BEST DOCTORS INSURANCE LIMITED

Consolidated Financial Statements
(With Independent Auditor's Report Thereon)

March 31, 2023, and March 31, 2022

Index

March 31, 2023, and March 31, 2022

KPMG Audit Limited
Crown House
4 Par-la-Ville Road
Hamilton
HM 08
Bermuda

Telephone +1 441 295 5063
Fax +1 441 295 9132
Internet www.kpmg.bm

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Best Doctors Insurance Limited

Opinion

We have audited the consolidated financial statements of Best Doctors Insurance Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of March 31, 2023 and 2022, and the related consolidated statements of income, changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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 consolidated 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.

Emphasis of matter

As discussed in Note 2(b) to the consolidated financial statements, the Company's ultimate parent did not comply and is in default with the repayment terms of its loan agreement with the Company as at March 31, 2023. Management's evaluation of the events and conditions and management's and the ultimate parent's plans to mitigate these matters are also described in Note 2(b). Our opinion is not modified with respect to this matter.

Responsibilities of management for the consolidated financial statements

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

In preparing the consolidated 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 consolidated financial statements are available to be issued.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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

U.S. generally accepted accounting principles require that certain disclosures related to short-duration contracts on Note 8 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated 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.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
July 31, 2023

BEST DOCTORS INSURANCE LIMITED

Consolidated Balance Sheets

As of March 31, 2023, and March 31, 2022
(Expressed in United States Dollars)

		2023		2022
Assets				
Cash and cash equivalents (Note 3)	$	71,367,911	$	61,485,992
Term deposit (Note 5)		492,598		492,598
Investment at fair value (Note 6)		11,067,216		11,177,963
Insurance balances receivable (Note 4)		42,045,783		40,515,357
Accounts receivable		2,124,625		1,451,564
Reinsurance balances receivable (Note 13)		224,702,059		194,409,138
Unpaid losses recoverable from reinsurers (Notes 8, 13)		31,329,138		30,157,916
Due from a related company (Note 7a, 7b)		-		670,799
Due from ultimate parent (Note 7c)		42,089,948		41,625,625
Unearned premium ceded (Note 13)		107,608,767		100,059,372
Deferred acquisition costs		31,592,025		31,241,201
Other assets		44,536		85,260
Prepaid expenses		298,819		1,134,055
Total assets	$	564,763,425	$	514,506,840
Liabilities				
Reserve for outstanding losses and loss expenses (Note 8)	$	37,132,643	$	35,980,044
Unearned premium reserve		114,007,498		112,328,297
Insurance balances payable		7,217,600		5,839,648
Commission payable		9,087,047		8,793,441
Reinsurance balances payable (Note 13)		312,679,066		286,492,095
Unearned ceding commission		48,629,803		37,953,091
Due to a related company (Note 7a, 7b)		1,021,634		-
Accounts payable and accrued expenses		2,153,941		5,637,261
Total liabilities		531,929,232		493,023,877
Shareholder's equity				
Share capital (Note 12)		120,000		120,000
Additional paid in capital (Note 12)		37,200,000		32,200,000
Retained (deficit)		(4,485,807)		(10,837,037)
Total shareholder's equity		32,834,193		21,482,963
Total liabilities and shareholder's equity	$	564,763,425	$	514,506,840

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

Signed on behalf of the Board.

DocuSigned by:
Gail Fox
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Director

DocuSigned by:
Gary Stropoli
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Director

BEST DOCTORS INSURANCE LIMITED

Consolidated Statements of Income

Years ended March 31, 2023, and March 31, 2022
(Expressed in United States Dollars)

	2023	2022
Underwriting income		
Gross premiums written	$ 244,439,193	$ 234,443,253
Reinsurance premium ceded	(230,838,352)	(217,313,835)
Net premiums written	13,600,841	17,129,418
Movement in net unearned premiums	(246,915)	4,634,687
Net premiums earned	13,353,926	21,764,105
Transaction fee income	1,715,775	1,906,275
Ceding commission	102,703,274	75,952,817
Total underwriting income	117,772,975	99,623,197
Underwriting expenses		
Losses and loss expenses incurred (Note 8)	13,752,707	18,975,961
Commission fees	65,572,711	63,298,865
Total underwriting expenses	79,325,418	82,274,826
Net underwriting income	38,447,557	17,348,371
Other income (expenses)		
Management support fees (Note 7a)	(26,839,967)	(22,243,600)
General and administrative expenses	(3,463,153)	(4,907,361)
Bank fees	(3,873,373)	(3,939,482)
Net investment income (Note 9)	2,080,166	860,668
Net income/ (loss)	$ 6,351,230	$ (12,881,404)

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

BEST DOCTORS INSURANCE LIMITED

Consolidated Statements of Changes in Shareholder's Equity

Years ended March 31, 2023, and March 31, 2022
(Expressed in United States Dollars)

	Share Capital	Additional Paid in Capital	Retained Earnings/ (Deficit)	Shareholder's Equity
Balance March 31, 2021	$ 120,000	$ 32,200,000	$ 2,044,367	$ 34,364,367
Net loss			(12,881,404)	(12,881,404)
Balance March 31, 2022	120,000	32,200,000	(10,837,037)	21,482,963
Additional Paid in Capital (Note 12)		5,000,000		5,000,000
Net income			6,351,230	6,351,230
Balance March 31, 2023	$ 120,000	$ 37,200,000	$ (4,485,807)	$ 32,834,193

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

BEST DOCTORS INSURANCE LIMITED

Consolidated Statements of Cash Flows

Years ended March 31, 2023, and March 31, 2022
(Expressed in United States Dollars)

	2023	2022
Cash flows from operating activities		
Net income/(loss)	$ 6,351,230	$ (12,881,404)
Adjustments to reconcile net income/ (loss) to net cash Provided by operating activities:		
Unrealized loss on investment	110,747	368,715
Changes in non-cash working capital:		
Insurance balances receivable	(1,530,426)	8,129,414
Losses recoverable from reinsurers	(1,171,222)	(5,894,192)
Reinsurance balances receivable	(30,292,921)	66,649,418
Due from related company	670,799	64,349
Unearned ceded premium	(7,549,395)	(6,789,993)
Due from Parent Company	(464,323)	3,246,623
Accounts receivable	(673,061)	(431,276)
Deferred acquisition costs	(350,824)	(796,879)
Other assets	40,724	1,010,088
Prepaid expenses	835,236	(220,302)
Reserve for outstanding losses (Note 8)	1,152,599	895,389
Unearned premium reserve	1,679,201	2,155,307
Insurance balances payable	1,377,952	1,720,154
Reinsurance balances payable	26,186,971	(61,721,139)
Unearned ceding commission	10,676,712	3,526,530
Commission payable	293,605	(403,744)
Due to related companies	1,021,634	(634,401)
Accounts payable and accrued expenses	(3,483,320)	3,231,452
Total cash flows provided by operating activities	4,881,918	1,224,109
Cash flows from investing activities		
Purchase of investments	-	(5,000,000)
Total cash flows used in investing activities	-	(5,000,000)
Cash flows from financing activities		
Additional paid in capital	5,000,000	-
Total cash flows provided by financing activities	5,000,000	-
Net increase/ (decrease) in cash and cash equivalents	9,881,919	(3,775,891)
Cash and cash equivalents at beginning of year	61,485,992	65,261,883
Cash and cash equivalents at end of year	$ 71,367,911	$ 61,485,992

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

1. General

Best Doctors Insurance Limited (the "Company") was incorporated under the laws of Bermuda on August 25, 2008. The Company commenced writing business on March 1, 2009. The Company is registered as a Class 3B insurer under the Insurance Act 1978 of Bermuda and related regulations to write general business as directed by the Bermuda Monetary Authority ("BMA") who regulates insurance companies in Bermuda. The Company insures the yearly healthcare risks of individuals and corporations worldwide (except for the United States of America) on occurrence basis. Most of the Company insureds are in Latin America and the Caribbean Region.

The Company is a wholly owned subsidiary of Best Doctors Insurance Holdings Limited ("BDIHL") - (previously known as Tamsin Holdings Limited), a Bermuda domiciled holding company. BDIHL is a wholly owned subsidiary of Primary Group Limited ("PGL"); a Bermuda based investments holding company for a group of predominantly small to medium size businesses engaged in insurance and other financial distribution activities and is the Company's ultimate parent.

The Company incorporated a 100% owned subsidiary in Aruba, Best Doctors Insurance VBA ("BDIVBA") on November 29, 2013. BDIVBA started to insure similar healthcare risks as the Company in Aruba in March 2014. After evaluation of the results of BDIVBA for the year ended March 31, 2018, and taking into consideration the lack of significant commercial opportunities that could provide an increase in the subsidiary's business volume, the Company made the decision to discontinue operations once approved by the Central Bank of Aruba ("CBA") as requested by the Company on April 5, 2019. The transfer of members to its parent company, BDIL, took place in FY23. BDIVBA is currently under the final stages of liquidation.

2. Summary of significant accounting policies

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of Best Doctors Insurance Limited and its subsidiaries, BDIVBA and NSC.

(a) Use of estimates

The preparation of the consolidated financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates. The Company's most significant estimate relates to the reserve for outstanding losses and loss expenses.

(b) Going concern

These financial statements have been prepared assuming the Company will continue as a going concern for the foreseeable future. The Company has enough net assets to satisfy policyholder obligations and meet its minimum solvency margin and enhanced capital requirement ECR as of March 31, 2023. An aspect of going concern assumption is that the Company can satisfy all the conditions of its insurance license with the BMA.

2. Summary of significant accounting policies (continued)

(b) *Going concern* (continued)

As described in Note 11 (a), the BMA used its powers and issued directions to the Company because of the Company not meeting certain conditions of its license in fiscal year 2018. These directions include, but are not limited to, the requirement for the Company to obtain formal approval from the BMA before writing any new business and or amending any insurance or reinsurance contracts, making any payment over a certain threshold, amendments to any banking/investment mandates and entering into any related party transaction including making any capital distribution. Management has developed a plan to rectify its failure to meet certain conditions of its license including operational, governance, filing and reporting requirements. The Company will exit the directive only when it is able to successfully demonstrate to the BMA that it has remediated all matters of non-compliance and can comply with the conditions of its insurance license in the future. The Company may also be subject to a penalty from the BMA due to its on-going non-compliance which will be determined when the Company exits regulatory direction. (Refer to Note 11(a))

The Company realized an operating loss in fiscal year 2022 and, as a result, submitted a plan to the BMA outlining actions to return to profitability and increase statutory capital. As part of the plan, PGL committed to inject additional paid-in capital in the amount of $10 million of which $5 million was paid on November 22, 2022. Given the fiscal year 2023 operating profit, statutory capital being in excess of minimum solvency requirements and meeting regulatory liquidity requirements, the Board of BDIL has determined that the outstanding additional paid in capital commitment of $5 million from PGL was no longer required.

The Company's ultimate parent, PGL, did not comply and is in default with the repayment terms of its loan agreement with the Company as at March 31, 2023. PGL requested that the scheduled repayment of $4,007,588 due March 31st, 2023 on the loan agreement dated July 1st, 2021, be deferred to no later than September 30th, 2023 and as a result is in default with the loan agreement described in Note 7(c). Management have concluded that the balance due from PGL is fully recoverable as of March 31, 2023 based on actions taken by PGL to secure funding to meet future repayment obligations. As PGL is a private equity investment manager, funding to pay its loan obligations are subject to the availability of funds, the performance of other investments within its portfolio and its ability to raise capital. If PGL are unable to meet future repayment obligations and there are conditions that exist that have caused management to conclude that the carrying amount of the outstanding loan balance is not fully recoverable, the net assets of the Company may be materially impacted and could result in non-compliance with minimum capital and solvency requirements. Further, if PGL does not repay the balance outstanding on September 30th 2023 or comply with the terms of the loan agreement in the future it could result in further action taken by the BMA including but not limited to restricting the ability of the Company to underwrite business in the future.

Accordingly, these financial statements do not reflect any adjustments to the carrying value or classification of the Company's assets and liabilities, to the reported revenues and expenses or to the balance sheet classifications that would be necessary if the going concern assumptions were not appropriate. Such adjustments would be material to these financial statements.

(c) Foreign currency

The reporting currency of the Company and its subsidiaries is the U.S. dollar, which is the functional currency of the Company. Gains and losses arising from transactions denominated in a foreign currency are included in net income for the year. All transactions are predominantly in U.S. dollars. Foreign currency accounts are valued at the date of the balance sheet and any gain / (loss) is recorded in the consolidated statements of income. Loss on currency exchange for the year ended March 31, 2023, amounted to $345,195 (2022 – loss $288,631).

2. Summary of significant accounting policies (continued)

(d) Basis of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Certain prior year amounts have been reclassified for consistency with the current year's presentation. These reclassifications had no effect on the reported total assets, liabilities, or the results of operations.

(e) Impairment

Assets that have an indefinite useful life are not subject to amortization and are tested annually or whenever there is an indication of impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets subject to potential impairment include inter-company loans, insurance balances receivable, reinsurance balances receivable, unpaid losses recoverable and term deposits.

(f) Accounts receivable

Accounts receivable are recorded for gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. An allowance for uncollectible amounts is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms. Provision for the year ended March 31, 2023, amounted to $7,616,428 (2022 - $3,374,497).

(g) Premiums written, reinsurance premium ceded, and net premium earned

Premiums written are recorded on an accrual basis and are recognized as income on a pro-rata basis over the terms of the underlying contracts with the unearned portion deferred in the balance sheet. Reinsurance premiums ceded are accounted for on a basis consistent with those used in accounting for the original policies issued and the term of the reinsurance contracts with the unearned ceded reinsurance premium deferred on the balance sheet.

(h) Commission fees and deferred acquisition costs

Commissions relate to brokerage fees paid to sales agents and agencies once the contract is effective and premium paid. The commission payment is entered as deferred acquisition costs. Deferred acquisition costs are reclassified to commission expense as the revenue from the underlying insurance contract is earned.

(i) Transaction fee income

Transaction fee income represents administrative fees which are charged to each policyholder and recognized at a fixed amount at inception of the policy.

(j) Reserve for outstanding losses and loss adjustment expenses

The reserve for outstanding losses and loss adjustment expenses is provided based on current estimates made by claims personnel, the Company's actuary, and the independent Loss Reserve Specialist. The Company believes that the reserve for outstanding losses and loss adjustment expenses will be adequate to cover the ultimate net cost of losses incurred to the balance sheet date. This reserve is an estimate and actual losses may be significantly greater or less than the amount recorded. It is reasonably possible that the Company will need to revise this estimate

2. Summary of significant accounting policies (continued)

significantly as new information arises. Any subsequent differences arising are recorded in the year in which they are determined. The reserve for outstanding losses and loss adjustment expenses is not discounted.

(k) Investments, Term Deposit and investment income

Investments consist of an investment in a fund which is carried at fair value. The units of account that are valued by the Company is its interest in the fund and not the underlying holdings of such fund. Thus, the inputs used by the Company to value its investment in the fund may differ from the inputs used to value the underlying holdings of such funds. This fund is stated at fair value, which ordinarily will be the most recently reported net asset value ("NAV") as reported by their investment managers or third-party administrators. The use of net asset value as an estimate of the fair value for investments in certain entities that calculate the net asset value is a permitted practical expedient. The change in the fair value is included in the Statement of Income. As of March 31, 2023, the Company does not have any unfunded commitments related to these investments.

Term Deposits are carried at cost and have an original maturity greater than 1 year. Interest income is accrued to the balance sheet date.

(l) Reinsurance

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policies. If the Company determines that adjustments to earlier estimates are appropriate, such adjustments are recorded in the period in which they are determined. The Company evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. Estimations for incurred but not paid claims for the Excess of Loss (XOL) reinsurance are based on an expected loss ratio methodology. The initial loss ratio is determined by reviewing experience from previous years trended forwarded.

to the experience period. The expected loss ratio is reviewed and updated based on the developing experience of the treaty year.

(m) Taxation

Under current Bermuda law, the Company is not subject to any taxes in Bermuda on either income or capital gains. The Company's subsidiaries may be subject to taxes on their respective jurisdictions, in which case each subsidiary records its liability and expense for income taxes under the requirements of Accounting Standard Codification (ASC) 740, applying the corresponding enacted tax laws applicable.

(n) Ceding commissions on reinsurance contracts

Ceding commissions on reinsurance transactions are commissions the Company receives from ceding gross written premiums to third party reinsurers. The amount the Company receives from the reinsurer is based on a contractual formula contained in the individual reinsurance agreement. Commission from reinsurer follows the same recognition basis as the premiums ceded with the unearned portion deferred on the balance sheet.

(o) Cash and cash equivalents

Cash equivalents include highly liquid instruments such as available funds in operating bank accounts, money market funds and other time deposits with commercial banks and financial institutions, which have maturities of less than three months from the date of purchase. See Note 3 in relation to concentrations of credit risk.

2. Summary of significant accounting policies (continued)

(p) Fair value measurements

Fair value measurements are established in accordance with the framework provided by FASB 820, Fair Value Measurements and Disclosures ("FASB ASC 820"). FASB ASC 820 establishes a fair value hierarchy with the highest priority given to quoted prices in active markets and the lowest priority given to unobservable inputs. There are no assets or liabilities that are measured at fair value on a recurring basis except for certain cash equivalents and investments. The following methods and assumptions were used by the Company in estimating fair value disclosures for other financial instruments.

Cash and cash equivalents: The carrying amounts reported on the balance sheet for these instruments approximate their fair values. Money market instruments are carried at fair value and valued using level 1 inputs.

(q) Recently adopted accounting standards

ASU 2020-10, Codification Improvements

In October 2020, the FASB issued ASU 2020-10, which clarifies various topics in the Codification by providing consistency in codification wording and moving existing disclosure requirements to the relevant disclosure sections.

The ASU is effective for:

- Public business entities and certain not-for-profit entities and employee benefit plans for annual and interim periods in fiscal years beginning after December 15, 2020.
- All other entities for annual periods in fiscal years beginning after December 15, 2021, and interim periods in fiscal years beginning after December 15, 2022.
- Early adoption is allowed for any annual or interim period for which the financial statements have not yet been issued (or made available to be issued). The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

(r) Recently issued accounting standards

ASU 2016 -13, Financial Instruments – Credit Losses

On June 2016, the FASB issued ASU 2016-13, which represents an important change in the Allowance for Credit Losses (ACL) requiring the immediate recognition of management's estimates of current expected credit losses (CECL) as opposed to the previous methodology of losses being recognized as these were incurred.

The ASU is effective for non-public entities for annual and interim periods in fiscal years beginning after December 15, 2022.

The Company plans to analyze the application of CECL on its receivable balances for the fiscal year starting April 2023.

ASU 2019 -11, Codification Improvements to Topic 326, Financial Instruments – Credit Losses

On November 2019, FASB issued ASU 2019-11 which clarifies the new credit impairment guidance in ASC 326 requiring application of the current expected credit loss methodology for the measurement of credit losses on financial assets which are measured at amortized cost.

2. **Summary of significant accounting policies** (continued)

For non-public entities that have not yet adopted ASU2016-13, the effective date is the same as the effective date of ASU 2016-13.

The Company plans to analyze the application of ASU 2016-13 in FY 2023 at which time ASU 2019-11 will also be reviewed.

ASU 2019 -05, Financial Instruments – Credit Losses Topic 326 – Targeted Transition Relief

On December 2019, FASB issued ASU 2019-05 which provides transition relief for entities adopting ASU 2016-13. The amendment allows entities to elect the fair value option on certain financial instruments.

For all entities that have adopted ASU 2016-13, effective date is for annual and interim periods in fiscal years beginning after December 15, 2019. For all entities that have not yet adopted ASU 2016-13, same effective date/transition guidance as ASU 2016-13.

The Company plans to analyze the application of ASU 2016-13 in FY 2023 at which time ASU 2019-05 will also be reviewed.

ASU 2018 -19, Codification Improvements to Topic 326; Financial Instruments - Credit Losses

On November 2018, FASB issued ASU 2018-19 to clarify certain aspects of the new credit losses impairment model in ASU 2016-13.

For non-public entities, the effective date is the same as the effective date of ASU 2016-13.

The Company plans to analyze the application of ASU 2016-13 in FY 2023 at which time ASU 2018-19 will also be reviewed.

(*s*) *Reclassification of prior year presentation*

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

3. Concentrations of credit risk

As of March 31, 2023, cash and cash equivalents comprised of $71,093,703 (2022 - $61,125,869), are held by banks domiciled in Bermuda and $274,208 (2022 - $360,123) are held by banks in Aruba. The Company evaluates the financial strength and stability of these institutions on an ongoing basis. The institutions have a credit rating of BBB or higher by Standard and Poor’s.

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. As of March 31, 2023, RGA, which assumes the quota share agreement, is rated as A+ by AM Best. A further description of the reinsurance counterparties is provided in Note 13. The Company has also entered into Excess of Loss (XOL) reinsurance agreements for the years ended March 31, 2023 and March 31, 2022. The agreements are with a panel of reinsurers who are all rated A- or higher by AM Best.

The balance due from the Company’s ultimate parent represents $42,089,948, as of March 31, 2023. The Company evaluates the credit quality of the ultimate parent based on their historical funding (refer to Note 11) and economic conditions that may impact the recoverability of the loan. As conditions change and new information becomes available, the Company will reassess any potential impairment. There is no impairment on the loan from the Company’s ultimate parent as of March 31, 2023 or 2022 (refer to Note 2(b)).

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4. Insurance balances receivable

		As of March 31, 2023		As of March 31, 2022
Accounts receivable	$	33,341,894	$	30,094,828
Assumed premiums receivable		1,890,779		1,819,964
Fiduciary funds		6,813,110		8,600,565
	$	42,045,783	$	40,515,357

Fiduciary funds relate to balances held by Now Health International (NHI) resulting from operating activities related to the binding underwriting and claim management authority agreement.

5. Term deposit

The Company has a term deposit with Caribbean Mercantile Bank N.V. ("CMB") for the amount of $492,598, with a maturity date of November 20, 2023, and an interest rate of 1.9%. The Company assesses the term deposit for credit impairment by evaluating the financial strength and liquidity of CMB as disclosed in their most current audited financial statements. In addition, the short-term nature of the term deposit is considered for credit impairment. No impairment losses were recognized in the year ended March 31, 2023, or March 31, 2022.

6. Investment at fair value

The fair value of investment on March 31, 2023, and March 31, 2022, is as follows:

Investment Type	Fair Value	Cost	Unrealized Holding Gain
March 31, 2023, Bond Fund Limited Class C	11,067,216	11,000,000	67,216
March 31, 2022, Bond Fund Limited Class C	11,177,963	11,000,000	177,963

The Company invests in an independently managed investment fund consisting of a portfolio of fixed income securities. This fund is designed to maximize income by investing in medium to high-grade USD debt securities with a short to medium term maturity profile and diversified to give limited concentration to industry type and geographic region.

The fund has a weekly subscription and/or redemption option.

Investments measured at net asset value are not required to be disclosed within the fair value hierarchy.

7. Related party loans, balances and transactions

		As of March 31, 2023		As of March 31, 2022
Due from Best Doctors Insurance Services LLC (a)	$	-	$	369,727
Due from BDIHL(b)		-		301,072
Due from ultimate parent (c)		42,089,948		41,625,625
	$	42,089,948	$	42,296,424

		As of March 31, 2023		As of March 31, 2022
Due to Best Doctors Insurance Services LLC (a)	$	555,535	$	-
Due to BDIHL (b)		466,099		-
	$	1,021,634	$	-

a) Best Doctors Insurance Services LLC (“BDIS”) is an affiliated company. The Company has a contract with BDIS to provide claim management and support services to the Company. In 2023, the Company incurred expenses of $25,997,945 (2022 - $22,243,600) in connection with this contract. The Company recognized these expenses as management support fees in the consolidated statements of income. BDIS provides shared services for the Company under a Support Services Agreement. BDIS collects premiums, adjudicates and pays insurance claims, pays commissions and provides customer service, policy administration and fulfilment, as well as other insurance company administrative and accounting services on behalf of the Company. BDIS remits the gross premiums received to the Company and funds commissions and insurance claims as requested. As of March 31, 2023, $555,535 was payable to BDIS representing premiums net of commissions, claims and management support fees. On March 31, 2022, $369,727 was receivable from BDIS representing the net unpaid portion of the support services agreement. This balance is unsecured, non-interest bearing and has no fixed terms of repayment. A portion of the balance due by the Company from / (to) BDIS as of March 31, 2023, and 2022 was in relation to transactions made on behalf of the Aruba subsidiary which amounted to a receivable of $16,699 (2022 receivable - $27,267). BDIS provides shared services for the Aruba subsidiary under a support services agreement. BDIS collects premiums and pays insurance claims, commissions and expenses on behalf of the Aruba subsidiary.

b) BDIHL is the parent company of BDIL. In prior years, BDIL purchased XOL reinsurance coverage for Now Health International Limited who produces and underwrites policies on behalf of various insurance carriers including BDIL’s Global Binder. These XOL reinsurance purchases represented a receivable of $375,923. This amount is offset by NHI recharges of $842,022 for work performed in fiscal year 2023 ending in a net payable amount of $466,099 as of March 31, 2023 (2022 – receivable of $301,072).

7. Related party loans, balances and transactions (continued)

c) During the year ended March 31, 2018, the Company entered into a novation agreement to transfer the balances then owed to the Company by BDIHL with the ultimate parent (PGL) under the same terms and conditions originally established. The total balance owed by PGL as of March 31, 2018, was $51,828,982. The loan was subject to an interest rate of 3% per year and a repayment date no later than December 31, 2021 (the "repayment date"). Balances due from PGL were converted into a new loan agreement on July 1, 2021. The payment terms include a 3.5% interest rate, 10 years, and principal payments of $2 million per year for the first two years, $4 million per year for the two subsequent years and $5 million per year for the last six years; last year includes a remaining principal balance of $82,360. Accrued interest from original loan totals $3,043,266 of which $2,500,000 has been paid as of March 31, 2023. Loan payment of $2,000,000, interest from original loan of $543,266 and interest from restructured loan of $1,464,323 were not paid by March 31, 2023. PGL requested that the scheduled repayment of $4,007,588 due March 31st, 2023, be deferred to no later than September 30th, 2023. The annual interest rate on the payment will be 6.5% per annum accruing from March 31, 2023 to the date of repayment and will be paid along with the principal due. Refer to Note 2b.

	As of March 31, 2023	As of March 31, 2022
Balance due from PGL at beginning of year	$ 41,625,625	$ 44,872,248
Repayment	(1,000,000)	(4,682,288)
Interest accrued during year	1,464,323	1,435,665
Total balance due from PGL at end of year	$ 42,089,948	$ 41,625,625

d) Now Health International (“NHI”) is an affiliated company that performs distribution and third-party administration services for insurance companies in Europe, Asia, Middle East and North Africa (MENA) regions. In 2018, the Company entered into an agreement with NHI to offer the Company’s products and perform the full administration of the portfolio in those markets. The tables below illustrate the results and balances related to the insurance portfolio administration services provided to the Company by NHI:

	For the year ended March 31, 2023	For the year ended March 31, 2022
Gross written premium	$27,084,270	$25,915,777
Losses and loss expenses	$11,783,245	$11,287,776
Commissions incurred	$8,816,873	$7,967,840

	As of March 31, 2023	As of March 31, 2022
Insurance balance receivable	$12,090,162	$13,729,183
Deferred acquisition costs	$6,881,165	$7,112,415
Reserve for outstanding losses	$2,596,782	$1,716,140
Unearned premium reserve	$14,517,406	$13,192,094

8. Reserve for outstanding losses and loss adjustment expenses

The summary of changes in reserve for outstanding losses and loss adjustment expenses for March 31, 2023, and 2022 is as follows:

	2023	2022
Gross balance at beginning of year	$ 35,980,044	$ 35,084,655
Less reinsurance recoverable	(30,157,916)	(24,263,724)
Net balance at beginning of year	5,822,128	10,820,931
Incurred related to:		
Current year	14,079,739	19,789,883
Prior year	(327,032)	(813,922)
Total incurred	13,752,707	18,975,961
Paid related to:		
Current year	(9,626,670)	(14,388,118)
Prior year	(4,144,660)	(9,586,647)
Total paid	(13,771,330)	(23,974,765)
Net balance at end of year	5,803,505	5,822,128
Plus: losses recoverable from reinsurer	31,329,138	30,157,916
Gross balance at end of year	$ 37,132,643	$ 35,980,044

Changes in prior year estimates recorded in the current year resulted in net favorable development of ($327,032) (2022 - $813,927) because of net claims and claim expenses paid coming in lower than expected from prior years.

Short duration contract disclosures

The Company's reserve for losses and loss adjustment expenses relate to medical insurance provided to individuals which are considered short-duration contracts. Since all risks share similar characteristics, information in this note has not been disaggregated for disclosure purposes.

Reserve for outstanding losses and loss expenses include estimates of payments the Company will make on claims incurred but not yet paid as of the balance sheet date.

Such estimates are developed using actuarial principles and assumptions which consider, among other things, contractual requirements, historical utilization trends, persistency of membership, payment patterns, medical inflation, seasonality, membership, and other relevant factors. The process of estimating reserves involves a considerable degree of judgment by the Company and, as of any given date, is inherently uncertain. The Company uses analysis prepared by both in-house and third-party actuaries as part of the reserving process. Reserves for outstanding losses and loss expenses are adjusted as additional information becomes known or payments are made.

8. Reserve for outstanding losses and loss adjustment expenses (continued)

Incurred and paid claims development

The tables below reflect the estimated ultimate claims cost, including claims notified and incurred but not reported for each successive accident year, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims. The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier accident year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of the claims.

Some of the information provided below is Required Unaudited Supplementary Information ("RSI") under U.S. GAAP. Therefore, it does not form part of these consolidated financial statements. Claims development information for all periods except for the current reporting period and any information derived from it is considered RSI.

The Company settles its outstanding claims within three years; for that reason, information for accident years 2020, 2021, 2022 and 2023 has been produced. The information about incurred and paid claims development for the year ended March 31, 2023, 2022, 2021 and 2020 is presented as required unaudited supplemental information.

Incurred losses and allocated loss expenses, net of reinsurance as of March 31, 2023

Accident Year	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	Total IBNR Net of Reinsurance	Cumulative Claim Count
2020	28,426,702	27,937,437	27,744,595	27,841,272	-	11,730
2021	–	23,998,141	23,411,390	23,975,714	146,090	9,331
2022	–	–	19,729,472	18,741,441	1,204,346	12,088
2023	–	–	–	14,070,860	3,432,696	8,501
Total					**$ 4,783,132**	

Paid losses and loss expenses, net of reinsurance as of March 31, 2023

Accident Year	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
2020	21,470,308	27,434,749	27,731,918	27,841,272
2021	–	14,683,629	23,003,704	23,829,624
2022	–	–	15,339,201	17,537,095
2023	–	–	–	10,638,164

8. Reserve for outstanding losses and loss adjustment expenses (continued)

The reconciliation of the net incurred and paid claims development tables to the Company's outstanding losses and loss expenses in the consolidated statement of financial position on March 31, 2023, and March 31, 2022, is as follows:

		2023
Total losses and allocated loss expenses, net of reinsurance	$	4,783,132
Total loss reserves recoverable		31,329,139
Unallocated claims adjustment expenses		1,020,372
Total outstanding losses and loss expenses	$	37,132,643

9. Investment income

Details of investment income for the years ended March 31, 2023, and March 31, 2022, are shown below:

		2023		2022
Interest (loss) / income	$	961,049	$	(286,367)
Loan interest income		1,464,322		1,435,666
Currency exchange		(345,205)		(288,631)
Total	$	2,080,166	$	860,668

10. Taxation

(a) 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.

(b) Aruba

The Company's wholly owned subsidiary, BDIVBA, is subject to corporate tax in Aruba. The corporate tax rate is 25%. Tax expense for 2023 and 2022 is $nil as the subsidiary incurred a net loss from operations.

(c) Uncertain tax positions

The FASB Accounting Standards Codification (ASC) 740, *Income Taxes* addresses the accounting for uncertainty in income taxes recognized in a Company's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in an income tax return.

The US imposes an income tax on the effectively connected income ("ECI") of foreign corporations engaged in a US trade or business ("USTB"). Unless reduced by a treaty or the Internal Revenue Code ("IRC"), a foreign corporation engaged in a USTB is generally subject to a branch profit withholding tax ("US BPT") of 30% on the amount of net profit related to the USTB activities. As such, the uncertain tax position is whether the Company's entities have engaged in a USTB during fiscal year ended March 31, 2023. It is more likely than not that health insurance premium income earned by BDIL on policies issued to non-U.S. persons would not be treated as ECI with a USTB.

11. Regulatory requirements

(a) Bermuda

The Company is registered as a Class 3B insurer under the Insurance Act 1978, amendments thereto and related regulations of Bermuda (collectively, the “Insurance Act”). The Insurance Act imposes certain solvency and liquidity standards and auditing and reporting requirements and grants the BMA powers to supervise, investigate, require information, and intervene in the affairs of insurance companies. On November 23rd, 2017, the BMA used its powers and issued directions to the Company as a result of the Company not meeting certain conditions of its license which included decreasing liquidity, filing and reporting requirements in 2018.

The Company is required to maintain capital at a level equal to its enhanced capital requirement (“ECR”) which is established by reference to the Bermuda Solvency Capital Requirement (the “BSCR”) model. The BSCR is a standard mathematical model designed to give the BMA robust methods for determining an insurer’s capital adequacy. The Company has sufficient net assets to satisfy policyholder obligations, meeting its minimum solvency margin and ECR as of March 31, 2023.

The Company is also required to maintain a minimum liquidity ratio whereby the value of its relevant assets as defined is not less than 75% of its relevant liabilities. Relevant assets include cash and cash equivalents, investments, accrued income receivable, other receivables, funds withheld and insurance balances receivable. Certain categories of assets do not qualify as relevant assets under the statute, including balances due from related parties. Relevant liabilities are comprised of the reserve for outstanding loss and loss adjustment expense and other liabilities, less sundry liabilities as defined. The Company was compliant in respect of the liquidity ratio as of March 31, 2023.

Due to the Company missing the filing deadlines for the year ends March 31, 2018, 2019, 2020 and 2021, $943,750 of late filing fees were paid in November 2022. The Company could also be subject to a penalty from the BMA due to its on-going non-compliance which will be determined when the Company exits regulatory direction. Although the ultimate quantum and timing of a penalty are uncertain, the Company has recorded an estimated provision of $450,000 during the year ended March 31, 2023 referencing the BMA enforcement guide and other information available.

Given the fact that the Company is under BMA direction, dividends and other distributions are not permitted.

(b) Aruba

The Company’s owned subsidiary in Aruba, (BDIVBA) is regulated by the Centrale Bank van Aruba (CBA). It is required by its license to have a solvency margin, which at all times, should be held or invested in Aruba and possess acceptable assets in order to guarantee that the subsidiary can meet its actual and future obligations. The subsidiary meets solvency and liquidity requirements for the years ended March 31, 2023, and 2022.

12. Share capital and contributed surplus

The Company's authorized share capital is 120,000 common shares of the par value of $1 each, of which 120,000 are issued and fully paid on March 31, 2022. During 2023, BDIHL, funded by PGL paid $5,000,000 as additional paid in capital. The additional paid in capital is $37,200,000 as of March 31, 2023.

13. Reinsurance

Reinsurance contracts do not relieve the Company from its obligations to policyholders (please see Note 3). Failure of reinsurers to honor their obligations could result in losses to the Company.

Effective January 1, 2016, the Company entered into a 5-year quota share reinsurance contract with RGA Worldwide Reinsurance Company ("RGA") subsequently novated to RGA Americas in April 2017, which was renewed for a subsequent 5-years on April 1st, 2021. Under the terms of the contract, the Company ceded up to 90% of the risks exposed during the contract period up to the retention of the Excess of Loss (XOL) program. As part of the April 1st, 2021, renewal, there was a variable component added to the ceding allowance whereby the Company's ceding allowance can increase or decrease up to 4% based on deviations from the expected loss ratio agreed in the contract. Balances due under the terms of the contract which include premiums payable to RGA are offset by balances recoverable on paid losses and reinsurance commissions. This quota share agreement is a 12/24 contract on a funds held basis which stipulates settlement terms with net balances to be settled on a treaty year basis with payments due to or from the reinsurer twelve months after each 12-month treaty year period. The Company evaluates the financial condition of RGA on a regular basis to minimize credit risk. As of March 31, 2023, RGA is rated as A+(Superior) by AM Best.

The Company also entered into two XOL reinsurance contracts ($9 million in excess of $1 million and $500 thousand in excess of $500 thousand) with a panel of reinsurers with AM Best ratings of B++ (Good) or better including United States Fire Insurance Company, RGA Americas Reinsurance Company Ltd and various Lloyd's underwriters for a combined limit of $10 million per person per year.

14. Subsequent events

BDIVBA is currently under liquidation. It is expected that once the liquidation is published in the Official Gazette and in two local newspapers and assuming no unknown creditors object, the company will repay its parent the intercompany balance owed and transfer any remaining cash as a liquidation distribution.

The Company has evaluated subsequent events through July 31, 2023, which is the date the financial statements were available to be issued.