AETNA LIFE & CASUALTY (BERMUDA) LTD.

(Incorporated in Bermuda)

Financial Statements

December 31, 2021 and 2020

(With Report of Independent Auditors Thereon)

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

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Report of Independent Auditors

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

Opinion

We have audited the financial statements of Aetna Life & Casualty (Bermuda) Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, comprehensive income, changes in shareholder's equity and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the incurred and paid claims development prior to the most recent year disclosed in Note 9 to the financial statements be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst + Young LLP

April 25, 2022

AETNA LIFE & CASUALTY (BERMUDA) LTD.

(Incorporated in Bermuda)

Balance Sheets

December 31, 2021 and 2020

(Expressed in United States dollars)

Assets	**2021**	**2020**
Cash and cash equivalents	$ 94,399,722	$ 86,097,531
Debt securities available for sale at fair value (amortized cost $100,032,175 and $122,793,377 (notes 3 and 5)	106,937,094	134,447,917
Accrued investment income	805,032	962,439
Premiums due and other receivables, net	61,090,620	73,598,352
Investment receivables	6,557	—
Reinsurance recoverables and receivables (note 8)	52,258	3,530,318
Due from affiliates (note 12)	21,217,334	21,813,173
Prepaid expenses (note 4)	10,933,005	10,799,567
Net deferred income tax (note 13)	—	501,817
Total assets	$ 295,441,622	$ 331,751,114
Liabilities		
Policyholders' funds	$ 2,417,109	$ 1,464,109
Unpaid claims (note 9)	54,431,150	58,717,338
Experience rated liability	1,442,146	7,644,142
Unearned premiums	65,645,908	64,556,576
Total insurance reserve liabilities	123,936,313	132,382,165
Due to reinsurers	18,274	2,988,861
Current federal income taxes due to parent	451,570	5,192,181
Due to affiliates (note 12)	53,416,555	65,237,748
Commissions due	9,018,417	10,285,257
Other liabilities	2,027,544	2,590,935
Total liabilities	188,868,673	218,677,147
Commitments and contingent liabilities (notes 7 and 14)		
Shareholder's Equity		
Common stock ($1 par value, 370,000 shares authorized, issued and outstanding)	370,000	370,000
Additional paid-in capital	90,840,461	90,840,461
Retained earnings	10,014,458	12,797,651
Accumulated other comprehensive income	5,348,030	9,065,855
Total shareholder's equity	106,572,949	113,073,967
Total liabilities and shareholder's equity	$ 295,441,622	$ 331,751,114

See accompanying notes to financial statements.

AETNA LIFE & CASUALTY (BERMUDA) LTD.

(Incorporated in Bermuda)

Statements of Operations

Years ended December 31, 2021 and 2020

(Expressed in United States dollars)

	2021	2020
Revenue:		
Net earned premiums (note 11)	$ 272,857,498	$ 270,859,409
Net investment income (note 3)	3,540,025	4,766,984
Net realized capital gains (note 3)	82,902	187,042
Fees and other income	434	158,058
Total revenue	276,480,859	275,971,493
Benefits and expenses:		
Current and future benefits (note 10)	175,529,852	148,401,056
Operating expenses (note 12)	102,023,108	110,893,528
Total benefits and expenses	277,552,960	259,294,584
Income (loss) before income taxes	(1,072,101)	16,676,909
Provision for income taxes (note 13)	1,711,092	4,366,561
Net income (loss)	$ (2,783,193)	$ 12,310,348

See accompanying notes to financial statements.

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

Statements of Comprehensive Income

Years ended December 31, 2021 and 2020

(Expressed in United States dollars)

	2021	2020
Net income (loss)	$ (2,783,193)	$ 12,310,348
Other comprehensive income (loss), net of tax:		
Net unrealized gain (loss) (note 6)	(3,717,825)	4,094,497
Other comprehensive income (loss), net of tax	(3,717,825)	4,094,497
Comprehensive income (loss)	$ (6,501,018)	$ 16,404,845

See accompanying notes to financial statements.

AETNA LIFE & CASUALTY (BERMUDA) LTD.

(Incorporated in Bermuda)

Statements of Changes in Shareholder's Equity

Years ended December 31, 2021 and 2020

(Expressed in United States dollars)

	Number of common shares outstanding	Common stock and additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Total shareholder's equity
Balance at January 1, 2020	370,000	$ 91,210,461	$ 24,487,303	$ 4,971,358	$ 120,669,122
Net income	—	—	12,310,348	—	12,310,348
Other comprehensive income	—	—	—	4,094,497	4,094,497
Dividends paid	—	—	(24,000,000)	—	(24,000,000)
Balance at December 31, 2020	370,000	91,210,461	12,797,651	9,065,855	113,073,967
Net loss	—	—	(2,783,193)	—	(2,783,193)
Other comprehensive loss	—	—	—	(3,717,825)	(3,717,825)
Balance at December 31, 2021	370,000	$ 91,210,461	$ 10,014,458	$ 5,348,030	$ 106,572,949

See accompanying notes to financial statements.

AETNA LIFE & CASUALTY (BERMUDA) LTD.

(Incorporated in Bermuda)

Statements of Cash Flows

Years ended December 31, 2021 and 2020

(Expressed in United States dollars)

	2021	2020
Cash flows from operating activities:		
Net income (loss)	$ (2,783,193)	$ 12,310,348
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Amortization of net investment premium	95,565	176,491
Net realized capital gains	(82,902)	(187,042)
Deferred income tax (benefit)	1,533,613	(236,310)
Effect of exchange rate changes on cash and cash equivalents	(110,139)	460,098
Changes in assets and liabilities:		
Accrued investment income	157,407	55,413
Premiums due and other receivables	12,507,732	(5,048,970)
Investment receivables	(6,557)	3,675
Reinsurance recoverables and receivables	3,478,060	(409,184)
Current federal income taxes due to parent	(4,740,611)	(982,042)
Prepaid expenses	(133,438)	(685,019)
Policyholders' funds	953,000	—
Unpaid claims	(4,286,188)	(7,300,647)
Experience rated liability	(6,201,996)	3,750,389
Unearned premiums	1,089,332	1,716,925
Amount due to reinsurers	(2,970,587)	(38,988)
Amounts due to/from affiliates	(11,225,354)	5,223,499
Commissions due	(1,266,840)	(1,107,173)
Other liabilities	(563,391)	281,998
Net cash (used) provided by operating activities	(14,556,487)	7,983,461
Cash flows from investing activities:		
Proceeds from debt securities matured and sold	33,115,394	49,095,504
Cost of debt securities purchased	(10,256,716)	(34,477,360)
Net cash provided by investing activities	22,858,678	14,618,144
Cash flows from financing activities:		
Dividend paid to shareholder	—	(24,000,000)
Net cash used for financing activities	—	(24,000,000)
Net Increase (decrease) in cash and cash equivalents	8,302,191	(1,398,395)
Cash and cash equivalents, beginning of year	86,097,531	87,495,926
Cash and cash equivalents, end of year	$ 94,399,722	$ 86,097,531
Supplemental cash flow information:		
Income taxes (paid)	$ (4,918,090)	$ (2,424,177)

See accompanying notes to financial statements.

(1) General

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(b) Revenue Recognition

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

The Company establishes an allowance for estimated member terminations and uncollectible amounts to reduce its receivables to their net realizable value. The balance of the allowance for estimated member terminations and uncollectible amounts on premiums receivable was $2,246,931 and $3,276,238 at December 31, 2021 and 2020, respectively, and is reflected as a reduction of premiums due and other receivables on the Balance Sheets.

Fees and other income consist primarily of Administrative Service Contract (“ASC”) fees and interest income. ASC fees are received in exchange for performing certain claim processing and member services for ASC members. ASC fee revenue is recognized over the period the service is provided.

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

(c) Investments

(i) Debt Securities

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

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

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

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

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

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

Realized capital gains and losses are included as a component of net investment income in the Statements of Operations. Realized capital gains and losses are determined on a specific identification basis. Purchases and sales of debt securities are reflected on the trade date.

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

(d) Commissions

Generally, commissions are deferred in prepaid expenses and amortized within the Statements of Operations over one year. Commissions represent payments to brokers on new policies and renewal business sold by the Company.

(e) Policyholders' Funds and Related Experience Rated Balances

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

(f) Unpaid Claims

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

The Company discounts certain claim liabilities related to group long-term disability and life insurance waiver of premium contracts. The discounted amount of these liabilities was $2,626,431 and $141,487 in 2021 and $2,997,947 and $141,505 in 2020, respectively. The undiscounted amount of these liabilities was $2,977,286 and $156,004 in 2021 and $3,485,594 and $117,778 in 2020, respectively. For 2021 and 2020, the discount rates were set based on indices consistent with the requirements of the U.S. Standard Valuation Law and vary based on the disability date of the insured. The discount rates associated with the Company's claim liabilities related to group long-term disability were 5.50% to 5.75% in 2021 and 2020. The discount rates associated with the Company's claim liabilities related to life premium waiver range from 4.00% to 6.00% in 2021 and 2020.

For each reporting period, the Company uses an extensive degree of judgment in the process of estimating its unpaid claims. As a result, considerable variability and uncertainty is inherent in such estimates, particularly with respect to claims with claim incurred dates of three months or less before the financial statement date; and the adequacy of such estimates is highly sensitive to changes in assumed completion factors and the assumed unpaid claim trend rates. For each reporting period the Company recognizes the actuarial best estimate of unpaid claims considering the potential volatility in assumed completion factors and unpaid claim trend rates, as well as other factors. The Company believes its estimate of accident and health unpaid claims is reasonable and adequate to cover its obligations at December 31, 2021; however, actual claim payments may differ from the Company's estimates. A worsening (or improvement) of the Company's accident and health unpaid claims trend rates or changes in completion factors from those that the Company assumed in estimating accident and health unpaid claims at December 31, 2021 would cause these estimates to change in the near term, and such a change could be material.

The changes in the Company's estimate of accident and health unpaid claims may relate to a prior year or earlier periods. For a roll forward of the Company's accident and health unpaid claims, see Note 9. The Company's reserving practice is to consistently recognize the actuarial best estimate of its ultimate liability for health unpaid claims.

(g) Premium Deficiency Reserves

The Company evaluates its insurance contracts to determine if it is probable that a loss will be incurred. A premium deficiency loss is recognized when it is probable that expected future claims, including maintenance costs (for example, claim processing costs), will exceed existing reserves plus anticipated future premiums. Anticipated investment income is not considered in the calculation of premium deficiency losses for short-duration contracts. For purposes of determining premium deficiency losses, contracts are grouped consistent with the Company's method of acquiring, servicing and measuring the profitability of such contracts. The Company did not have any premium deficiency reserves at December 31, 2021 and 2020.

(h) Cash and Cash Equivalents

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

(i) Foreign Currencies

Transactions in foreign currencies are settled at the rate of exchange in effect at the end of the day in which the transaction took place. The resulting transaction adjustment is reflected in the Statements of Operations in net realized capital (losses) gains in the amount of $(110,260) and $460,925 for 2021 and 2020, respectively.

(j) Reinsurance

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

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

	2021		
	China Life Insurance Co., Ltd.	Huatai Insurance Co., Ltd.	Total
Gross premium receivable	$ 8,892,639	$ 9,632,297	$ 18,524,936
Fronting fees, claim fees, broker commissions payable	(8,066,103)	(8,802,757)	(16,868,860)
Unearned premium liability	(5,966,934)	(6,557,856)	(12,524,790)
Total net payable	$ (5,140,398)	$ (5,728,316)	$ (10,868,714)

	2020		
	China Life Insurance Co., Ltd.	Huatai Insurance Co., Ltd.	Total
Gross premium receivable	$ 9,708,855	$ 12,520,075	$ 22,228,930
Fronting fees, claim fees, broker commissions payable	(6,456,041)	(11,118,699)	(17,574,740)
Unearned premium liability	(5,694,222)	(6,051,216)	(11,745,438)
Total net payable	$ (2,441,408)	$ (4,649,840)	$ (7,091,248)

(k) Taxation

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

For the year ended December 31, 2020 and for the period from January 1, 2021 through February 16, 2021, the Company was included in the consolidated federal income tax return of its parent company, CVS Health, pursuant to the terms of the tax sharing agreement (and a Supplemental Tax Sharing Agreement where applicable) between CVS Health and the Company. On February 17, 2021, Aetna Inc. contributed its ownership interests in Aetna International Inc., the Company's immediate parent, to Aetna Life Insurance Company. As a result of the ownership change, effective February 17, 2021, the Company is no longer eligible to be included in the consolidated tax return of CVS Health, and will be filing a separate company tax return.

As of December 31, 2021, the Company has no capital loss carryforward and a net operating loss carryforward of $286,407 for tax purposes. As of December 31, 2020, the Company has no capital loss carryforward and no net operating loss carryforward for tax purposes.

The Company was part of the CVS Health Corporation and Subsidiaries federal income tax return until February 16, 2021. CVS Health participated in the Compliance Assurance Process ("CAP") with the Internal Revenue Service ("IRS") up to and including tax year 2019. Under the CAP, the IRS undertakes its audit procedures concurrently during the tax year and in the subsequent year as the tax return is being prepared for filing. The IRS has completed its examinations of the consolidated and certain separate U.S. federal income tax returns filed for CVS Health and Aetna Inc. and Subsidiaries, of which the Company was formerly a part of, for tax years through and including 2013 and 2018. The IRS has substantially completed its examinations for tax years 2014 through 2017 and 2019. CVS Health was not a participant in the CAP program in tax year 2020 or 2021. The Company is also subject to audits by state and local tax authorities for tax years 2014 through 2020.

(l) New Accounting pronouncements Recently Adopted

None that had a material impact.

(m) New Accounting Pronouncements Not Yet Adopted

None expected to have a material impact.

(n) Use of Estimates

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

(o) Reclassifications

Certain 2020 amounts have been reclassified to conform to the 2021 financial statement presentation.

(3) Investments

Debt securities available for sale as of December 31, 2021 and 2020 were as follows:

	2021			
	Amortized Cost [1]	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government securities	$ 5,137,932	$ 852,986	$ —	$ 5,990,918
States, municipalities and political subdivisions	3,069,728	731,781	—	3,801,509
U.S. corporate securities	64,316,020	4,279,744	161,878	68,433,886
Foreign securities	14,221,198	1,044,955	3,914	15,262,239
Residential mortgage-backed securities	1,538,201	34,907	—	1,573,108
Commerical mortgage-backed securities	6,291,977	156,776	2,140	6,446,613
Other asset-backed securities	5,457,119	5,989	34,287	5,428,821
Total Securities	$ 100,032,175	$ 7,107,138	$ 202,219	$ 106,937,094

	2020			
	Amortized Cost [1]	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government securities	$ 5,117,666	$ 1,234,014	$ —	$ 6,351,680
States, municipalities and political subdivisions	3,082,054	803,538	—	3,885,592
U.S. corporate securities	74,765,722	7,069,077	78,421	81,756,378
Foreign securities	17,288,640	1,850,388	—	19,139,028
Residential mortgage-backed securities	2,312,571	85,444	—	2,398,015
Commerical mortgage-backed securities	12,705,661	649,236	—	13,354,897
Other asset-backed securities	7,521,063	41,264	—	7,562,327
Total Securities	$ 122,793,377	$ 11,732,961	$ 78,421	$ 134,447,917

[1] Effective January 1, 2020, the Company adopted the available-for-sale debt security impairment model under ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326). The new impairment model requires the write down of amortized cost through an allowance for credit losses, rather than through a reduction of the amortized cost basis of the available-for-sale debt security. There was no allowance for credit losses recorded on available-for-sale debt securities at December 31, 2021 and December 31, 2020.

The amortized cost and fair value of debt securities at December 31, 2021 is shown below by contractual maturity. Actual maturities may differ from contractual maturities because securities may be restructured, called or prepaid, or we intend to sell a security prior to maturity.

	Amortized Cost	Fair Value
Less than one year	$ 12,099,999	$ 12,244,564
One year through five years	42,662,333	44,116,854
After five years through ten years	16,970,141	18,196,781
Greater than ten years	15,012,405	18,930,353
Residential mortgage-backed securities	1,538,201	1,573,108
Commercial mortgage-backed securities	6,291,977	6,446,613
Other asset-backed securities	5,457,119	5,428,821
Total	$ 100,032,175	$ 106,937,094

(a) Mortgage-Backed and Other Asset-Backed Securities

All of the Company’s residential mortgage-backed securities at December 31, 2021 were agency (e.g., Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation) issued and carry agency guarantees and explicit or implicit guarantees by the U.S. Government. At December 31, 2021, residential mortgage-backed securities had an average quality rating of AAA and a weighted average duration of 2.61 years.

The Company’s commercial mortgage-backed securities have underlying loans that are dispersed throughout the United States. Significant market observable inputs used to value these securities include probability of default and loss severity. At December 31, 2021, these securities had an average quality rating of AAA and a weighted average duration of 3.89 years.

The Company’s other asset-backed securities have a variety of underlying collateral (e.g., automobile loans, credit card receivables, home equity loans, etc.). Significant market observable inputs used to value these securities include the unemployment rate, loss severity and probability of default. At December 31, 2021, these securities had an average quality rating of AAA and a weighted average duration of 1.52 years.

(b) Unrealized Capital Losses

Summarized below are the Company's debt securities held at December 31, 2021 and 2020, that were in an unrealized capital loss position, aggregated by the length of time the investments have been in that position:

	December 31, 2021								
	Less than 12 months			More than 12 months			Total		
	Number of Securities	Fair Value	Unrealize losses	Number of Securities	Fair Value	Unrealized losses	Number of Securities	Fair Value	Unrealized losses
U.S. corporate securities	4	$ 5,153,948	$ 76,855	2	$ 2,185,283	$ 85,023	6	$ 7,339,231	$ 161,878
Foreign securities	1	502,224	3,914	—	—	—	1	502,224	3,914
Commercial mortgage-backed securities	2	2,235,007	2,140	—	—	—	2	2,235,007	2,140
Other asset-backed securities	3	5,074,710	34,287	—	—	—	3	5,074,710	34,287
Total	10	$ 12,965,889	$ 117,196	2	$ 2,185,283	$ 85,023	12	$ 15,151,172	$ 202,219

	December 31, 2020								
	Less than 12 months			More than 12 months			Total		
	Number of Securities	Fair Value	Unrealize losses	Number of Securities	Fair Value	Unrealized losses	Number of Securities	Fair Value	Unrealized losses
U.S. corporate securities	1	$ 2,195,618	$ 78,421	—	$ —	$ —	1	$ 2,195,618	$ 78,421
Total	1	$ 2,195,618	$ 78,421	—	$ —	$ —	1	$ 2,195,618	$ 78,421

The Company reviewed the securities in the table above and concluded that these are performing assets generating investment income to support the needs of the Company's business. In performing this review, the Company considered factors such as the quality of the investment security based on research performed by the Company's internal credit analysts and external rating agencies and the prospects of realizing the carrying value of the security based on the investment's current prospects for recovery. At December 31, 2021, we did not intend to sell these securities and did not believe it was more likely than not that it would be required to sell these securities prior to anticipated recovery of their amortized cost basis.

The maturity dates for debt securities in an unrealized capital loss position at December 31, 2021 were as follows:

	Fair Value	Unrealized losses
Due to mature:		
Less than one year	$ 502,224	$ 3,914
One year through five years	5,834,608	138,044
After five years through ten years	1,504,623	23,834
Commercial mortgage-backed securities	2,235,007	2,140
Other asset-backed securities	5,074,710	34,287
Total	$ 15,151,172	$ 202,219

The Company did not incur any credit-related impairments in 2021 for those securities held at year end.

(c) Net Investment Income

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

	2021	2020
Debt securities	$ 3,584,713	$ 4,448,733
Cash equivalents	99,227	461,695
Gross investment income	3,683,940	4,910,428
Less investment expenses	143,915	143,444
Net investment income	$ 3,540,025	$ 4,766,984

(d) Realized Capital Gains (Losses)

Net realized capital gains for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
OTTI losses on debt securities recognized in earnings	$ —	$ (198,925)
Other net realized capital gains	82,902	385,967
Net realized capital gains [1]	$ 82,902	$ 187,042

[1] Net realized capital gains are net of other-than-temporary impairment ("OTTI") yield-related impairment losses on debt securities for the years ended December 31, 2021 and December 31, 2020. There were no credit-related losses on debt securities in the year ended December 31, 2021.

Proceeds from the sale of debt securities and the related gross realized capital gains and losses for 2021 and 2020 excluding the effect of foreign currency were as follows:

	2021	2020
Proceeds on sales	$ 12,475,498	$ 3,280,030
Gross realized capital gains	194,046	265,558
Gross realized capital losses	1,005	339,690

(4) Prepaid Expenses

Prepaid expenses primarily relate to deferred acquisition costs for deferred commissions and broker fees payable and deferred fronting fees. The deferred acquisition costs totaled $10,927,769 and $10,350,295 at December 31, 2021 and 2020, respectively.

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

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

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

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

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

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

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

The fair values of the Company's Level 2 debt securities are obtained using models such as matrix pricing, which use quoted market prices of debt securities with similar characteristics, or discounted cash flows to estimate fair value. The Company reviews these prices to ensure they are based on observable market inputs that include, but are not limited to, quoted prices for similar assets in active markets, quoted prices for identical assets in inactive markets and inputs that are observable but not prices (for example, interest rates and credit risks). The Company also reviews the methodologies and the assumptions used to calculate prices from these observable inputs. On a quarterly basis, the Company selects a sample of its Level 2 debt securities' prices and compares them to prices provided by a secondary source. Variances over a specified threshold are identified and reviewed to confirm the price provided by the primary source represents an appropriate estimate of fair value. In addition, the Company's internal investment team consistently compares the prices obtained for select Level 2 debt securities to the team's own independent estimates of fair value for those securities. The Company obtained one price for each of its Level 2 debt securities and did not adjust any of these prices at December 31, 2021 or 2020.

There were no liabilities measured at fair value at December 31, 2021 and 2020. The financial assets with changes in fair value that are measured on a recurring basis at December 31, 2021 and 2020 were as follows:

	December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 60,501,490	$ 33,898,232	$ —	$ 94,399,722
Debt securities:				
U.S. government securities	5,990,918	—	—	5,990,918
State, municipalities and political subdivisions	—	3,801,509	—	3,801,509
U.S. corporate securities	—	68,433,886	—	68,433,886
Foreign securities	—	15,262,239	—	15,262,239
Residential mortgage-backed securities	—	1,573,108	—	1,573,108
Commercial mortgage-backed securities	—	6,446,613	—	6,446,613
Other asset-backed securities	—	5,428,821	—	5,428,821
Total debt securities	5,990,918	100,946,176	—	106,937,094
Total	$ 66,492,408	$ 134,844,408	$ —	$ 201,336,816

	December 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 66,882,432	$ 19,215,099	$ —	$ 86,097,531
Debt securities:				
U.S. government securities	6,351,680	—	—	6,351,680
State, municipalities and political subdivisions	—	3,885,592	—	3,885,592
U.S. corporate securities	—	81,756,378	—	81,756,378
Foreign securities	—	19,139,028	—	19,139,028
Residential mortgage-backed securities	—	2,398,015	—	2,398,015
Commercial mortgage-backed securities	—	13,354,897	—	13,354,897
Other asset-backed securities	—	7,562,327	—	7,562,327
Total debt securities	6,351,680	128,096,237	—	134,447,917
Total	$ 73,234,112	$ 147,311,336	$ —	$ 220,545,448

There were no transfers between Levels 1 and 2 during the years ended December 31, 2021 and 2020.

There were no Level 3 financial assets or transfers into or out of Level 3 for the years ended December 31, 2021 and 2020.

(6) Net Unrealized Capital Gains

Net unrealized capital gains included in accumulated other comprehensive income were as follows:

	2021	2020
Debt securities	$ 6,904,919	$ 11,654,540
Income taxes	(1,556,889)	(2,588,686)
Net after taxes	$ 5,348,030	$ 9,065,855

Reclassification Adjustment

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

	2021		
	Before Tax Amount	Tax Benefit	After Tax Amount
Net unrealized holding losses arising during period	$ (4,556,580)	$ 989,765	$ (3,566,815)
Less: Reclassification adjustment for realized gains included in net income (pretax)	(193,041)	42,031	(151,010)
Net unrealized losses	$ (4,749,621)	$ 1,031,796	$ (3,717,825)

	2020		
	Before Tax Amount	Tax (expense) or Benefit	After Tax Amount
Net unrealized holding gains arising during period	$ 5,424,868	$ (1,169,378)	$ 4,255,490
Less: Reclassification adjustment for realized gains included in net income (pretax)	(187,042)	26,049	(160,993)
Net unrealized gains	$ 5,237,826	$ (1,143,329)	$ 4,094,497

(7) Letters of Credit

(a) Cayman Island Monetary Authority

The Company has deposit funds at the Bank of Butterfield Cayman in the amount of $14,281,350 and $9,279,701 at December 31, 2021 and 2020, respectively.

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

At December 31, 2021 and 2020, the insurance reserves pertaining to the policies issued and in force in the Cayman Islands were $5,932,439 and $6,062,881, respectively.

The Cayman Island Monetary Authority and the Financial Services Commission have recourse to funds, in the event that the Company defaults in meeting its insurance obligations on policies issued in the jurisdiction and should fail to correct any such defaults within sixty (60) and thirty (30) days, respectively, of notification of such defaults. As of December 31, 2021, the Company is not aware of any default in meeting its insurance obligations.

(b) Royal & Sun Alliance Insurance (Middle East) LLC (EC)

The Company and its affiliate, Aetna Insurance Company Limited (AICL), each had an outstanding letter of credit in favor of Royal & Sun Alliance Insurance (Middle East) LLC (EC), (RSA) totaling $10,000,000 at December 31, 2020. The letters of credit were issued by the Citibank, N.A. UAE Branch and cancelled effective July 29, 2021.

The letters of credit were issued at the request of RSA in order to provide funding for outstanding claim liabilities for policies issued by the administrator, Aetna Global Benefits (Middle East) LLC, in the event of financial default by the Company. AICL reinsures business underwritten by RSA who is licensed to underwrite health insurance in the UAE. RSA had recourse to these letters of credit, in the event that the Company and/or AICL defaulted in meeting its insurance obligations on policies issued in the jurisdiction. The Company and/or AICL no longer have any insurance obligations related to RSA.

(c) HEREF Farnborough Limited

The Company was issued three letters of guarantee in favor of Farnborough Business Park Limited in the amount of GBP 687,170, GBP 687,170 and GBP 719,556. These British Pounds corresponded to United States dollars of $928,394, $928,394 and $972,149 at December 31, 2021. These letters of guarantee were issued by Citibank International Ltd. for the account of Citibank Europe PLC and will expire on August 25, 2022.

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

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

(d) Consulate General of the State of Kuwait

The Company had an outstanding letter of guarantee in favor of the Consulate General of the State of Kuwait in the amount of $2,020,990 at December 31, 2020. The letter of guarantee was issued by Citibank N.A. for the account of Citibank Europe PLC and expired on February 8, 2021.

The letter of guarantee was issued at the request of the Company on behalf of Aetna Insurance Company Limited in favor of the Consulate General of the State of Kuwait in Dubai for providing medical insurance coverage to the employees of the Ministry of Foreign Affairs of Kuwait and all of its missions abroad.

(8) Reinsurance Recoverables and Receivables

Reinsurance recoverables and receivables at December 31 are comprised as follows:

	2021	2020
Unpaid claims and future policy benefits:		
Group recoverables	$ —	$ 121,701
Group receivables	52,258	3,408,617
Total reinsurance recoverables and receivables	$ 52,258	$ 3,530,318

(9) Unpaid Claims

The following is information about incurred and cumulative paid health care claims development as of December 31, 2021 and 2020, net of reinsurance, and the total IBNR liabilities plus expected development on reported claims included within the net incurred claims amounts. Refer to Note 2 for information on how the Company estimates its IBNR reserve and health care unpaid claims as well as changes to those methodologies, if any. The Company's estimate of IBNR liabilities is primarily based on trend and completion factors. Claim frequency is not used in the calculation of the Company's liability. In addition, it is impracticable to disclose claim frequency information for health care claims due to the Company's inability to gather consistent claim frequency information across its multiple claims processing systems. Any claim frequency count disclosure would not be comparable across the Company's different claim processing systems and would not be consistent from period to period based on the volume of claims processed through each system. As a result, the Company has not included health care claim count frequency in the disclosures below.

	Incurred Health Care Claims, Net of Reinsurance For the Years Ended December 31,	
Date of Service	**2020** (Unaudited)	**2021**
Prior Years	$ 357,721,702	$ 348,316,486
2020	153,898,124	158,183,784
2021		178,669,588
Total		$ 685,169,858

	Cumulative Paid Health Care Claims, Net of Reinsurance For the Years Ended December 31,	
Date of Service	**2020** (Unaudited)	**2021**
Prior Years	$ 344,500,475	$ 348,004,314
2020	114,445,319	146,471,995
2021		141,630,317
Total		$ 636,106,626
Total outstanding liabilities for unpaid claims, net of reinsurance		$ 49,063,232

At December 31, 2021 and 2020, total health care liabilities for IBNR plus expected development on reported claims totaled approximately $49 million and $53 million, respectively.

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

	2021	2020
Unpaid claims, beginning of the period	$ 52,674,032	$ 53,031,653
Less: Reinsurance recoverables	—	35,051
Unpaid claims, beginning of the period, net	52,674,032	52,996,602
Add: Components of incurred claims		
Current year	178,669,588	154,551,431
Prior years	(5,119,556)	(6,024,066)
Total incurred claims	173,550,032	148,527,365
Less: Claims paid		
Current year	141,630,317	114,445,319
Prior years	35,530,515	34,404,616
Total claims paid	177,160,832	148,849,935
Unpaid claims, end of the period, net	49,063,232	52,674,032
Unpaid claims, end of the period	$ 49,063,232	$ 52,674,032

Excluded from the above are reserves of $141,487, $2,626,431, and $2,600,000 at December 31, 2021 related to life products, group disability products and provider claim liabilities and $384,882, $3,258,424, and $2,400,000 at December 31, 2020, respectively. Our estimates of prior year's health care unpaid claims decreased by $5,119,556 and $6,024,066 in 2021 and 2020, respectively, because claims were settled for amounts less than originally estimated (i.e., the amount of claims incurred was lower than we originally estimated), primarily due to lower health care cost trends.

(10) Current and Future Benefits

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

	2021	2020
Benefits paid:		
Group accident and health	$ 176,287,677	$ 149,239,359
Long-term disability	657,317	657,317
Group life	—	302,360
Change in claim reserves:		
Group accident and health	(2,737,645)	(711,994)
Long-term disability	(510,291)	(679,536)
Group life	(243,395)	(179,955)
Current and future benefits	$ 173,453,663	$ 148,627,551

Excluded from above for the years ended December 31, 2021 and 2020 are items totaling $2,076,189 and $(226,495), respectively, primarily related to provider liabilities and certain reinsurance agreements with Aetna Insurance Company Limited ("AICL"), Aetna International Hong Kong Limited ("AIHK") and Aetna Health Insurance Company of Europe Ltd. ("AHICE"). (See Note 12.)

(11) Premiums and Reinsurance

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

	2021	2020
Gross premiums written:		
Direct	$ 196,567,874	$ 203,836,995
Assumed	74,890,193	72,163,148
Total premiums written	271,458,067	276,000,143
Change in unearned premiums:		
Direct	361,652	2,186,583
Assumed	(1,326,329)	(3,001,074)
Total change in unearned premiums	(964,677)	(814,491)
Gross premiums earned	270,493,390	275,185,652
Ceded reinsurance premiums	(3,462)	(243,403)
Change in allowance for estimated terminations and uncollectible amounts	1,030,954	(476,700)
Change in experience rating refunds reserves	1,336,616	(3,606,140)
Net Premiums Earned	$ 272,857,498	$ 270,859,409

(12) Related-Party Transactions

Aetna and its affiliates provided various administrative and support functions to the Company in 2021 and 2020. The financial statements reflect the actual charges incurred by Aetna and allocated to the Company based on services used. The charges by Aetna amounted to $24,612,806 and $38,470,456 in 2021 and 2020, respectively.

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

The Company paid dividends in the amount of $0 and $24,000,000 in 2021 and 2020.

During 2016, the Company entered into a reinsurance agreement with AICL. Under the terms of the agreement, the Company assumes liability arising under policies of insurance issued by AICL to the Corporation of the President of The Church of Jesus Christ of Latter-Day Saints to cover its missionaries assigned to the European Union. The reinsured premiums and claims for this arrangement were $911,637 and $584,389 for the year ended December 31, 2021 and $2,878,602 and $1,429,645 for the year ended December 31, 2020. The reserves for this arrangement are included in unpaid claims on the Balance Sheets and were $274,281 and $374,585 at December 31, 2021 and 2020, respectively.

During 2014, the Company entered into an Excess of Loss Reinsurance agreement with AICL, formerly known as InterGlobal Insurance Company Limited (IGICL). Under the terms of the agreement, the Company will reimburse AICL for claims paid in excess of $250,000 in respect of business written in AICL's Private Medical Insurance and Personal Accident accounts. In return, the Company receives premium as stated under the terms of the agreement. For the year ended December 31, 2021, the premiums earned were $3,637,804 and claims incurred under this agreement were $2,879,384 and for the year ended December 31, 2020, the premiums earned were $3,936,180 and claims incurred under this agreement were $6,316,563.

During 2018, the Company entered into an Excess of Loss Reinsurance agreement with Aetna Insurance (Hong Kong) Limited ("AIHK"). Under the terms of this agreement, the Company will reimburse AIHK for claims paid in excess of $250,000 in respect of business written on AIHK. In return, the Company receives premium as stated under the terms of the agreement. For the year ended December 31, 2021, the premiums earned were $679,154 and claims incurred under this agreement were $335,344 and for the year ended December 31, 2020, the premiums earned were $558,615 and claims incurred under this agreement were $990,615.

During 2020, the Company entered into an Excess of Loss Reinsurance agreement with Aetna Health Insurance Company of Europe ("AHICE"). Under the terms of this agreement, the Company will reimburse AHICE for claims paid in excess of $250,000 in respect of business written on AHICE. In return, the Company receives premium as stated under the terms of the agreement. For the year ended December 31, 2021, the premiums earned were $171,553 and claims incurred under this agreement were $0 and for the year ended December 31, 2020, the premiums earned were $9,599 and claims incurred under this agreement were $0.

During 2021, the Company entered into a reinsurance agreement with AHICE. Under the terms of the agreement, the Company assumes liability arising under policies of insurance issued by AHICE to the

Corporation of the President of The Church of Jesus Christ of Latter-Day Saints to cover its missionaries assigned to the European Union. The reinsured premiums and claims for this arrangement were $1,519,283 and $1,109,816 for the year ended December 31, 2021. The reserves for this arrangement are included in unpaid claims on the Balance Sheets and were $454,530 at December 31, 2021.

Effective January 1, 2017, the Company entered into an Employee Services Agreement with Aetna Resources, LLC to provide employee services and staffing resources for the operation and management of the Company. Expenses incurred under this arrangement for the years ended December 31, 2021 and December 31, 2020 amounted to $11,328,709 and $18,720,717, respectively.

AGB and its various affiliates, are managing general underwriting agents for international private medical insurance. The Company is an underwriter for this business and reimburses AGB and its various affiliates for claims paid and recovers from AGB and its affiliates premium collected. In addition, the Company pays a fee to AGB and its various affiliates for administration and support functions provided. During 2017, the Company adopted a group wide transfer pricing policy to align the costs of services provided to the Company. The transfer pricing policy includes a markup and was in effect starting January 1, 2017. Fees paid to AGB and its affiliates for the years ended December 31, 2021 and December 31, 2020 were $42,700,675 and $39,824,716, respectively.

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

	2021	2020
Aetna Life Insurance Company	$ (46,167,794)	$ (51,998,068)
Aetna Insurance Company Limited	(3,503,444)	(5,521,942)
Aetna Shanghai Enterprise Services	(1,617,376)	(1,060,101)
Aetna Inc.	(1,014,867)	(4,456,072)
Aetna Resources, LLC	(884,322)	(1,620,299)
Aetna Insurance (Hong Kong) Limited	(112,460)	(386,375)
Aetna Health Insurance Company of Europe Ltd	(78,500)	—
Aetna International Inc.	(172)	(26,154)
Aetna Global Benefits Limited (DIFC)	—	(152,263)
Aetna Global Benefits (Europe) Limited	—	(16,474)
Other	(37,620)	—
	$ (53,416,555)	$ (65,237,748)

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

	2021	2020
Aetna Global Benefits (Middle East) LLC	$ 9,522,065	$ 10,274,101
Aetna Global Benefits (Asia Pacific) Limited	9,080,152	9,296,472
Aetna Global Benefits (UK) Limited	1,786,093	1,561,587
Goodhealth Worldwide (Asia) Limited	481,158	480,826
Aetna Global Benefits Limited (DIFC)	221,917	—
Aetna Health Management LLC	90,053	119,025
Aetna Global Benefits (Europe) Limited	16,844	—
Other	19,052	81,162
	$ 21,217,334	$ 21,813,173

(13) Income Taxes

Bermuda

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on income or capital gains. The Company has received notification 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.

United States

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

	2021	2020
Current expense	$ 177,479	$ 4,602,871
Deferred expense (benefit)	1,533,613	(236,310)
Provision for income taxes	$ 1,711,092	$ 4,366,561

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

	2021		2020	
Tax (benefit) expense at statutory rate	$ (225,141)	21.00%	$ 3,502,151	21.00%
Other permanent differences	68,824	(6.42%)	74,944	0.45%
Change in valuation allowance	1,681,309	(156.82%)	-	0.00%
Non-US tax	211,529	(19.73%)	651,869	3.91%
Prior year true-up and other	(25,429)	2.37%	137,597	0.83%
	$ 1,711,092	(159.60%)	$ 4,366,561	26.19%

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

	2021	2020
Deferred tax assets:		
Unpaid claims and claim adjustment expense	$ 149,569	$ 86,349
Unearned premium	2,858,639	2,810,747
Deferred acquisition costs	30,917	37,044
Investments, net	-	31,107
Net operating loss carryforward	286,407	-
FIN 48 (Uncertain tax position)	-	60,362
Gross deferred tax assets	3,325,532	3,025,609
Deferred tax liabilities:		
Investments, net	103,709	-
Insurance reserves	48,518	
Net unrealized gain on debt securities	1,491,996	2,523,792
Gross deferred tax liabilities	1,644,223	2,523,792
Valuation allowance	1,681,309	-
Net deferred tax asset	$ -	$ 501,817

In assessing the realizability of the deferred tax asset, management considers whether it is more likely than not that some portion or all of each deferred tax asset will not be realized. The ultimate realization of a deferred tax asset is dependent upon generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of the deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the projections for future taxable income over the periods in which the deferred tax assets are deductible, management does not believe that it is more likely than not that the Company will realize the deferred tax assets. Accordingly, a valuation allowance in the amount of $1,681,309 has been provided for at December 31, 2021. As of December 31, 2020, the Company has no valuation allowance.

As of December 31, 2021, an uncertain tax position related to a prior year financial restatement of unrealized gains/losses on foreign exchange in the amount of $3,199,010 is reflected on the Balance Sheet.

(14) Commitments and Contingencies

COVID-19

The coronavirus disease 2019 ("COVID-19") pandemic continues to evolve. We believe COVID-19's impact on our businesses, operating results, cash flows and/or financial condition primarily will be driven by the geographies impacted and the severity and duration of the pandemic; the pandemic's impact on the U.S. and global economies and consumer behavior and health care utilization patterns; and the timing, scope and impact of stimulus legislation as well as other federal, state and local governmental responses to the pandemic. Those primary drivers are beyond our knowledge and control. As a result, the impact COVID-19 will have on our businesses, operating results, cash flows and/or financial condition is uncertain, but the impact could be adverse and material. COVID-19 also may result in legal and regulatory proceedings, investigations and claims against us.

Litigation and Regulatory Proceedings

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

The CVS Health Group has been involved or is currently involved in numerous legal proceedings, including litigation, arbitration, government investigations, audits, reviews and claims. These include routine, regular and special investigations, audits and reviews by the Centers for Medicare and Medicaid Services, state insurance and health and welfare departments, state attorneys general, and other governmental authorities.

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

The Company records accruals for outstanding legal matters when it believes it is probable that a loss will be incurred and the amount can be reasonably estimated. The Company evaluates, on a quarterly basis, developments in legal matters that could affect the amount of any accrual and developments that would make a loss contingency both probable and reasonably estimable. If a loss contingency is not both probable and reasonably estimable, the Company does not establish an accrued liability.

Except as otherwise noted, the Company cannot predict with certainty the timing or outcome of the legal matters described below, and the Company is unable to reasonably estimate a possible loss or range of possible loss in excess of amounts already accrued for these matters. The Company believes that its defenses and assertions in pending legal proceedings have merit and does not believe that any of these pending matters, after consideration of applicable reserves and rights to indemnification, will have a material adverse effect on the Company's financial position. Substantial unanticipated verdicts, fines and rulings, however, do sometimes occur, which could result in judgments against the Company, entry into settlements or a revision to its expectations regarding the outcome of certain matters, and such developments could have a material adverse effect on its results of operations. In addition, as a result of governmental investigations or proceedings, the Company may be subject to damages, civil or criminal fines or penalties, or other sanctions including possible suspension or loss of licensure and/or exclusion from participating in government programs. The outcome of such governmental investigations or proceedings could be material to the Company.

Provider Proceedings

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

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

Other Legal and Regulatory Proceedings

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

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

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

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

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

<u>Litigation Insurance Coverage</u>

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

(15) Statutory Requirements

Under the Bermuda Insurance Act, 1978 and related regulations, the Company is subject to enhanced capital requirements in addition to minimum levels of solvency. The enhanced capital requirement (ECR) is determined by reference to a standardized statutory risk-based capital model used to measure the risk associated with the Company's assets, liabilities and premiums. If a company fails to maintain or meet the ECR, various degrees of regulatory action may be taken. Actual statutory capital and surplus is $103.7 million at December 31, 2021. The Company is allowed to pay cumulative dividends up to 25% of this total statutory capital and surplus in the financial year without prior notice to the Bermuda Monetary Authority. The principal difference between statutory capital and surplus and shareholder's equity presented in accordance with U.S. GAAP are unrelated party letters of credit and guarantees which are considered liabilities of the Company for statutory purposes. As of December 31, 2021, the Company met the ECR.

(16) Subsequent Events

On March 23, 2022, the Aetna International group entered into an Asset Purchase Agreement ("APA") with Allianz. The APA is in respect of Aetna International's 'Rest of World' business segment and spans a number of Aetna International legal entities including the Company.

Under the terms of the APA (which is conditional on certain legal processes being completed in relevant jurisdictions), Aetna International will introduce its existing customers to Allianz at renewal. Where those customers choose to take out a new policy with Allianz, Aetna International will support the migration of those customers to Allianz. Aetna International expects completion of this migration process to occur over a 12 - 16 month period starting from July 2022. Aetna International (and its insurer entities) will consider its position throughout the period and anticipates it will cease writing any new or renewal International Private Medical Insurance business after October 31, 2022.

If the deal becomes effective, the Company will receive consideration from Allianz, and will experience a significant reduction in future business volumes. The Company will continue as a going concern with appropriate resources, solvency and liquidity, and it will continue to settle claims in the ordinary course of business.

The Company evaluated subsequent events through April 25, 2022 and no further material events were identified other than what has been disclosed above.