AETNA LIFE & CASUALTY (BERMUDA) LTD.

(Incorporated in Bermuda)

Financial Statements

December 31, 2022 and 2021

(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, 2022 and 2021, and the related statements of operations, comprehensive loss, changes in shareholder's equity and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the incurred and paid claims development, net of reinsurance, prior to the most recent year disclosed in Note 5 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 24, 2023

AETNA LIFE & CASUALTY (BERMUDA) LTD.

(Incorporated in Bermuda)

Balance Sheets

December 31, 2022 and 2021

(Expressed in United States dollars)

Assets	**2022**	**2021**
Cash and cash equivalents	$ 143,985,913	$ 94,399,722
Debt securities available for sale at fair value (amortized cost $67,374,923 and $100,032,175) (notes 3 and 5)	63,642,389	106,937,094
Accrued investment income	500,065	805,032
Premiums due and other receivables, net	31,647,174	61,090,620
Investment receivables	—	6,557
Reinsurance recoverables and receivables (note 8)	80,465	52,258
Due from affiliates (note 12)	22,722,320	21,217,334
Prepaid expenses (note 4)	6,224,363	10,933,005
Total assets	$ 268,802,689	$ 295,441,622
Liabilities		
Policyholders' funds	$ 2,458,221	$ 2,417,109
Unpaid claims (note 9)	49,046,429	54,431,150
Experience rated liability	8,835,662	1,442,146
Unearned premiums	34,338,003	65,645,908
Total insurance reserve liabilities	94,678,315	123,936,313
Due to reinsurers	18,274	18,274
Current federal income taxes due to parent	1,556,775	451,570
Net deferred income tax (note 13)	—	—
Due to affiliates (note 12)	61,878,699	53,416,555
Commissions due	4,323,009	9,018,417
Investment payable	4,331,249	—
Other liabilities	6,288,748	2,027,544
Total liabilities	173,075,069	188,868,673
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	9,806,582	10,014,458
Accumulated other comprehensive (loss) income	(5,289,423)	5,348,030
Total shareholder's equity	95,727,620	106,572,949
Total liabilities and shareholder's equity	$ 268,802,689	$ 295,441,622

See accompanying notes to financial statements.

AETNA LIFE & CASUALTY (BERMUDA) LTD.

(Incorporated in Bermuda)

Statements of Operations

Years ended December 31, 2022 and 2021

(Expressed in United States dollars)

	2022	2021
Revenue:		
Net earned premiums (note 11)	$ 261,476,561	$ 272,857,498
Net investment income (note 3)	4,188,359	3,540,025
Net realized capital gains (note 3)	312,407	82,902
Fees and other income	12,828,626	434
Total revenue	278,805,953	276,480,859
Benefits and expenses:		
Current and future benefits (note 10)	156,937,224	175,529,852
Operating expenses (note 12)	121,980,856	102,023,108
Total benefits and expenses	278,918,080	277,552,960
Loss before income taxes	(112,127)	(1,072,101)
Provision for income taxes (note 13)	95,749	1,711,092
Net loss	$ (207,876)	$ (2,783,193)

See accompanying notes to financial statements.

AETNA LIFE & CASUALTY (BERMUDA) LTD.

(Incorporated in Bermuda)

Statements of Comprehensive Loss

Years ended December 31, 2022 and 2021

(Expressed in United States dollars)

	2022	2021
Net loss	$ (207,876)	$ (2,783,193)
Other comprehensive loss, net of tax:		
Change in unrealized loss (note 6)	(10,637,453)	(3,717,825)
Other comprehensive loss, net of tax	(10,637,453)	(3,717,825)
Comprehensive loss	$ (10,845,329)	$ (6,501,018)

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, 2022 and 2021

(Expressed in United States dollars)

	Number of common shares outstanding	Common stock and additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholder's equity
Balance at January 1, 2021	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
Net loss	—	—	(207,876)	—	(207,876)
Other comprehensive loss	—	—	—	(10,637,453)	(10,637,453)
Balance at December 31, 2022	370,000	$ 91,210,461	$ 9,806,582	$ (5,289,423)	$ 95,727,620

See accompanying notes to financial statements.

AETNA LIFE & CASUALTY (BERMUDA) LTD.

(Incorporated in Bermuda)

Statements of Cash Flows

Years ended December 31, 2022 and 2021

(Expressed in United States dollars)

	2022	2021
Cash flows from operating activities:		
Net loss	$ (207,876)	$ (2,783,193)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Amortization of net investment premium	75,257	95,565
Net realized capital gains	(312,407)	(82,902)
Deferred income tax	—	1,533,613
Effect of exchange rate changes on cash and cash equivalents	1,110,565	(110,139)
Changes in assets and liabilities:		
Accrued investment income	304,967	157,407
Premiums due and other receivables	29,443,446	12,507,732
Investment payables/receivables	4,337,806	(6,557)
Reinsurance recoverables and receivables	(28,207)	3,478,060
Current federal income taxes due to parent	1,105,205	(4,740,611)
Prepaid expenses	4,708,642	(133,438)
Policyholders' funds	41,112	953,000
Unpaid claims	(5,384,721)	(4,286,188)
Experience rated liability	7,393,516	(6,201,996)
Unearned premiums	(31,307,905)	1,089,332
Amount due to reinsurers	—	(2,970,587)
Amount due to/from affiliates	6,957,158	(11,225,354)
Commissions due	(4,695,408)	(1,266,840)
Other liabilities	4,261,204	(563,391)
Net cash (used) provided by operating activities	17,802,354	(14,556,487)
Cash flows from investing activities:		
Proceeds from debt securities matured and sold	51,362,878	33,115,394
Cost of debt securities purchased	(19,579,041)	(10,256,716)
Net cash provided by investing activities	31,783,837	22,858,678
Net Increase in cash and cash equivalents	49,586,191	8,302,191
Cash and cash equivalents, beginning of year	94,399,722	86,097,531
Cash and cash equivalents, end of year	$ 143,985,913	$ 94,399,722
Supplemental cash flow information:		
Income taxes refunded (paid)	$ 1,009,456	$ (4,918,090)

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.

On March 23, 2022, an Asset Purchase Agreement (“APA”) was signed between Aetna Global Benefits (UK) Limited (“AGBUK”), and AWP Health & Life SA, acting through its Irish Branch (“Allianz”). This APA covers rest of world (“ROW”) medical insurance business (including fronted business) written by Aetna International Group including the Company. ROW excludes USA domestic business.

Under the terms of the APA, AGBUK and its affiliates have introduced and will continue introducing the Company’s existing customers to Allianz at renewal. Where those customers have chosen / will choose to take out new policies with Allianz, AGBUK has supported and will continue to support the migration of those customers to Allianz. The business migration is expected to complete by the end of 2023.

This agreement became effective on May 17, 2022 and under terms specified in the APA, an up-front consideration was paid by Allianz to AGBUK in June 2022, with details of the Company’s allocation of the consideration received disclosed below. There is a further deferred consideration amount, variable in nature, which is payable by Allianz upon completion of the business migration at the end 2023. The amount of the deferred compensation to be paid by Allianz to AGBUK is formulaic in nature and conditional on performance criteria which can only be reasonably estimated at the end of the business migration which will be completed by the end of 2023.

For the year ended December 31, 2022, the Company recognized its fair share (see note 2(b)) of the paid consideration totaling $12,686,250. Additionally, the Company incurred related allocated run-off costs of $21,155,711. These run-off costs represent those costs to support the migration of the ROW portfolio included in the APA and were allocated from affiliates to the Company pursuant to established, executed transfer pricing agreements.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(b) Revenue Recognition

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

The Company’s billings may be subsequently adjusted to reflect enrollment changes due to member terminations or other factors. These adjustments are known as retroactivity adjustments. In each period, the Company estimates the amount of future retroactivity and adjusts the recorded revenue accordingly. As information regarding actual retroactivity amounts becomes known, the Company refines its estimates and records any required adjustments to revenues in the period in which they arise. The balance of the Company estimate for enrollment changes due to member or other factors was $1,607,434 and $2,246,931 at December 31, 2022 and 2021, respectively, and is reflected as a reduction of premiums due and other receivables on the Balance Sheets.

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

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

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

(c) Investments

(i) Debt Securities

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

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

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

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

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

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

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 (loss) income.

(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. The premium stabilization reserve is shown on the Balance Sheets as Policyholders' funds.

(f) Unpaid Claims

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

The Company discounts certain claim liabilities related to group long-term disability and life insurance waiver of premium contracts. The discounted amount of these liabilities was $2,133,885 and $75,708 in 2022 and $2,626,431 and $141,487 in 2021, respectively. The undiscounted amount of these liabilities was $2,357,883 and $97,529 in 2022 and $2,977,286 and $156,004 in 2021, respectively. For 2022 and 2021, 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 2022 and 2021. The discount rates associated with the Company's claim liabilities related to life premium waiver range from 4.00% to 6.00% in 2022 and 2021.

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, 2022; 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, 2022 would cause these estimates to change in the near term, and such a change could be material.

Each quarter, the Company re-examines previously established unpaid claims estimates based on actual claim payments for prior periods and other changes in facts and circumstances. Given the extensive degree of judgment in this estimate, it is possible that the Company's estimates of unpaid claims could develop either favorably (that is, it's actual benefit costs for the period were less than estimated) or unfavorably. The changes in the Company's estimate of unpaid claims may relate to a prior quarter, prior year or earlier periods. For a roll forward of the Company's accident and health unpaid claims, see Note 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, 2022 and 2021.

(h) Cash and Cash Equivalents

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

(i) Foreign Currencies

Transactions in foreign currencies are settled at the rate of exchange in effect at the end of the day in which the transaction took place. The resulting transaction adjustment is reflected in the Statements of Operations in net realized capital gains (losses) in the amount of $1,102,078 and $(110,260) for 2022 and 2021, respectively.

(j) Reinsurance

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

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

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

	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)

(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, 2022, the Company will be filing a separate company tax return.

As of December 31, 2022, the Company has no capital loss carryforward and a net operating loss carryforward of $1,568,734 for tax purposes. As of December 31, 2021, the Company has no capital loss carryforward and an operating loss carryforward of $286,407 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, 2018 and 2019. The IRS has substantially completed its examinations for tax years 2014 through 2017. CVS Health was not a participant in the CAP program in tax year 2020 or 2021, nor is it a participant in 2022. The Company is also subject to audits by state and local tax authorities for tax years 2014 through 2021.

On August 16, 2022, President Biden signed into law the Inflation Reduction Act (the "Act"). Effective for tax years beginning after December 31, 2022, the Act includes a new corporate alternative minimum tax ("CAMT") on certain corporations. The aggregate group of which the Company is a member has not determined as of the reporting date if it will be liable for CAMT in 2023. The financial statements as of December 31, 2022 do not include an estimated impact of the CAMT because a reasonable estimate cannot be made.

(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.

(3) Investments

Debt securities available for sale as of December 31, 2022 and 2021 were as follows:

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

	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

[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, 2022 and December 31, 2021.

The amortized cost and fair value of debt securities at December 31, 2022 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	$ 7,989,325	$ 7,892,427
One year through five years	34,657,657	32,829,634
After five years through ten years	12,598,039	11,578,172
Greater than ten years	12,129,902	11,342,156
Total	$ 67,374,923	$ 63,642,389

(a) Unrealized Capital Losses

Summarized below are the Company's debt securities held at December 31, 2022 and 2021, that were in an unrealized capital loss position, aggregated by the length of time the investments have been in that position:

`

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

	December 31, 2021								
	Less than 12 months			More than 12 months			Total		
	Number of Securities	Fair Value	Unrealized losses	Number of Securities	Fair Value	Unrealized losses	Number of Securities	Fair Value	Unrealized losses
U.S. 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

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, 2022, 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, 2022 were as follows:

	Fair Value	Unrealized losses
Due to mature:		
Less than one year	$ 7,892,426	$ 96,899
One year through five years	32,829,634	1,828,022
After five years through ten years	11,578,172	1,019,867
Greater than ten years	7,957,511	897,740
Total	$ 60,257,743	$ 3,842,528

The Company did not incur any credit-related impairments in 2022 for those securities held at year end.

(b) Net Investment Income

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

	2022	2021
Debt securities	$ 2,491,360	$ 3,584,713
Cash equivalents	1,842,339	99,227
Gross investment income	4,333,699	3,683,940
Less investment expenses	145,340	143,915
Net investment income	$ 4,188,359	$ 3,540,025

(c) Realized Capital Gains (Losses)

Net realized capital gains for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
OTTI losses on debt securities recognized in earnings	$ (239,228)	$ —
Other net realized capital gains	551,635	82,902
Net realized capital gains [1]	$ 312,407	$ 82,902

[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, 2022 and December 31, 2021. There were no credit-related losses on debt securities in the year ended December 31, 2022.

Proceeds from the sale of debt securities and the related gross realized capital gains and losses for 2022 and 2021 excluding the effect of foreign currency were as follows:

	2022	2021
Proceeds on sales	$ 32,888,338	$ 12,475,498
Gross realized capital gains	582,506	194,046
Gross realized capital losses	1,141,437	1,005

(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 $6,178,105 and $10,927,769 at December 31, 2022 and 2021, 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, 2022 or 2021.

There were no liabilities measured at fair value at December 31, 2022 and 2021. The financial assets with changes in fair value that are measured on a recurring basis at December 31, 2022 and 2021 were as follows:

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

	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

There were no transfers between Levels 1 and 2 during the years ended December 31, 2022 and 2021.

There were no Level 3 financial assets or transfers into or out of Level 3 for the years ended December 31, 2022 and 2021.

(6) Net Unrealized Capital Gains

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

	2022	2021
Debt securities	$ (3,732,534)	$ 6,904,919
Income taxes	(1,556,890)	(1,556,889)
Net after taxes	$ (5,289,423)	$ 5,348,030

Reclassification Adjustment

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

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

	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)

(7) Letters of Credit

(a) Cayman Island Monetary Authority

The Company has deposit funds at the Bank of Butterfield Cayman in the amount of $14,464,081 and $14,281,350 at December 31, 2022 and 2021, 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, 2022 and 2021, the insurance reserves pertaining to the policies issued and in force in the Cayman Islands were $4,702,521 and $5,932,439, respectively.

The Cayman Island Monetary Authority and the Financial Services Commission have recourse to these funds, in the event that the Company defaults in meeting its insurance obligations on policies issued in the jurisdiction and should fail to correct any such defaults within sixty (60) and thirty (30) days, respectively, of notification of such defaults. As of December 31, 2022, the Company is not aware of any default in meeting its insurance obligations.

(b) HEREF Farnborough Limited

The Company was issued two letters of guarantee in favor of Farnborough Business Park Limited in the amount of GBP 687,170 and GBP 687,170. These British Pounds corresponded to United States dollars of $830,768 and $830,768 at December 31, 2022. These letters of guarantee were issued by Citibank International Ltd. for the account of Citibank Europe PLC and will expire on August 25, 2023.

The Company had an outstanding letter of guarantee in favor of Farnborough Business Park Limited in the amount of GBP 719,556 at December 31, 2021. The letter of guarantee was issued by Citibank International Ltd, for the account of Citibank Europe PLC and expired on November 23, 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 and Second Floor West Wing on the property situated at 25 Templer Avenue, Farnborough Business Park, Farnborough (the Property).

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

(8) Reinsurance Recoverables and Receivables

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

	2022	2021
Unpaid claims and future policy benefits:		
Group recoverables	$ —	$ —
Group receivables	80,465	52,258
Total reinsurance recoverables and receivables	$ 80,465	$ 52,258

(9) Unpaid Claims

The following is information about incurred and cumulative paid health care claims development as of December 31, 2022 and 2021, 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	**2021**	**2022**
	(Unaudited)	
Prior Years	$ 323,342,167	$ 319,872,776
2021	187,805,220	184,878,807
2022		166,042,652
Total		$ 670,794,235

	Cumulative Paid Health Care Claims, Net of Reinsurance For the Years Ended December 31,	
Date of Service	**2021**	**2022**
	(Unaudited)	
Prior Years	$ 320,453,838	$ 319,665,837
2021	141,630,317	172,736,764
2022		131,975,489
Total		$ 624,378,090
Total outstanding liabilities for unpaid claims, net of reinsurance		$ 46,416,145

At December 31, 2022 and 2021, total health care liabilities for IBNR plus expected development on reported claims totaled approximately $49.0 million and $54.4 million, respectively.

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

	2022	2021
Unpaid claims, beginning of the period	49,063,232	52,674,032
Add: Components of incurred claims		
Current year	166,042,652	178,669,588
Prior years	(6,395,804)	(5,119,556)
Total incurred claims	159,646,848	173,550,032
Less: Claims paid		
Current year	131,975,489	141,630,317
Prior years	30,318,446	35,530,515
Total claims paid	162,293,935	177,160,832
Unpaid claims, end of the period	$ 46,416,145	$ 49,063,232

Excluded from the above are reserves of $113,497, $2,188,661, and $328,126 at December 31, 2022 related to life products, group disability products and provider claim liabilities and $141,487, $2,626,431, and $2,600,000 at December 31, 2021, respectively. Our estimates of prior year's health care unpaid claims decreased by $6,395,804 and $5,119,556 in 2022 and 2021, respectively, because claims were settled for amounts less than originally estimated (i.e., the amount of claims incurred was lower than originally estimated), primarily due to lower health care cost trends.

(10) Current and Future Benefits

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

	2022	2021
Benefits paid:		
Group accident and health	$ 163,048,998	$ 176,287,677
Long-term disability	657,317	657,317
Group life	37,350	—
Change in claim reserves:		
Group accident and health	(3,402,150)	(2,737,645)
Long-term disability	(437,770)	(510,291)
Group life	(27,989)	(243,395)
Current and future benefits	$ 159,875,756	$ 173,453,663

Excluded from above for the years ended December 31, 2022 and 2021 are items totaling $(2,938,532) and $2,076,189, respectively, primarily related to provider liabilities and certain reinsurance agreements including 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:

	2022	2021
Gross premiums written:		
Direct	$ 183,295,592	$ 196,567,874
Assumed	52,414,899	74,890,193
Total premiums written	235,710,491	271,458,067
Change in unearned premiums:		
Direct	13,316,193	361,652
Assumed	19,237,400	(1,326,329)
Total change in unearned premiums	32,553,593	(964,677)
Gross premiums earned	268,264,084	270,493,390
Ceded reinsurance premiums	—	(3,462)
Change in allowance for estimated terminations and uncollectible amounts	605,993	1,030,954
Change in experience rating refunds reserves	(7,393,516)	1,336,616
Net Premiums Earned	$ 261,476,561	$ 272,857,498

(12) Related-Party Transactions

Aetna and its affiliates provided various administrative and support functions to the Company in 2022 and 2021. 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 $24,106,311 and $24,612,806 in 2022 and 2021, 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 did not pay dividends in 2022 and 2021.

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 $859,806 and $716,046 for the year ended December 31, 2022 and $911,637 and $584,389 for the year ended December 31, 2021. The reserves for this arrangement are included in unpaid claims on the Balance Sheets and were $391,610 and $274,281 at December 31, 2022 and 2021, 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, 2022, the premiums earned were $3,771,414 and claims incurred under this agreement were $1,353,406 and for the year ended December 31, 2021, the premiums earned were $3,637,804 and claims incurred under this agreement were $2,879,384.

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, 2022, the premiums earned were $860,934 and claims incurred under this agreement were $0 and for the year ended December 31, 2021, the premiums earned were $679,154 and claims incurred under this agreement were $335,344.

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, 2022, the premiums earned were $331,786 and claims incurred under this agreement were $0 and for the year ended December 31, 2021, the premiums earned were $171,553 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 $3,022,527 and $903,901 for the year ended December 31, 2022 and $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 $322,916 and $454,530 at December 31, 2022 and 2021, respectively.

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, 2022 and December 31, 2021 amounted to $12,418,596 and $11,328,709, 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, 2022 and December 31, 2021 were $62,759,937 and $42,700,675, respectively.

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

	2022	2021
Aetna Life Insurance Company	$ (46,647,851)	$ (46,167,794)
Aetna Shanghai Enterprise Services	(7,394,952)	(1,617,376)
Aetna Global Benefits (UK) Limited	(3,634,213)	—
Aetna Insurance Company Limited	(1,370,257)	(3,503,444)
Aetna Inc.	(1,230,379)	(1,014,867)
Aetna International Inc.	(668,013)	(172)
Aetna Resources, LLC	(436,391)	(884,322)
Goodhealth Worldwide Global Limited	(274,360)	—
Aetna Global Benefits Limited (DIFC)	(127,257)	—
Aetna Global Benefits (Europe) Limited	(32,206)	—
Aetna Health Insurance Company of Europe Ltd	(4,092)	(78,500)
Aetna Insurance (Hong Kong) Limited	—	(112,460)
Other	(58,728)	(37,620)
	$ (61,878,699)	$ (53,416,555)

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

	2022	2021
Aetna Global Benefits (Middle East) LLC	$ 17,170,954	$ 9,522,065
Aetna Global Benefits (Asia Pacific) Limited	3,517,890	9,080,152
Aetna Life Insurance Company	1,357,181	—
Goodhealth Worldwide (Asia) Limited	478,125	481,158
Aetna Health Management LLC	169,634	90,053
Aetna Global Benefits (UK) Limited	—	1,786,093
Aetna Global Benefits Limited (DIFC)	—	221,917
Aetna Global Benefits (Europe) Limited	—	16,844
Other	28,536	19,052
	$ 22,722,320	$ 21,217,334

(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:

	2022	2021
Current expense	$ 95,749	$ 177,479
Deferred expense	-	1,533,613
Provision for income taxes	$ 95,749	$ 1,711,092

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

	2022		2021	
Tax (benefit) at statutory rate	$ (23,547)	21.00%	$ (225,141)	21.00%
Other permanent differences	4,163	(3.71%)	68,824	(6.42%)
Change in valuation allowance	(21,251)	18.95%	1,681,309	(156.82%)
Non-US tax	206,005	(183.72%)	211,529	(19.73%)
Prior year true-up and other	(69,621)	62.09%	(25,429)	2.37%
	$ 95,749	(85.39%)	$ 1,711,092	(159.60%)

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

	2022	2021
Deferred tax assets:		
Unpaid claims and claim adjustment expense	$ 133,203	$ 149,569
Unearned premium	1,496,007	2,858,639
Deferred acquisition costs	30,928	30,917
Net unrealized loss on debt securities	824,504	-
Net operating loss carryforward	1,568,734	286,407
Other	2,231	-
Gross deferred tax assets	4,055,607	3,325,532
Deferred tax liabilities:		
Investments, net	62,150	103,709
Insurance reserves	16,178	48,518
Net unrealized gain on debt securities	-	1,491,996
Other	8	-
Gross deferred tax liabilities	78,336	1,644,223
Valuation allowance	3,977,271	1,681,309
Net deferred tax liability	$ -	$ -

In assessing the realizability of the deferred tax asset, management considers whether it is more likely than not that some portion or all of each deferred tax asset will not be realized. The ultimate realization of a deferred tax asset is dependent upon generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the projections for future taxable income over the periods in which the deferred tax assets are deductible, management does not believe that it is more likely than not that the Company will realize the deferred tax assets. Accordingly, a valuation allowance in the amount of $3,977,351 has been provided for at December 31, 2022. As of December 31, 2021, the Company had a valuation allowance of $1,681,309.

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

(14) Commitments and Contingencies

COVID-19

During the year ended December 31, 2022, the impact of coronavirus disease 2019 ("COVID-19") within the Health Care Benefits segment has generally stabilized as a result of the Company's ability to capture COVID-19 related medical costs in pricing, and the segment has experienced a return to a more normal seasonality pattern.

During the year ended December 31, 2021, the customary quarterly operating income progression was impacted by COVID-19. While overall medical costs in the first quarter were generally consistent with historical baseline levels in the aggregate, the segment experienced increased COVID-19 testing and treatment costs and lower Medicare risk-adjusted revenue. During the second quarter, COVID-19 testing and treatment costs persisted, however at levels significantly lower than those observed during the first quarter. Beginning in the third quarter, medical costs once again increased primarily driven by the spread of the emerging new variants of COVID-19, which resulted in increased testing and treatment costs that continued throughout the fourth quarter.

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").

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

Legal proceedings, in general, and securities, class action and multi-district litigation, in particular, and governmental special investigations, audits and reviews can be expensive and disruptive. Some of the litigation matters may purport or be determined to be class actions and/or involve parties seeking large and/or indeterminate amounts, including punitive or exemplary damages, and may remain unresolved for several years. 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.

CVS Health Group 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. CVS Health Group 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, CVS Health Group does not establish an accrued liability. None of CVS Health Group's accruals for outstanding legal matters are material individually or in the aggregate to the CVS Health Group's financial condition.

Except as otherwise noted, the CVS Health Group cannot predict with certainty the timing or outcome of the legal matters described below, and the CVS Health Group is unable to reasonably estimate a possible loss or range of possible loss in excess of amounts already accrued for these matters. The CVS Health Group 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 CVS Health Group's financial position. Substantial unanticipated verdicts, fines and rulings, however, do sometimes occur, which could result in judgments against the CVS Health Group, 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 CVS Health Group may be subject to damages, civil or criminal fines or penalties, or other sanctions including possible suspension or loss of licensure and/or exclusion from participating in government programs. The outcome of such governmental investigations of proceedings could be material to the CVS Health Group.

Provider Proceedings

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

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

Other Legal and Regulatory Proceedings

The CVS Health Group is also a party to other legal proceedings and is subject to government investigations, inquiries and audits and has received and is cooperating with the government in response to CIDs, subpoenas, or similar process from various governmental agencies requesting information. These other legal proceedings and government actions include claims of or relating to bad faith, medical or professional malpractice, breach of fiduciary duty, claims processing, dispensing of medications, 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 CVS Health Group and others of certain government contracts, particularly Medicaid contracts and other contracts with government customers in the CVS Health Group's Health Care Benefits segment, frequently are subject to protests by unsuccessful bidders. These protests may result in awards to the CVS Health Group being reversed, delayed, or modified. The loss or delay in implementation of any government contract could adversely affect the CVS Health Group's operating results. The CVS Health Group will continue to defend contract awards it receives.

There also continues to be a heightened level of review and/or audit by regulatory authorities and legislators of, and increased litigation regarding, the CVS Health Group's and the rest of the health care and related benefits industry's business and reporting practices, including premium rate increases, utilization management, development and application of medical policies, complaint, grievance and appeal processing, information privacy, provider network structure (including provider network adequacy, the use of performance-based networks and termination of provider contracts), provider directory accuracy, calculation of minimum 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 solutions company, the CVS Health Group regularly is the subject of government actions of the types described above. These government actions may prevent or delay the CVS Health Group from implementing planned premium rate increases and may result, and have resulted, in restrictions on the CVS Health Group's businesses, changes to or clarifications of the CVS Health Group's business practices, retroactive adjustments to premiums, refunds or other payments to members, beneficiaries, states or the federal government, withholding of premium payments to the CVS Health Group by government agencies, assessments of damages, civil or criminal fines or penalties, or other sanctions, including the possible suspension or loss of licensure and/or suspension or exclusion from participation in government programs.

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

Litigation Insurance Coverage

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

(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 $94.0 million at December 31, 2022. 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, 2022, the Company met the ECR.

(16) Subsequent Events

The excess of loss reinsurance arrangement with the Company was fully commuted on December 31, 2022, immediately prior to the commencement of the quota share reinsurance arrangement with ALIC.

The Company evaluated subsequent events through April 24, 2023 and no further material events were identified other than what has been disclosed above.