Sura Re Ltd.

Financial Statements

From January 01, 2022 to December 31, 2022

(expressed in U.S. dollars)

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Independent Auditors' Report

The Board of Directors
Sura Re Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sura Re Ltd. (the Company), which comprise the balance sheet as at December 31, 2022, and the statement of income and comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Ernst & Young Ltd.

June 23, 2023

Sura Re Ltd.

Balance Sheet

As at December 31, 2022

(expressed in U.S. dollars)

	December 31, 2022 $	December 31, 2021 $
Assets		
Cash and cash equivalents (note 9)	4,972,355	1,646,284
Short term time deposits (notes 3 & 9)	-	16,024,033
Investments in bonds	15,303,184	-
Insurance and reinsurance balances receivable (notes 8 & 10)	26,087,309	15,366,481
Funds withheld (note 8)	953,885	1,050,038
Recoverable for losses and loss related expenses (notes 5 & 8)	16,039,272	14,200,581
Deferred reinsurance premium (note 6)	14,243,475	12,887,532
Deferred acquisition costs	2,091,247	853,686
Prepaid expenses and other assets (note 11)	19,651	9,671
Total assets	79,710,378	62,038,306
Liabilities		
Accounts payable and accrued expenses (note 9)	779,483	262,717
Insurance and reinsurance balance payable (notes 8, 9 & 10)	26,253,517	15,003,318
Reserve for losses and loss expenses (note 5)	17,904,818	15,158,925
Unearned premium reserve	15,412,023	13,958,445
Deferred commission	1,916,124	587,258
Funds withheld payable	933,115	992,096
Total liabilities	63,199,080	45,962,759
Shareholder's equity		
Share capital		
Authorised, issued and fully paid common shares of par value $1 each (note 7)	120,000	120,000
Contributed surplus	15,680,000	15,680,000
Retained surplus	711,298	275,547
	16,511,298	16,075,547
Total liabilities and shareholder's equity	79,710,378	62,038,306

Approved by the Board of Directors

Maximiliano Londoño A. ____________________ Director

Andres Camara R. ____________________ Director

July 18, 2023 ____________________ Date

July 18, 2023 ____________________ Date

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

Sura Re Ltd.

Statement of Income and Comprehensive Income

For the year of January 01, 2022 to December 31, 2022

(expressed in U.S. dollars)

	January 01, 2022 to December 31, 2022 $	January 01, 2021 to December 31, 2021 $
UNDERWRITING INCOME:		
Gross written premium	39,730,496	19,900,449
Ceded written premium	(36,957,640)	(17,504,236)
Net written premium	2,772,856	2,396,213
Net change in unearned premium reserve	(1,453,578)	(5,393,585)
Net change in deferred reinsurance premium	1,355,943	5,063,416
Net premium earned	2,675,221	2,066,044
UNDERWRITING EXPENSES:		
Acquisition costs and other underwriting expenses	(5,357,669)	(1,345,833)
Ceding commissions	4,944,921	617,232
Loss and loss expenses (note 5)	(1,711,310)	(1,026,851)
NET UNDERWRITING/INCOME	551,163	310,592
NET INVESTMENT INCOME (note 4)	310,036	262,470
(Loss)/Gain on foreign exchange	7,672	(777)
General and Administrative expenses	(433,120)	(428,563)
NET INCOME	435,751	143,722
TOTAL COMPREHENSIVE INCOME	435,751	143,722

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

Sura Re Ltd.

Statement of Changes in Shareholder's Equity

For the period of January 01, 2022 to December 31, 2022

(expressed in U.S. dollars)

	Share capital $	Contributed surplus $	Retained surplus $	Total shareholder's equity $
December 31, 2020	120,000	15,680,000	131,825	15,931,825
Comprehensive income for the year	-	-	143,722	143,722
December 31, 2021	120,000	15,680,000	275,547	16,075,547
Comprehensive income for the year	-	-	435,751	435,751
December 31, 2022	120,000	15,680,000	711,298	16,511,298

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

Sura Re Ltd.
Statement of Cash Flows
For the period of January 01, 2022 to December 31, 2022

(expressed in U.S. dollars)

	2022	2021
	$	$
Cash flows from operating activities		
Net income for the year	435,751	143,722
Adjustments for non-cash items included in net income:		
Accrued interest on investments	121,137	105,687
Insurance and reinsurance balances receivable	(10,720,828)	(13,125,607)
Funds withheld	96,153	(153,906)
Recoverable for losses and loss related expenses	(1,838,691)	(6,943,646)
Deferred reinsurance premium	(1,355,943)	(5,063,416)
Deferred acquisition costs	(1,237,561)	(270,977)
Prepaid expenses and other assets	(9,980)	4
Accounts payable and accrued expenses	516,766	100,846
Unearned premium reserve	1,453,578	5,393,585
Reserve for losses and loss expenses	2,745,893	7,771,194
Insurance and reinsurance balance payable	11,250,199	11,040,964
Funds withheld payable	(58,981)	(34,719)
Deferred commission	1,328,866	231,662
Net cash (used in)/provided by operating activities	2,726,359	(804,607)
Cash flows from investing activities		
Proceeds on maturity/sale of investments	32,592,401	20,739,268
Purchase of investments	(31,992,689)	(21,107,425)
Net cash (used in)/provided by investing activities	599,712	(368,157)
Net (decrease)/increase in cash and cash equivalents	3,326,071	(1,172,764)
Cash and cash equivalents at beginning of year	1,646,284	2,819,048
Cash and cash equivalents at end of year	4,972,355	1,646,284

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

(expressed in U.S. dollars)

1. General

Sura Re Ltd. (the “Company”) was incorporated under the laws of Bermuda on December 8, 2015 and capitalized on March 16, 2016. Once capitalized the Bermuda Monetary Authority registered the Company as a Class 3A insurer under The Insurance Act, 1978 effective March 18, 2016. On 2022 Sura Re Ltd. applied for a Class C license with the Bermuda Monetary Authority which was approved on April 7, 2022. The Company assumes group and individual life business from its parent insurance subsidiaries which operates in Latin American markets.

Sura Re Ltd., is wholly-owned and controlled by Suramericana S.A. ("Suramericana"), a Colombian limited liability company that is 81.13% owned and controlled by Grupo de Inversiones Suramericana SA ("Group Sura"), a Colombian company listed on the Colombian Stock Exchange and whose American Depository Receipts are listed on the New York Stock Exchange. The remaining 18.87% stake in Suramericana is owned by the German insurer Munchener Ruckversicherungs- Gesellschaft Aktiengesellschaft, more commonly known as "Munich Re". The registered office of the Company is located at Crawford House, 50 Cedar Avenue, Hamilton HM11, Bermuda.

The Company provides reinsurance capacity to several insurers within Suramericana’s group of companies, including Seguros Generales Suramericana S.A. (Colombia), Seguros SURA S.A. (Dominican Republic), Seguros Generales Suramericana S.A. (Panama) and Seguros Generales Suramericana S.A. (Chile). The Company also serves as a fronting reinsurer to Seguros Generales Suramericana S.A. (Colombia), Seguros Generales Suramericana S.A. (Panama) and Seguros Generales Suramericana S.A. (Chile).

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

(a) Statement of compliance

The Company’s financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

(b) Basis of presentation

The Company’s financial statements have been prepared under the historical cost basis, except for investments, which are recorded at fair value. The Company has reclassified previous year’s account balances as necessary for a more detailed Financial Statements’ presentation.

The Company has prepared its Financial Statements in conformity with IFRS 4 "Insurance Contracts", effective January 1, 2006 and believes it is in compliance with the requirements as prescribed by the International Accounting Standards Board (IASB) in its first phase of the standard. IFRS 4 is an interim measure until the IASB completes the second phase of its project on insurance contracts.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Key sources of estimation uncertainty are described in these significant accounting policies.

(c) **Premiums written and acquisition costs**

Premiums written are recognized and acquisition costs are expensed on a pro rata basis over the terms of the policy. Premium refunds and cancellations are recorded at its effective date and included in income. Certain of the policies provide for premium adjustments based on the results of premium base reviews. The Company has considered such adjustments using estimates of the ultimate premiums, and in the opinion of management, future adjustments to premiums will not have a material effect on the financial position of the Company.

(d) **Reinsurance premiums ceded**

Reinsurance premiums ceded are expensed over the term of the reinsurance policies.

(e) **Reserve for losses and loss related expenses**

The reserve for losses and loss related expenses include estimates for outstanding claims and settlement expenses incurred at the balance sheet date including an estimate for the cost of claims incurred but not reported at that date. Such reserve is based on loss adjusters' evaluations and management's best estimates on an undiscounted basis and, in the opinion of management, is adequate. Future adjustments to the amounts recorded as of December 31, 2022, resulting from the continual review process, as well as differences between estimates and ultimate settlements, will be reflected in the Company's statements of income and comprehensive income of future years when such adjustments become known.

(f) **Reinsurance**

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outwards reinsurance premiums are accounted for in the same period as the related premiums for the direct or inwards reinsurance business being reinsured.

Reinsurance liabilities comprise premiums payable for outwards reinsurance contracts and are recognized as an expense when due.

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses. Reinsurance assets are measured consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of the reinsurance contract.

(g) **Translation of foreign currencies**

Monetary assets and liabilities originating in other currencies are translated into U.S. dollars (the functional currency) at the rates of exchange in effect at the balance sheet date. Non-monetary items originating in other currencies are translated into U.S. dollars at the rates of exchange in effect at the dates when the transactions occurred. Revenue and expense items are translated into U.S. dollars at the rate of exchange prevailing at the time of the transaction. The resulting exchange gains or losses are recognized in net income (loss).

(expressed in U.S. dollars)

2. *Summary of significant accounting policies (cont'd)*

(h) Financial assets

The Company's financial assets consist of short term time deposits and Bonds. The Company considers time deposits with original maturity of more than ninety days but less than one year as short term. The carrying value approximates fair market value because of the short term liquidity and categorized as Level 1 investments.

(i) Cash and cash equivalents

Cash and cash equivalents include amounts held in banks and funds having original maturity of less than ninety days. The carrying value approximates fair market value because of the short term liquidity.

(j) Fair value of financial instruments

The fair value of financial instruments held by the Company approximates carrying value due to its liquid and short-term nature. The fair value of investments are determined with reference to observable market data.

Fair value information in respect of the reserve for losses and loss related expenses has not been estimated and disclosed because it is impractical to measure the fair value reliably given the uncertain frequency and severity of claims on the underlying policies of insurance.

(k) Application of new and revised IFRSs

<u>New and revised IFRSs in issue-Not yet adopted</u>

IFRS 9 Financial Instruments

In July 2014, the IASB issued IFRS 9 – Financial Instruments ("IFRS 9"), which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39.

Classification and measurement – Financial assets are classified and measured based on the business model within which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39 except that for financial liabilities measured at fair value will have fair value changes resulting from changes in the Company's credit risk recognized in Other Comprehensive Income ("OCI") instead of net income, unless this would create an accounting mismatch.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect their actual risk management activities.

The directors of the Company are currently assessing the impact this standard will have on future financial statements and related disclosures and do not anticipate that the application of this standard will have a material

(expressed in U.S. dollars)

2. Summary of significant accounting policies (cont'd)

impact on the Company's financial statements. The effective date is 1 January 2018 however the temporary exemption is being applied.

The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 until the earlier of the effective date of IFRS 17 and annual reporting periods beginning on or after 1 January 2023.

The Company is eligible to apply the temporary exemption as its activities are predominantly connected with insurance, as defined by the amendments to IFRS 4. The impact of the adoption of IFRS 9 on the Company's financial statements will, to a large extent, have to take into account the interaction with the new insurance contracts standard IFRS 17. As such, it is not possible to fully assess the effect of the adoption of IFRS 9.

New and revised IFRSs in issue-Not yet adopted

IFRS 17 Insurance Contracts

In May 2017, the IASB published IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 that was issued in 2005. IFRS 17 applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grandfathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The core of IFRS 17 is the general model, supplemented by a specific adaption for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts.

The main features of the new accounting model for insurance contracts are, as follows: the measurement of the present value of future cash flows incorporating an explicit risk adjustment and re-measured every reporting period (the fulfilment cash flows); a contractual service margin that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (coverage period); the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of insurance services provided during the period; and extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The impact of the adoption of the IFRS 17 has yet to be fully assessed but it is expected there will be no significant impacts relating to the measurement and presentation of the contracts in scope of the standard. This standard applies to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 Project

Sura Re has involved a consultant for the IFRS 17 project and the parent has issued accounting policies and guidelines to the process. The analysis and final conclusions of the project remains ongoing. The Company has decided to adopt IFRS 17 under the fair value approach and the cumulative effect of initially applying the standard will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2022.

Under the fair value approach, the components of the Liabilies for Remaining Claims (LRC) is calculated as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows as at the transition date. Due to unavailability of sufficient data, all expired contracts have been grouped into one single cohort. This is allowed by the standard when using the Fair Value approach to transition.

(expressed in U.S. dollars)

3. *Investments*

Fair value

The method and assumptions used to estimate the fair value of each class of financial instruments for which it is practical to estimate a value are as follows:

Short-term financial assets and liabilities

The carrying value of short-term financial assets and liabilities is a reasonable estimate of their fair value as determined by independent third parties such as banking institutions or the reinsurance market, because of the short maturity of these instruments. Short-term financial assets comprise cash interest-bearing deposit, accrued investment income.

The following table presents the analysis of the Company's investments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable from the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	As at December 31, 2022			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Bonds	15,303,184	-	-	15,303,184
Total Investment at Fair Value	15,303,184	-	-	15,303,184

	As at December 31, 2021			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Short Term Time Deposits	16,024,033	-	-	16,024,033
Total Investment at Fair Value	16,024,033	-	-	16,024,033

(expressed in U.S. dollars)

4. *Investment income*

	2022	2021
	$	$
Interest income	310,036	262,470
Net investment income	310,036	262,470

5. *Reserve for losses and loss expenses*

The activity in reserve for losses and loss related expenses as at December 31, 2022 and 2021 is summarized as follows:

	Gross		Reinsurer's share		Net	
	2022	2021	2022	2021	2022	2021
	$	$	$	$	$	$
Balance at January 1	15,158,925	7,387,731	(14,200,581)	(7,256,935)	958,344	130,796
Incurred/(Recoverable) losses related to:						
Current Year	7,328,450	3,147,138	(6,472,189)	(2,899,731)	856,261	247,407
Prior Year	5,041,294	4,864,264	(4,186,245)	(4,084,820)	855,049	779,444
	12,369,744	8,011,402	(10,658,434)	(6,984,551)	1,711,310	1,026,851
Paid losses related to						
Current Year	(657,313)	(65,984)	566,832	56,742	(90,480)	(9,242)
Prior Year	(8,966,538)	(174,224)	8,252,910	(15,837)	(713,628)	(190,061)
	(9,623,851)	(240,208)	8,819,743	40,905	(804,108)	(199,303)
Balance at December 31	17,904,818	15,158,925	(16,039,272)	(14,200,581)	1,865,546	958,344

The Company experienced loss development in relation to various claims that were reported in 2022 for current and prior years. The major claim related to property Celsia and Novation contract, which are fully reinsured.

6. *Reinsurance*

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to the Company; consequently, allowances would be established for amounts deemed uncollectible. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

(expressed in U.S. dollars)

Deferred reinsurance premiums of $14,243,475 and $12,887,532 as of December 31, 2022 and 2021 respectively were related mainly with Suramericana Colombia and Munich Re.

7. *Share capital*

Share capital consists of 120,000 common shares with a par value of $1 each, which were authorized, issued and fully paid as at December 31, 2022 and 2021.

8. *Related party transactions*

Parties are considered to be related when one party has the ability to control the other party or exercises significant influence over the other party in making financial or operational decisions or by virtue of material contracts in existence during the year. Management has determined that all dealings with related parties are in accordance with underlying agreements in place or approval of the board of directors.

As per note 1 above, the Company provides reinsurance capacity to several insurers within Suramericana's group of companies. Currently, all reinsurance business assumed by the Company is considered related as such business is ceded to the Company by Suramericana's wholly owned insurers in Colombia, Chile and Dominican Republic.

Sura SAC Ltd. ("Sura SAC"), a Company also fully owned by Suramericana and incorporated in Bermuda under the Insurance Act 1978 on July 26, 2017, and under the Segregated Accounts Companies Act 2000 on August 21, 2017, is related to the Company through the fact that it acts as fronting insurance Company to retrocede the risks related to companies within the Grupo Sura and key clients of Suramericana to Sura SAC. During the period the Company earned a 1.75% for all risks ceded to Sura SAC.

During the period, the Company entered into assumed reinsurance agreements with Seguros Generales Suramericana S.A. (Colombia), Seguros SURA S.A. (Dominican Republic), and Seguros Generales Suramericana S.A. (Chile) and the following balances are included in the financial statements:

	2022 $	2021 $
Insurance balance receivable	22,730,400	15,325,737
Reinsurance balance receivable	3,356,909	40,744
Funds withheld	953,885	1,050,038
Recoverable for losses and loss related expenses	16,039,272	14,200,581

During the period, the Company entered into ceded reinsurance agreements with Sura SAC and the following balances are included in the financial statements:

	2022 $	2021 $
Insurance balance payable	3,953,427	78,021
Reinsurance balance payable	22,300,090	14,925,297
Funds withheld	933,115	992,096
Reserve for losses and loss expenses	17,904,818	15,158,925

(expressed in U.S. dollars)

The Company provides fronting facilities to Sura SAC (Segregated Account) – 01 regarding Celsia's insurance programme, Sura SAC (Segregated Account) – 02 regarding Nutresa insurance programme, Sura SAC (Segregated Account) – 03 regarding Grupo Sura regarding insurance programme, Sura SAC (Segregated Account)- 04 regarding Grupo Argos regarding insurance programme.

9. Financial risk management

The Company is exposed to market risk, credit risk, liquidity risk, interest rate risk, and currency risk among others, arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below.

Market risk
Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The Company's investments are short term time deposits and therefore management does not believe there is a significant exposure to market risk.

Credit risk and concentration of credit risk
Credit risk arises from the failure of the counter party to perform according to the terms of a contract.

The Company's activities expose it to a variety of financial risks: credit risk and liquidity risk.

Management key areas where the Company is exposed to credit risk are:

- Cash and cash equivalents
- Short term time deposits
- Investments in bonds
- Insurance balances receivable
- Recoverable for outstanding losses and loss related expenses

The Company does not require collateral or other security to support financial instruments with credit risk.

The Company is party to financial instruments with concentration and credit risks in the normal course of business. All of the Company's cash were on deposit with high credit quality financial institutions. As of December 31, 2022 and 2021, the Company had deposited, with the financial institutions, a total of $4,972,355 and $1,646,284 respectively.

Reinsurance is used to manage insurance risk. This does not however discharge the Company's liability as a primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policy holder.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company manages this risk by investing significantly in highly liquid short term investments which are classified as cash and cash equivalents.

(expressed in U.S. dollars)

9. Financial risk management (cont'd)

Liquidity and interest risk tables

The contractual maturity of reinsurance balance payable is disclosed below. The following tables detail the Company's remaining contractual maturity for its financial liabilities.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

Liquidity and interest risk tables

Financial liabilities:

	Less than 3 months $	3 months to 1 year $	1 to 5 years $	Total $
2022				
Accounts payable and accrued expenses	246,433	533,409	-	779,843
Insurance balance payable	135,333	3,818,094	-	3,953,427
Reinsurance balance payable	4,456,737	17,843,353	-	22,300,090
	4,838,503	22,194,856	-	27,033,360

	Less than 3 months $	3 months to 1 year $	1 to 5 years $	Total $
2021				
Accounts payable and accrued expenses	262,717	-	-	262,717
Insurance balance payable	-	78,021	-	78,021
Reinsurance balance payable	-	14,925,297	-	14,925,297
	262,717	15,003,318	-	15,266,035

The following table details the Company's expected maturity for its financial assets. The tables below have been drawn up based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

Financial assets:

	Less than 3 months $	3 months to 1 year $	1 to 5 years $	Total $
2022				
Bonds	4,855,414	6,863,060	3,584,710	15,303,184

(expressed in U.S. dollars)

9. Financial risk management (cont'd)

2021	Less than 3 months $	3 months to 1 year $	1 to 5 years $	Total $
Short Term Time Deposits	12,905,703	3,118,330	-	16,024,033

Interest rate risk

Interest rate risk arises from the possibility that changes in the interest rates will affect future cash flows or the fair value of financial instruments.

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows.

Liquidity and interest risk tables

The Company is exposed to interest rate risk substantially through its cash and cash equivalents. Other financial assets and liabilities are non-interest bearing with short term maturity and are not subject to significant amounts of interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company's assets and liabilities are denominated in U.S. dollars, the functional currency.

Insurance Risk

The Company accepts insurance risk through its reinsurance contracts where it assumes the risk of loss from several of its Parent's affiliated entities that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

10. Insurance and reinsurance balance receivable / insurance and reinsurance balance payable

At December 31, 2022, the Company had insurance balances receivable of $22,730,400 (2021: $15,325,737) and reinsurance balances receivable of $3,356,909 (2021: $40,744) mainly related to the Novation business received from Panama and FAC Plus Chile.

At December 31, 2022, the Company had insurance balances payable of $3,953,427 (2021: $78,021) and reinsurance balances payable of $22,300,090 (2021: $14,925,297) related to the reinsurance premium fronting to Suramericana Colombia program and to Munich Re.

(expressed in U.S. dollars)

11. Capital risk management and statutory financial reporting

The Company is required by its commercial insurance licence to maintain a liquidity and solvency margin as well as an enhanced capital requirement in accordance with the provisions of the Insurance Act, 1978 of Bermuda. These provisions have been met. As of December 31, 2022 and 2021, the Company exceeded the BMA's target capital level of 120% of the enhanced capital requirement. As of December 31, 2022 and 2021, the Company's actual statutory capital and surplus under the Act was $16,491,647 and $16,065,876 respectively, and accordingly there is no restriction on the amount of retained earnings available for the payment of dividends to shareholders. Actual statutory capital and surplus, as determined using statutory principles, is as follows:

11. Capital risk management and statutory financial reporting (cont'd)

	2022 $	2021 $
Total shareholder's equity	16,511,298	16,075,547
Less: Non-admitted assets:		
Prepaid Expenses	(19,651)	(9,671)
Statutory capital and surplus	16,491,647	16,065,876

The Company is also required to maintain certain minimum liquidity margins, which have been met.

In addition, the Company is required to annually file with the Bermuda Monetary Authority a capital and solvency return within four months of its relevant financial year end (unless specifically extended) which is equivalent to Solvency II.

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

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

(expressed in U.S. dollars)

12. Taxation

Bermuda

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

Colombia

Under the current Colombia taxation law, a foreign entity may be subject to Colombian tax if its operations in Colombia are conducted through a Colombian permanent establishment. The Company's intent has been and continues to be to operate in such a manner that they will not be considered to be conducting business within Colombia for purposes of Colombia income taxation.

The Company takes the position that its Bermuda operation is not engaged in a Colombian trade or business through a Colombian permanent establishment. Accordingly, the Company takes the position that none of its operation should be subject to Colombian tax.

13. Subsequent Events

The Company has evaluated subsequent events through June 23, 2023, which is the date that the financial statements were issued, and no material subsequent events were deemed as at the above issuance date.