AVLA RE LTD
(Incorporated in Bermuda)

Financial Statements
(With Independent Auditor's Report Thereon)

Year Ended December 31, 2023 and 2022

AVLA RE LTD.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022
CONTENTS

Ernst & Young Ltd.
3 Bermudiana Road
Hamilton HM 08
P.O. Box HM 463
Hamilton HM BX
BERMUDA

Tel: +1 441 295 7000
Fax: +1 441 295 5193
ey.com

Report of Independent Auditors

The Board of Directors
AVLA Re Ltd.

Opinion

We have audited the financial statements of AVLA Re Ltd. (the Company), which comprise the statements of financial position as of December 31, 2023 and 2022, and the statement of comprehensive income, changes in shareholders' 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.

Auditors' 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.

Building a better working world

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the incurred losses and loss adjustment expenses, net of reinsurance and the cumulative paid losses and loss adjustment expenses, net of reinsurance for the years ending 2022 and prior and the average annual percentage payout of incurred claims by age 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 auditing standards generally accepted in the United States of America, 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 evidence sufficient to express an opinion or provide any assurance.

Management has omitted the average annual percentage payout of incurred claims by age disclosure, that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, 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. Our opinion on the financial statements is not affected by this missing information.

Ernst & Young Ltd.

Hamilton, Bermuda
May 31, 2024

AVLA RE LTD

Statement of Financial Position

December 31, 2023
(Expressed in US Dollars)

	Notes	December 31, 2023	December 31, 2022
Assets			
Cash and cash equivalents	4	$ 3,169,214	$ 2,123,826
Accrued Interest		2,516	3
Insurance Balance receivable		4,536,608	1,042,119
Deferred reinsurance premium	5	3,100,534	382,568
Deferred acquisition costs		1,670,065	144,996
Loss reserves recoverable	6	278,796	3,495
Intercompany receivable	8	732,394	174,949
Prepaid expenses and other assets		9,771	-
Total assets		$ 13,499,898	$ 3,871,956
Liabilities			
Unearned premium reserve	5	5,876,243	1,091,219
Reserve for loss and loss expenses	6	355,061	7,531
Losses and loss expenses payable		96,769	5,244
Accounts payable and accrued liabilities		94,245	69,425
Intercompany payables	8	-	65,121
Reinsurance balance payable		2,570,177	390,693
Deferred Commission		987,936	97,690
Total liabilities		9,980,432	1,726,923
Shareholder’s equity			
Share capital	10	120,000	120,000
Contributed surplus		3,250,000	2,250,000
Retained earnings		149,466	(224,967)
Total shareholder’s equity		3,519,466	2,145,033
Total liabilities and shareholder’s equity		$ 13,499,898	$ 3,871,956

See accompanying notes to the financial statements

Approved and authorised for issue by the Board of Directors

____________________ Director   ____________________ Director

AVLA RE LTD

Statement of Comprehensive Income or Loss

For the year ended December 31, 2023

(Expressed in US Dollars)

	Notes	2023	2022
Underwriting Income			
Gross premiums assumed	5	7,589,630	1,513,073
Reinsurance premiums ceded	5	(4,202,710)	(556,904)
Change in unearned premiums		(2,067,057)	(708,652)
Premium earned		1,319,862	247,517
Underwriting Expenses			
Losses and loss expenses	6	(167,956)	(27,002)
Acquisition costs		(886,581)	(200,539)
Ceding Commission		562,286	68,664
Underwriting expenses		(492,251)	(158,877)
Net underwriting income		827,611	88,640
Net Interest income	7	6,161	826
Interest in Loan		(1,481)	(121)
General and administrative expenses		(258,978)	(314,312)
Net (loss)/income, being total comprehensive income/(loss) for the year		**573,314**	**(224,967)**

See accompanying notes to the financial statements

AVLA RE LTD

Statement of Changes in Shareholder's Equity

For the year ended December 31, 2023

(Expressed in US Dollars)

	Share capital	**Contributed surplus**	**Retained earnings**	**Total shareholder's equity**
January 1, 2022	120,000	2,250,000	-	**2,370,000**
Total comprehensive loss for the year	-	-	(224,967)	**(224,967)**
December 31, 2022	**120,000**	**2,250,000**	**(224,967)**	**2,145,033**
Dividends paid	-	-	(198,881)	**(198,881)**
Contributed Surplus	-	1,000,000	-	**1,000,000**
Total comprehensive income for the year	-	-	573,314	**573,314**
December 31, 2023	**120,000**	**3,250,000**	**149,466**	**3,519,466**

Avla Re Ltd

Statement of Cash Flows

For the year ended December 31, 2023
(Expressed in US Dollars)

	2023	2022
Cash flows from operating activities		
Net income for the year	573,314	(224,967)
Adjustments for non-cash items included in net (loss)/income:		
Accrued Interest	(2,514)	(3)
Insurance balances receivable	(3,494,489)	(1,042,119)
Deferred reinsurance premium	(2,717,967)	(382,568)
Deferred acquisition costs	(1,525,069)	(144,996)
Loss reserves recoverable	(275,301)	(3,495)
Prepaid expenses and other assets	(9,771)	(174,949)
Intercompany Receivable	(557,445)	-
Intercompany Payable	(65,121)	-
Unearned premium reserve	4,785,024	1,091,219
Reserve for loss and loss expenses	347,531	7,531
Losses and loss expenses payable	91,525	5,244
Accounts payable and accrued liabilities	24,820	134,546
Reinsurance balances payable	2,179,485	390,693
Deferred Commission	890,247	97,690
Net cash generated from/(used in) operating activities	244,269	(246,174)
Cash flows from financing activities		
Capital Contribution		
Capital Contribution	1,000,000	2,370,000
Dividend Paid	(198,881)	-
Net cash generated form financing activities	801,119	2,370,000
Net (decrease)/increase in cash and cash equivalents	1,045,388	2,123,826
Cash and cash equivalents at beginning of year	2,123,826	-
Cash and cash equivalents at end of year	3,169,214	2,123,826

1. The Company and its affiliates

AVLA RE LTD. (the “Company”) was incorporated in Bermuda on September 13, 2021, and was licensed on January 01, 2022, as a Class 3A insurer under the Bermuda Insurance Act 1978, amendments thereto and related regulations on (“The Act”), as of that date, the company began operations. The Company immediate parent company is AVLA Bermuda Holdings Ltd and the ultimate parent company is Avla S.A.

The Company reinsures trade credit and surety insurance treaties on a proportional and non-proportional basis from various subsidiaries of AVLA based on the country where the underlying policies originate:

- Chile - AVLA Seguros de Crédito y Garantías S.A.
- Perú - AVLA Perú Compañía de Seguros S.A.
- Mexico - AVLA Seguros S.A. de C.V.
- Brazil - AVLA Seguros Brasil S.A.

The risk is transferred with Ocean Re and Reaseguradora Patria S.A., acting as the fronting reinsurer to Avla Re Ltd and it is retroceded to Helvetia Assurances S.A., Credendo – Export Credit Agency and IRB – Brasil Resseguros S.A. Additionally, AVLA Re provide an automatic facultative facility on 100% quota share basis fronted by Ocean Re with a $500,000,000 capacity and Nil Retroinsurance.

2. Basis of preparation

(a) Statement of compliance

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), which require 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, claims and claim adjustment expenses during the reporting period. Actual results could differ from those estimates.

(b) Basis of measurement

The Company’s financial statements have been prepared on a going concern basis, under the historical cost basis, except for items measured at fair value as disclosed in the relevant accounting policies.

(c) Functional and presentation currency

The Company’s financial statements are presented in United States dollars, which is the Company’s functional currency.

(d) Comparative information

The financial statements have been prepared in accordance with US GAAP. Prior year comparatives for the year ended December 31, 2022, have been disclosed and presented on a basis that is consistent with the current year presentation under US GAAP. The company has transitioned to US GAAPs as of January 1, 2022, and this change in accounting framework has resulted a change in the unearned premium reserves for $487,028 and for Deferred reinsurance premium for $38,697 for 2022.

2. Basis of preparation (continued)

(e) Use of estimates and judgements

The preparation of the Company's financial statements in conformity with US GAAP requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

(e) Use of estimates and judgements (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most significant accounting estimate. The Company's estimate for reported and unreported losses and the process for establishing resulting provisions and related losses and loss expenses recoverable are continually reviewed and updated, and adjustments resulting from this review are reflected in the statement of comprehensive income or loss. The process relies upon the use of internal actuaries at parent level jointly with consulting actuaries, and the assumption that past experience is an appropriate basis for predicting future events. It is reasonably possible that the technical provisions will be settled at amounts that are materially different from the balances currently recorded and would therefore require a material adjustment to the carrying value.

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example: changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

The Company's financial statements have been prepared on a going concern basis. The Company has sufficient cash reserves to meet their current obligations and continue to meet their regulatory capital and solvency requirements.

3. Summary of significant accounting policies

The accounting policies set out below have been consistently applied to all periods presented in the Company's financial statements.

(a) Cash and cash equivalents

Cash and cash equivalents represent cash at banks, demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value. For purposes of the statement of cash flows, the Company considers all time deposits with an original maturity of 90 days or less as equivalent to cash.

(b) Insurance contracts

The Company issues various reinsurance contracts that transfer significant insurance risk. The contracts are on a loss incurred basis and are classified as short term.

3. Summary of significant accounting policies (continued)

Recognition and measurement

i) **Gross premiums written and unearned premiums.**
Gross premiums written comprise premiums on business incepting in the financial year together with adjustments to estimates of premiums written in prior accounting periods. Premiums are stated before the deduction of brokerage, commission, taxes and duties levied. Premiums are recognized as revenue (premiums earned) on a straight-line basis over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the statement of financial position date is reported as the unearned premium liability.

ii) **Reinsurance premiums ceded.**
Reinsurance premiums ceded comprise premiums on business incepting in the financial year together with adjustments to estimates of premiums written in prior accounting periods. Premiums are stated before the acquisition cost ceded. Premiums ceded are recognized on a straight-line basis over the period of coverage. The portion of premium ceded on in-force contracts that relates to unexpired risks at the statement of financial position date is reported as the deferred reinsurance premiums asset.

iii) **Acquisition costs.**
Commissions and other direct costs that are related to securing new contracts and renewing existing contracts are capitalized as deferred acquisition costs (“DAC”). All other costs are recognized as expenses when incurred. DAC are amortized over the terms of the insurance contracts as the related premium is earned.

iv) **Reserve for loss and loss expenses.**
Reserve for losses and loss expenses represent the amounts needed to provide for the estimated ultimate cost of settling claims relating to insured events (both reported and unreported) that have occurred before the statement of financial position date. These amounts are based upon estimates of losses reported plus an estimate for losses incurred but not reported based on actuarial techniques using the past experience of the Company and industry data.

All provisions are periodically reviewed and evaluated in the light of emerging claim experience and changing circumstances. It is reasonably possible that changes in future conditions in the near term could require a material change in the amount estimated. The resulting changes in estimates of the ultimate liability are recorded in the period in which they are determined.

(c) Current expected credit loss - CECL

The Company conducts internal reinsurance activities for AVLA S.A. subsidiaries. The Reinsurer is authorized only to carry out internal reinsurance operations with its subsidiaries through a retrocession contract with reinsurance companies with a rating credit equal to or greater than A-. Additionally, AVLA Re is allowed to make investments in securities in financial instruments.

The Company exhaustively evaluates its retrocession partners, considering their commercial and financial position, as well as their international credit rating. The Company estimates expected credit losses over the life of the treaties at the time of origination, based on historical experience, current conditions, and reasonable forecasts.

The Company makes investments in securities in financial instruments with a short-term duration and a credit rating equivalent to HR AAA, which allows it to have adequate liquidity and generate a return on investment through a rate of return. Given the high quality of the investments default risk has not been considered.

In the case of the subsidiaries, due to solvency and membership in the same group, impairment has not been considered. The company makes investments in securities in financial instruments with a short-term duration and a credit rating equivalent to HR AAA, which allows it to have adequate liquidity and generate a return on investment through a rate of return. Given the high quality of the investments default risk has not been considered.

(d) Provisions

A provision is recognized if it is probable that a liability has been incurred and that the amount is reasonably estimated.

(e) Related parties

Related parties include the shareholder, and affiliated companies. These include fellow subsidiaries, under the common control of directors and key management personnel.

(f) Fair value measurements

The standard on value measurements defines fair value, established a framework for measuring fair value and expands disclosures about fair value measurements. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The standard also expands the disclosure requirements around fair value and establishes a hierarchy for valuation inputs that emphasizes the use of observable inputs when measuring fair value. A financial instruments categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The fair value hierarchy established by the standard is broken down as follows:

- 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 managements 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.

4. Cash and cash equivalents

	2023	**2022**
Cash	2,754,214	2,123,826
Cash equivalents	415,000	-
Total cash and cash equivalents	3,169,214	2,123,826

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

5. Amounts ceded to reinsurers from reserves for insurance contracts

(Expressed in US Dollars)

Activity in unearned premiums for the period ended at December 31, 2023, and 2022 are presented below:

	2023			2022		
	Gross	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
	$	**$**	**$**	**$**	**$**	**$**
At January 1	1,091,219	-382,568	708,651	-	-	-
Premium written / assumed	7,589,630	-4,202,710	3,386,920	1,513,073	-556,904	956,169
Premiums earned	-2,804,606	1,484,743	-1,319,862	-421,854	174,336	-247,518
At December 31	5,876,243	-3,100,535	2,775,708	1,091,219	-382,568	708,651

The Company reinsures a portion of the risks it underwrites in an effort to control its exposure to losses and events and protect capital resources. Reinsurance involves credit risk and does not legally discharge the Company from primary liability under the reinsured policies. Although the reinsurer is liable to the Company to the extent of the reinsurance ceded, the Company remains primarily liable as the reinsurer on all risks it underwrites, including the portion that is reinsured. The Company monitors the financial condition of its reinsurers on an ongoing basis and reviews its reinsurance agreements periodically in order to evaluate the reinsurer's ability to fulfill its obligations to the Company under existing and planned reinsurance contracts.

6. Reserve for Loss and Loss expense

The provision for estimated loss reserves and related recoveries are estimates subject to variability, and the variability could be material in the near term. The variability arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Variability can be caused by receipt of additional claim information, changes in judicial interpretation of contracts or significant changes in the severity or frequency of claims from historical trends.

The following is information about incurred and cumulative paid losses and loss adjustment expenses and total incurred but not reported (IBNR) liabilities plus expected development on reported claims and the cumulative number of reported claims as of December 31, 2023 and 2022, by significant category. There has been an expected increase in incurred losses as the underwriting year 2022 risks reach maturity, though loss ratios remain within healthy levels.

(Expressed in US Dollars)

6. Provisions for unpaid claims and claims expenses (continued)

	2023	2022
Gross loss and loss expense provisions at beginning of year	7,531	-
Less: Reinsurance recoverable at beginning of year	3,495	-
Net loss and loss expense provisions at beginning of year	4,036	-
Net incurred losses and loss expenses		
Current year	66,381	27,002
Prior years	101,576	-
Total net incurred losses and loss expenses	167,957	27,002
Net losses and loss expenses paid or payable related to:		
Current year	(18,982)	(22,966)
Prior years	1,041	-
Total losses and loss expenses paid or payable	(17,941)	(22,966)
Net loss and loss expense provisions at end of year	154,052	4,036
Add: Reinsurance recoverable at end of year	201,009	3,495
Gross loss and loss expense provisions at end of year	**355,061**	**7,531**

The Company determines the number of reported claims from the data received monthly from each ceding company, which includes all claims paid in the reporting period that are included in AVLA Re's treaties, as well as AVLA Re's participation in said risks, as defined by said reinsurance contracts. In 2023, the incurred losses were $167,957 (2022: $27,002). The increase is mainly attributed to adverse development in the trade credit line.

(Expressed in US Dollars)

Surety

Net Incurred losses and loss-adjustment expenses

Accident Year	2022	2023	Total IBNR plus expected development on reported claims	Cumulative number of reported claims
2021	-	-	-	-
2022	$ 27,002	$ 21,925	-	78
2023	-	$2,142	$ 2,142	49
Total	$ 27,002	$24,067	$ 2,142	127

Cumulative paid losses and loss adjustment expenses	$ 21,925
Reserves for losses and loss adjustment expenses, undiscounted and net of reinsurance	$ 2,142

Credit

Net Incurred losses and loss-adjustment expenses

Accident Year	2022	2023	Total IBNR plus expected development on reported claims	Cumulative number of reported claims
2021	-	-	-	-
2022	-	106,653	$ 106,653	-
2023	-	$ 64,239	$ 45,257	101
Total		$ 170,892	$ 151,910	101

Cumulative paid losses and loss adjustment expenses	$ 18,982
Reserves for losses and loss adjustment expenses, undiscounted and net of reinsurance	$ 151,910

(Expressed in US Dollars)

Cumulative paid losses and loss-adjustment expenses

Surety Accident Year	2022	2023
2021	-	-
2022	$ 22,966	$ 21,925
2023	-	-
Total		$ 21,925

Credit Accident Year	2022	2023
2021	-	-
2022	-	-
2023	-	$ 18,982
Total	-	$ 18,982

The reconciliation of the net incurred and paid claims to the liability for unpaid loss and loss adjustment expenses in the balance sheets as of December 31, 2023 and 2022, is as follows:

	2023	2022
Cumulative incurred losses and LAE:		
Surety	2,142	$ 4,036
Credit	151,910	$ 0
Total loss and LAE reserves	$ 154,052	$ 4,036
Reinsurance Recoverable	201,009	3,495
Gross Position	355,061	7,531

Reserving Methodologies

Management relies on actuarially determined estimates as the primary method for determining loss reserves.
For Chilean and Peruvian lines of business (Surety and Credit), IBNR is calculated using the Chain Ladder methodology on the cedent companies' historical claims data, to get loss development factors, which are applied to the losses accepted by AVLA Re.

For Brazilian and Mexican lines of business (Surety and Credit) IBNR is calculated applying an ultimate loss ratio to earned premium. Said loss ratio is derived, for each country and line of business, from market claims data obtained from the regulatory authorities of the corresponding countries.

(Expressed in US Dollars)

7. Accrued Interest

	2023	2022
Net investment income comprises of:		
Interest income	6,161	826
	6,161	826

8. Related party transactions

As of December 31, 2023, the company has accounts receivable and accounts payable with related companies since loans have been generated to pay services between intercompany:

- **Accounts receivable**

	2023	2022
Avla Bermuda Holdings (AR)	658,134	174,949
AVLA Bermuda Holding Corp Ltd.	13,585	-
Creditu Bermuda Holding Ltd.	13,585	-
AVLA Insurance Bermuda Holding Ltd.	33,505	-
AVLA Holding Seguros Ltd.	13,585	-
	732,394	174,949

- **Accounts payable**

	2023	2022
Avla Bermuda Holdings	-	10,000
Inversiones AVLA Seguros S.A	-	55,121
	-	65,121

9. Taxation

During the year, the Government of Bermuda introduces a Corporate Income Tax (CIT) to apply to Bermuda businesses that are part of a Multinational Enterprise Group (MNEs) with annual revenue of €750M or more. The proposed tax is expected to take effect in January 2025. The parent company has analyzed and conclude that Avla Re Ltd and the Group to which it belongs does not fall within the scope of the Act.

Management also notes that the group to which Avla Re belongs does not operates in more than five territories and the ultimate company is incorporated in Bermuda. Finally, the management does not foresee Avla Re conditions changing between now and 2025 when CIT is in implemented.

10. Shareholder’s equity

Authorized share capital comprises 12,000 shares of par value $1 each. Issued and fully paid share capital at December 31, 2023 and 2022 comprises 12,000 shares of $1 each.

11. Statutory requirements

The Company must at all times maintain a solvency margin and an enhanced capital requirement in accordance with the provisions of the Insurance Act, 1978 of Bermuda. Each year the Company is required to file with the Bermuda Monetary Authority a capital and solvency return within four months of its relevant financial year end (unless specifically extended).

The prescribed form of capital and solvency return comprises the insurer's Bermuda Solvency Capital Requirement ("BSCR") model, a schedule of fixed income investments by rating category, a schedule of net loss and loss expense provision by line of business, a schedule of premiums written by line of business, a schedule of risk management and a schedule of fixed income securities.

As a Class 3A insurer, the Company is required to maintain available statutory capital and surplus in an amount that is equal to or exceeds the target capital levels based on enhanced capital requirements ("ECR") calculated using the BSCR model. The BSCR model is a risk-based capital model introduced by the Authority that measurers risk and determines ECR and a target capital level (defined as 120% of the ECR) based on the Company's statutory financial statements. In circumstances where the Authority concludes that the Company's risk profile deviates significantly from the assumptions underlying the ECR or the Company's assessment of its management policies and practices, it may issue an order requiring that the Company adjust its ECR.

The Company met the target capital level required under the BSCR as of December 31, 2023, and 2022.

The Insurance Act mandates certain actions and filings with the Authority if the Company fails to meet and maintain its ECR or solvency margin, including the filing of a written report detailing the circumstances giving rise to the failure and the manner and time within which the insurer intends to rectify the failure. The Company is prohibited from declaring or paying a dividend if its statutory capital and surplus is less than its ECR, or if it is in breach of its solvency margin or minimum liquidity ratio, or if the declaration or payment of such dividend would cause such breach.

The Company is required by its license to maintain unconsolidated capital and surplus greater than a minimum statutory amount determined as the greater of a percentage of outstanding losses (net of reinsurance recoverable) or a given fraction of net written premiums. On December 31, 2023, the Company met this requirement. Actual statutory capital and surplus is $3,510,000 (2022: $2,145,033).

The Company is also required to maintain a minimum liquidity ratio whereby the value of its unconsolidated relevant assets is not less than 75% of the amount of its unconsolidated relevant liabilities. At that date relevant assets were $10,111,000 (2022: $3,486,000) and the minimum liquidity ratio was therefore met for December 31, 2023, and 2022.

12. Subsequent events

As of the date of issuance of these financial statements, the Company is not aware of any material impact on the financial statements resulting from the Event. The Company will continue to monitor this item.

The Company has evaluated subsequent events through May 31, 2024, which is the date that the financial statements are available to be issued.