) **Travel:**

Incurred losses and loss adjustment expenses by accident period, undiscounted and net of reinsurance recoveries. The prior year figures in the following table are unaudited.

(expressed in U.S. dollars)

6. *Provision for unpaid claims and claims expenses* (cont'd)

Reporting Period ended December 31, 2023

Accident Period	2023 Incurred Losses $	2023 Reserves for losses and loss adjustment expenses incurred but not reported $	2023 Paid Losses $	Cumulative number of reported claims
2023	8,299,806	1,392,140	3,984,087	925
2022	3,335,581	1,562,940	6,731,613	1,780
2021	1,433,005	144,110	1,589,145	739
2020	26,278	-	26,278	185
2019	36,864	-	36,864	342
2018				154
Total	**$13,131,533**	**$3,099,200**	**$12,367,987**	**4,125**

Cumulative paid losses and loss adjustment expenses from the column on the right	14,943,869
Reserves for losses and loss adjustment expenses, net undiscounted and net of reinsurance	1,388,741

Reconciliation of claims development table to balance sheet claims liabilities, net of reinsurance recoveries:

	Reporting Period ended December 31, 2023
Reserves for loss and loss adjustment expenses, net of reinsurance recoverable	1,388,741
Reinsurance recoverable	-
Reserves for loss and loss adjustment expenses, gross of reinsurance recoverable	1,388,741

(expressed in U.S. dollars)

6. *Provision for unpaid claims and claims expenses* (cont'd)

Management has identified negative financial trends, including negative cash flow from operations and continuing net losses. Subsequent to year end, management has renegotiated commission agreements resulting in improvements to underwriting net income margin. The Company's cash flow forecasts demonstrate the ability to pay debts as and when they fall due. However, the claims expenses can be highly volatile year over year and hence, if there was a significant change in claims from the forecasts, the Company would need additional funds to continue operations. Management has obtained a letter of support from a related party to provide the financial support as needed for at least one year from the issuance date of these financial statements. Management believes this plan alleviates substantial doubt. As noted in Note 14, the Company has received additional contributions of approximately $6.5 million subsequent to year end.

7. *Contributed Surplus*

During the year ended December 31, 2023, members contributed additional capital of $1,549,941 (2022- $3,254,493) to the Company.

8. *Concentration of risk*

The Company issues contracts that transfer insurance risks or financial risks or both. This section summarizes these risks and the way the Company manages them.

(a) **Insurance risk**
The main insurance risk is that claims exceed net premiums less acquisition costs. The objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The Company's actuary prepares an annual reserving analysis to manage this risk. By nature of the coverage liabilities are typically short term in nature.

(b) **Market risk**
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: interest rate risk, Currency risk and other price risk.

The estimates of fair values presented herein are subjective in nature and are not necessarily indicative of the amounts that the Company would actually realize in a current market exchange. However, any differences would not be expected to be material.

i) **Interest rate risk**
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to minimal interest rate risk; all cash reserves are in cash and cash equivalents and all investments are in US Treasury securities.

ii) **Currency risk**
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The Company has no exposure to currency risk as the Company transacts in US dollars only.

iii) **Other price risk**
Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company has no exposure to other price risk.

(c) **Liquidity risk**
Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet its commitments. Trust accounts are in place to ensure that the Company is able to meet liabilities arising from claims and all other obligations as per the terms of the reinsurance agreement.

(expressed in U.S. dollars)

8. Concentration of risk (Cont'd)

(d) **Credit risk**

Credit risk is the risk that one party to a financial instrument fails to discharge on obligations and thereby causes financial loss to another party. The Company's credit risk is primarily attributed to cash and cash equivalents at a bank, investments held by a bank, and premium receivables. At December 31, 2023, cash at a bank amounts to $266,774 (2022 - $200,435) and is with a bank with a high credit rating (A- by S&P). Cash and cash equivalents in the investment custody account and trust accounts amount to $5,512,071 (2022 - $5,492,530) and are with a financial institution with a high credit rating (A- by S&P). Investments totaling $8,530,774 (2022 - $7,802,266) are with a financial institution with a high credit rating (A- by S&P).

At December 31, 2023 there was $7,203,333 (2022 - $2,170,270) premium receivable due from a related party without a credit rating.

9. Related party transactions

At December 31, 2023, there was a premiums receivable balance from a related party totaling $7,203,333 (2022 - $2,170,270).

At December 31, 2023, there were amounts for various administrative services receivable from the Parent $22,041 (2022 - $7,062) and Payable to UnivOps $3,757 (2022 - $3,757), respectively.

10. Statutory capital

Under The Act, the Company is required to meet certain minimum statutory capital and surplus requirements. At December 31, 2023, the Company's statutory capital and surplus was ($391,966) (2022 - $6,915,227) and the minimum required statutory capital and surplus was $2,923,000. The ultimate parent has provided additional capital contribution of $6,500,000 as at June 24, 2024 to restore the Company's compliance with the Minimum Solvency Margin requirement.

The Company is required to maintain a minimum liquidity ratio, which was met for the period.

11. Share capital

The Company has authorized, issued and fully paid in capital of 120,000 common shares at a par value of $1 each.

12. Premium deficiency

As of December 31, 2023 the Company had $1,310,157 liabilities (2022 - $728,727) related to premium deficiency applied against deferred acquisition costs.

(expressed in U.S. dollars)

13. Taxation

Bermuda

The Company has received an undertaking from the Bermuda government exempting it from all local income, withholding and capital gains taxes until March 31, 2035. At present time no such taxes are levied in Bermuda.

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being imposed, the Company will be exempted from taxation until the year 2035. On December 27, 2023, final legislation was passed in Bermuda to enact a 15% Corporate Income Tax that would apply to Bermuda businesses that are part of a multinational group with annual revenue over EUR 750 million. The law is effective starting on January 1, 2025. The exemption from taxation until 2035 previously mentioned does not apply to this tax. The Company will continue to monitor developments with respect to the legislation, but the financials as presented do not reflect an impact.

United States

The Company does not consider itself to be engaged in trade or business in the United States and, accordingly, does not expect to be subject to United States taxation.

The Company is required to recognize the tax benefits of uncertain tax positions only where the position is “more likely than not” to be sustained, assuming examination by tax authorities. The Company has not recognized any liabilities for unrecognized tax benefits as a result of this guidance as management believes that the Company does not have any uncertain tax positions.

14. Subsequent events

The Company has evaluated subsequent events through June 24, 2024 which is the date that the financial statements were available to be issued.

A total of $6,500,000 in capital contributions have been made to the Company as of June 24, 2024.