AUDITED FINANCIAL STATEMENTS

CVS Caremark Indemnity Ltd.
Years Ended December 31, 2023 and 2022
With Report of Independent Auditors

CVS Caremark Indemnity Ltd.

Audited Financial Statements

Years Ended December 31, 2023 and 2022

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

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

Report of Independent Auditors

The Board of Directors
CVS Caremark Indemnity Ltd.

Opinion

We have audited the financial statements of CVS Caremark Indemnity Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of comprehensive income,, changes in shareholder's equity and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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 require that the incurred claims and allocated claim adjustment expenses, net of reinsurance and the cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance for the years ending 2022 and prior and the average annual percentage payout of incurred claims by age, net of reinsurance disclosed in note 5 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, 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 Ltd.

Hamilton, Bermuda
April 26, 2024

CVS CAREMARK INDEMNITY LTD.
(Incorporated in Bermuda)

BALANCE SHEETS

As of DECEMBER 31, 2023 AND 2022
(expressed in United States dollars)

		2023		2022
ASSETS				
Cash and cash equivalents (Notes 6 and 7)	$	182,621,334	$	149,064,269
Restricted cash (Note 8)		239,968,824		217,621,650
Insurance and reinsurance balances receivable (Note 4 and 10)		32,036,362		46,987,468
Marketable securities (Note 9)		369,502,310		307,056,584
Intercompany receivable (Note 10)		-		7,411,584
Intercompany loan receivable (Note 10)		700,000,000		700,000,000
Funds withheld (Note 4)		180,340		180,340
Accrued interest receivable		3,611,491		2,763,375
Prepaid expenses		75,992		54,069
Loss escrow funds		965,000		-
Investment receivable		-		7,633
Deferred tax asset, net (Note 12)		13,477,827		14,055,654
		1,542,439,480		1,445,202,626
LIABILITIES				
Losses and loss expenses (Note 4 and 5)	$	587,305,238	$	628,096,057
Insurance and reinsurance balances payable (Note 4)		74,981		84,503
Accounts payable and accrued liabilities		903,140		777,537
Investments payable		7,983,076		12,162,646
Income tax payable (Note 12)		29,781,781		26,250,269
		626,048,216		667,371,012
SHAREHOLDER'S EQUITY				
Share capital (Note 11)				
Authorized, issued and fully paid				
850,000 shares with a par value of $1 each		850,000		850,000
Additional paid-in capital		92,490,000		92,490,000
Retained earnings (Note 14)		849,763,903		740,443,597
Accumulated Other Comprehensive Loss		(26,712,639)		(55,951,983)
		916,391,264		777,831,614
	$	1,542,439,480	$	1,445,202,626

See accompanying notes

CVS CAREMARK INDEMNITY LTD.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(expressed in United States dollars)

	2023	2022
Underwriting income		
Gross premium written	$ 451,040,780	$ 477,007,677
Change in unearned premiums	-	47,578
Net premiums earned (Note 4)	451,040,780	477,055,255
		307,056,584
Underwriting expenses		
Losses and loss expenses incurred (Notes 4 and 5)	(327,539,754)	(331,125,424)
Commission expense (Note 10)	(60,415,094)	(61,356,501)
	(387,954,848)	(392,481,925)
Net underwriting income	63,085,932	84,573,330
Other income (expenses)		
Net investment income (Notes 10 and 13)	92,684,322	51,828,935
Realized capital losses	(15,207,650)	(12,199,293)
General and administrative expenses	(789,013)	(757,941)
Net other income	76,687,659	38,871,701
Net income before tax	139,773,591	123,445,031
Income tax (Note 12)		
Current income tax (expense)	(29,875,458)	(26,272,593)
Deferred income tax benefit / (expense)	(577,827)	(631,879)
Net income tax expense	(30,453,285)	(26,904,472)
Net income	109,320,306	96,540,559
Other comprehensive income/(loss), net of tax of $Nil (2022: $98,588)		
Net unrealized investment gain/(losses)	29,239,344	(55,597,818)
Comprehensive income	138,559,650	40,942,741

See accompanying notes

CVS CAREMARK INDEMNITY LTD.

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

DECEMBER 31, 2023, AND 2022

(Expressed in United States dollars)

	Share Capital	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance on January 1, 2022,	$ 850,000	$ 92,490,000	643,903,038	(354,165)	$ 736,888,873
Net income	-	-	96,540,559	-	96,540,559
Other comprehensive loss, net	-	-	-	(55,597,818)	(55,597,818)
Balance at December 31, 2022	$ 850,000	$ 92,490,000	740,443,597	(55,951,983)	$ 777,831,614
Net income	-	-	109,320,306	-	109,320,306
Other comprehensive income, net	-	-	-	29,239,344	29,239,344
Balance at December 31, 2023	$ 850,000	$ 92,490,000	849,763,903	(26,712,639)	$ 916,391,264

See accompanying notes

CVS CAREMARK INDEMNITY LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(expressed in United States dollars)

	2023	2022
Operating activities:		
Net income	$ 109,320,306	$ 96,540,559
Adjustment for realized capital losses	15,207,650	
Adjustments to reconcile net income to net cash provided by operating activities:		
Insurance and reinsurance balances receivables	14,951,106	12,583,835
Intercompany receivable	7,411,584	-
Funds withheld	-	24,317
Accrued interest receivable	(848,116)	(1,203,141)
Prepaid expenses	(21,923)	20,100
Loss escrow funds	(965,000)	-
Deferred tax asset	577,827	(11,459,603)
Investment receivable	7,633	(7,633)
Losses and loss expenses	(40,790,819)	(20,113,416)
Insurance and reinsurance balances payable	(9,522)	7,529,701
Unearned premiums	-	(47,578)
Accounts payable and accrued liabilities	125,603	352,112
Investments payable	(4,179,570)	(15,564,824)
Income tax payable	3,531,512	10,136,408
Net cash provided by operating activities	104,318,271	78,790,837
Investing activities:		
Proceeds from sales and maturities of investments	81,900,957	112,387,531
Purchases of investments	(130,314,989)	(131,768,050)
Net cash used in investing activities	(48,414,032)	(19,380,519)
Net increase in cash and cash equivalents and restricted cash	55,904,239	59,410,318
Cash and cash equivalents and restricted cash, beginning of year	366,685,919	307,275,601
Cash and cash equivalents and restricted cash, end of year	$ 422,590,158	$ 366,685,919
Supplemental disclosure of cash flow information:		
Cash paid during the year for income taxes	$ (26,343,947)	$ (16,136,185)
Supplemental disclosure of non-cash flow information:		
Medicare Part D reinsurance adjustment	$ -	$ (8,712,515)
Intercompany payable adjustment	-	(7,411,584)
Reconciliation of cash and cash equivalents and restricted cash:		
Cash and cash equivalents	$ 182,621,334	$ 149,064,269
Restricted cash	239,968,824	217,621,650
Total cash and cash equivalents and restricted cash	$ 422,590,158	$ 366,685,919

See accompanying notes

CVS CAREMARK INDEMNITY LTD.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022
(expressed in United States dollars)

1. Operations

CVS Caremark Indemnity Ltd. ("The Company"), formerly known as Twinsurance Limited, was incorporated in Bermuda on March 27, 1980, and is a wholly owned subsidiary of CVS Foreign, Inc. (the "Parent"), a United States of America corporation. The Company was licensed as a Class 2 reinsurer under the Insurance Act, 1978 of Bermuda and the related regulations up to March 28, 2011 and as a Class 3A insurer effective March 29, 2011. The ultimate parent company is CVS Health Corporation, an SEC registrant, incorporated in the United States of America.

Effective October 31, 2008, Twinsurance Limited and Caremark Indemnity Ltd., an affiliate, amalgamated pursuant to the provisions of the Companies Act, 1981 of Bermuda. The amalgamated Company continued under the name CVS Caremark Indemnity Ltd.

Prior to 1988, the Company participated in a reinsurance pool and various quota share reinsurance treaties with unrelated parties. As of May 31, 1998, participation in the pool and treaties were either canceled or commuted. As of August 1, 1998, the Company commenced providing the Parent and affiliates coverage for general liability, auto liability and workers compensation risks with limits of up to $4,000,000 per occurrence and no annual aggregate. The Company also entered into a Pharmacy Provider Indemnity Policy, which insured the risks of unrelated third parties. The Pharmacy Provider Indemnity Policy was cancelled effective May 7, 1999. All other policies remain in effect with the same limits per occurrence.

Caremark Indemnity Ltd., formerly MP Indemnity Ltd., was incorporated in Bermuda on November 28, 1994, under the provisions of the Companies Act 1981. Prior to the amalgamation, it was a wholly owned subsidiary of Caremark International L.L.C., a company incorporated in the United States of America, and its ultimate parent was CVS Health Corporation. The Company's principal activity was to reinsure excess layers of pharmaceutical plans offered by its Parent. The policies written are no longer active, and no known or estimated liabilities exist.

As of January 1, 2011, the Company entered into quota share reinsurance agreements reinsuring Medicare Part D prescription drug coverage with Accendo Insurance Company and Silverscript Insurance Company, both wholly owned subsidiaries of CVS Health Corporation. Under the terms of the reinsurance agreement the Company participates in a 15% quota share on a funds withheld basis.

On January 1, 2014, the Company has not renewed its quota share reinsurance agreement with Accendo Insurance Company.

1. Operations, cont'd.

The Company's underwriting year for direct policies runs from January 1st to December 31st each calendar year. Additionally, the Company issued a medical stop loss policy and an inventory shrink stop loss policy to CVS Pharmacy, Inc. (a subsidiary of the CVS Health Corporation) for two policy years effective December 18, 2017. The medical stop loss policy covered reimbursement for medical benefit claims paid by the insured in excess of an annual aggregate deductible of $385 million with an applicable annual aggregate limit of $1.5 billion. The inventory shrink stop loss policy covered inventory loss claims for the insured up to an annual aggregate limit of $1 billion and the annual aggregate deductible was $250 million. The stop loss policies were not renewed upon the December 18, 2019 expiry date.

The Company also issue a Clinical Trials Liability SIR Indemnification policy effective December 1st with a $1 million limit on each claim and $5 million aggregate.

2. Changes in accounting policies and disclosures

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurements of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 amends the guidance on reporting credit losses and affects loans, debt securities, trade receivables, reinsurance recoverables and other financial assets that have the contractual right to receive cash. The amendments are effective for annual periods beginning after 15 December 2022, and interim periods within those annual periods. Early adoption is permitted for any organization for annual periods beginning after 15 December 2018, and interim periods within those annual periods.

The Company has evaluated the impact as per the requirements of ASU 2016-13 and concluded the impact to the financial statements is immaterial.

3. Significant accounting policies

(a) Basis of preparation
The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

(b) Cash and cash equivalents
The Company considers all highly liquid instruments that are readily convertible to known amounts of cash or purchased with a maturity of three months or less to be cash equivalents.

(c) Restricted cash

Restricted cash comprise of cash held to satisfy collateral requirement.

(d) Debt Securities
Debt securities consist primarily of U.S. Treasury and agency securities, mortgage-backed securities, corporate and foreign bonds and other debt securities. Debt securities are classified as either current or long-term investments based on their contractual maturities unless the Company intends to sell an investment within the next twelve months, in which case it is classified as current on the balance sheet. Debt securities are classified as available for sale and are carried at fair value with the difference between

3. Significant accounting policies

fair value and amortized cost reported as a separate component of shareholder's equity within accumulated other comprehensive income. The Company has adopted the requirements of ASU 2016-13.

Investment income from debt securities is recorded when earned and is comprised of interest and amortization of the discount on debt securities recorded using the effective interest method. Realized gains and losses on sales of debt securities are included in income on the average cost basis and include adjustments to the cost basis of investments for declines in values that are considered to be other than temporary. A security is impaired when its fair value is below its costs or amortized cost. The Company regularly reviews its investment portfolio on an individual security basis for potential other than temporary impairment based on criteria including issuer specific circumstances, credit rating actions and general macro-economic conditions.

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 non-credit related (yield-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 (loss). 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.

Purchases and sales of debt securities and alternative investments are reflected on the trade date.

3. Significant accounting policies, cont'd.

(e) Alternative investments

Alternative investments consist primarily of Private equity and hedge fund limited partnerships, which are accounted for using the equity method of accounting. Under this method, the carrying value of the investment is based on the value of the Company's equity ownership of the underlying investment funds provided by the general partner or manager of the investments, the financial statements of which generally are audited.

As a result of the timing of the receipt of the valuation information provided by the fund managers, these investments are generally reported on up to a three month lag. The Company reviews investments for impairment at least quarterly and monitors their performance throughout the year through discussions with the administrators, managers and/or general partners. If the Company becomes aware of an impairment of a limited partnership's investments through its review or prior to receiving the limited partnership's financial statements at the financial statement date, an impairment will be recognized by recording a reduction in the carrying value of the limited partnership with a corresponding charge to net investment income.

3. Significant accounting policies, cont'd.

(f) Premiums and acquisition costs

Premiums written and acquisition costs are reported as earned on the accrual basis and are included in income on a pro-rated basis over the term of the policies. The policies are co-terminus with \the Company's year-end and accordingly, there are no unearned premiums and deferred acquisition costs at the balance sheet date. Certain of the quota share reinsurance treaties have retrospectively rated premium provisions, whereby additional/return premium assessments are made as a result of loss activity. The Company records such premium assessments as premiums assumed, when reported by the ceding insurance companies.

(g) Losses and loss expenses

Losses and loss expenses are recorded when advised by the ceding insurance company. Reserve for losses and loss expenses comprise estimates of the amount of reported losses and loss expenses received from the ceding insurance company plus a provision for losses incurred but not reported based on the recommendations of an independent actuary. The selected loss development patterns are based on a blend of actual Company experience and the benchmark loss development patterns.

Inherent in the estimates of ultimate losses are expected trends in claim severity and frequency and other factors which could vary significantly as claims are settled. Accordingly, ultimate losses may vary materially from the amounts provided in the financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are reflected in results of operations in the period in which they become known and are accounted for as changes in estimates.

(h) Income taxes

The Company reports its liability and expense for income taxes under the requirements of Accounting Standards Codification ("ASC") No. 740, *Income Taxes*. 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 tax laws. A valuation allowance against a deferred tax asset is provided for if and when the Company believes that a portion or all of the deferred tax asset may not be realized in the near term.

In addition, the Company is required to recognize the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained, assuming examination by tax authorities. The Company has not recognized any liabilities for unrecognized tax benefits as a result of this guidance. The Company does not anticipate any significant changes to its total unrecognized tax benefits within the next twelve months and classifies all income tax associated with interest and penalties as income tax expense.

3. Significant accounting policies, cont'd.

(i) Fair value measurement

The carrying values of the financial assets and liabilities, which consist of cash and cash equivalents, restricted cash, insurance and reinsurance balances receivable, intercompany loan receivable, accrued interest receivable, funds withheld, income tax payable, investments payable, insurance and reinsurance balances payable and accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term maturity.

The Company's long-term investments are measured at fair value on the balance sheets. The fair values 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 ("valuation inputs") that qualifies a financial asset or liability for each level:

& Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets.

& Level 2 – Valuation 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, valuation inputs that are observable that are not prices (such as interest rates and credit risks) and valuation inputs that are derived from or corroborated by observable markets.

& Level 3 – Developed from unobservable data, reflecting the Company's assumptions.

(j) Variable Interest Entities

The Company has investments in certain hedge fund investments that are considered Variable Interest Entities (VIEs). The Company does not have a future obligation to fund losses or debts on behalf of these investments; however, it may voluntarily contribute funds. In evaluating whether the Company is the primary beneficiary of a VIE, the Company considers several factors, including whether the Company has (a) the power to direct the activities that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses and the right to receive benefits that could potentially be significant to the VIE.

(expressed in United States dollars)

3. Significant accounting policies, cont'd.

The Company invests in hedge funds in order to generate investment returns for its investment portfolio supporting its insurance business and has determined that it is not the primary beneficiary. The Company is not the primary beneficiary of these VIEs because the nature of the Company's involvement with the activities of these VIEs does not give the Company the power to direct the activities that most significantly impact their economic performance. The Company records the amount of its investment in these VIEs as marketable securities on the balance sheet and recognizes its share of each VIE's income or losses in net income (loss). The Company's maximum exposure to loss from these VIEs is limited to its investment balances of $15,924,278 (2022: $14,747,924) which are included in marketable securities on the balance sheet.

(k) Use of estimates

The preparation of financial statements in conformity with U.S GAAP 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Reinsurance Pool business

The Company participates in a reinsurance pool, the R-Pool, which is managed by United Insurance Company. The R-Pool provides reinsurance to the Company's parent and other companies domiciled in the United States. The Company records the R-Pool activity reported by the treaty manager. The policies in the R-Pool are subject to retrospective premium adjustments. A provision for premium adjustments has been included in the accompanying financial statements.

Amounts included in the accompanying financial statements as at December 31, 2023 and 2022 relating to the R-Pool are as follows:

	2023	2022
Funds held by ceding reinsurers	$ 180,340	$ 180,340
Insurance balances receivable/(payable)	(74,981)	(84,503)
Loss and loss expenses provisions	139,514	103,982
Net premiums earned	10,657	(23,654)
Net losses incurred and net loss expense	10,926	(14,697)

(expressed in United States dollars)

5. Losses and loss expenses

	2023	2022
Balance at beginning of year	$ 628,096,057	$ 648,209,473
Incurred related to:		
Current year	366,196,853	389,175,262
Prior years	(38,657,099)	(58,049,838)
Total incurred	327,539,754	331,125,424
Paid losses related to:		
Current year	(222,209,793)	(238,038,949)
Prior years	(146,120,780)	(113,199,891)
Total paid	(368,330,573)	(351,238,840)
Balance at end of year	$ 587,305,238	$ 628,096,057

The loss development in 2023 relating to prior years reserves of -$38,657,099 is predominantly related to favorable movements on the Worker's Compensation and General Liability lines of business as a result of lower claims activity. The loss development in 2022 relating to prior years reserves of -$58,049,838 is predominantly related to favorable movements on the Workers' Compensation, General Liability and Pharmacy Liability lines of business as result of lower claims activity.

CVS Caremark Indemnity, Ltd. ("the Company") determines its provision for reported losses on the basis of losses reported by the third party claims administrator engaged by CVS Health. The Company's provision for loss development is based on the advice of independent consulting actuaries. Please note that the following information is supplemental and unaudited.

In their report, the consulting actuaries estimated that at December 31, 2023, the provision for total outstanding losses for all policy years, including the current year, on an expected undiscounted basis, is $585,116,675 (2022: $581,775,747).

5. Losses and loss expenses, cont'd.

Ultimate loss and allocated loss adjustment expenses (herein referred to as "loss") were estimated on a combined basis by accident year, by business segment, and by coverage, based on the list of estimation techniques used: Paid and Incurred Loss Development methods; Paid and Incurred Bornhuetter-Ferguson methods; Generalized Cape Cod method; and the Loss Rate method. Incurred but not reported ("IBNR") reserves include amounts for expected development on known claims and pure IBNR reserves. Since December 31, 2023, there have been no significant changes to the methodologies or assumptions used.

A brief description of each method is as follows:

a. Paid Loss Development - A loss development factor ("LDF") is applied to cumulative paid loss as of December 31, 2023. The LDFs are selected based on a review of historical Company loss payment patterns (data triangles) and industry information. Development beyond the maturity of the historical data triangles is estimated by selecting a "tail" LDF.

b. Incurred Loss Development - This method is similar to the Paid Loss Development method except incurred loss (paid loss plus case reserves) are used in place of paid loss. The LDFs used in this method estimate future loss payments on unreported and reopened claims, as well as changes in the incurred loss values on reported claims.

c. Paid (Incurred) Bornhuetter-Ferguson – This method estimates ultimate loss as the sum of two components: actual paid (incurred) loss plus expected losses unpaid (IBNR reserves). This method requires paid (incurred) LDFs and an initial expectation of the ultimate loss amount. The payment (reporting) patterns associated with the LDFs imply that a specific percentage of the ultimate loss will be paid (reported) after the evaluation date. The amount of unpaid (unreported) loss is estimated by applying this percentage to the expected ultimate loss. The initial expected ultimate loss amount is selected based on a review of charged premium (excluding premium relating to underwriting expenses) and the prior estimated ultimate loss amount.

d. Generalized Cape Cod – The Generalized Cape Cod method is a variant of the Expected Emergence method that includes a systematic approach for calculating the prior expected loss. This method calculates expected loss rates based on the relationship between the exposures, the losses that have emerged as of the evaluation date, and the loss emergence pattern indicated by the selected LDFs. The method relies on a selected "decay rate" that governs the extent to which the expected loss rate for any given year is influenced by the data for other years. In our analysis, we used a version of the Generalized Cape Cod method that utilizes ultimate claim counts in place of exposures and expected average claim severities in place of expected loss rates.

5. Losses and loss expenses, cont'd.

e. Loss Rate – In the Loss Rate method, the ultimate losses are estimated by multiplying the exposures by a selected ultimate loss rate. The Loss Rate method was used to estimate expected losses for the paid and incurred Bornhuetter-Ferguson methods for accident year 2023. The selected ultimate loss rates were selected based on a review of ultimate loss rates for prior years, adjusted for loss and exposure trend and benefit level changes and policy limit changes where appropriate.

After reviewing the results of each method, weights are assigned to each, resulting in a selected ultimate loss amount. IBNR reserves are then calculated as the difference between the selected ultimate loss amount and incurred loss as of December 31, 2023.

The total loss and loss adjustment expenses reserves displayed on the balance sheet as of December 31, 2023 are not discounted for the time value of money.

Reported claims used in the Actuary's analysis are aggregated on an occurrence basis (e.g. a claim with multiple claimants is considered to be one claim/occurrence) and include both claims closed with and without payments. Re-opened claims are not considered to be a newly reported claim.

For determining claim frequency, the chain ladder approach is used. Year over year frequency (estimated ultimate claims per exposure unit) are compared as a check of reasonableness. There have been no changes in the methodologies used.

CVS CAREMARK INDEMNITY LTD.

NOTES TO THE FINANCIAL STATEMENTS, Cont'd.

DECEMBER 31, 2023 AND 2022
(expressed in United States dollars)

5. Losses and loss expenses, cont'd.

CVS Caremark Indemnity, Ltd.
Auto Liability
in thousands

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance — As of December 31, 2023

Accident Year	For the Years Ended December 31, (Unaudited) 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total of Incurred-but-Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2014	$ 1,056	$ 820	$ 973	$ 1,294	$ 1,617	$ 1,721	$ 1,710	$ 1,703	$ 1,699	$ 1,697	$ 1	208
2015		1,279	959	879	779	677	666	660	658	656	1	167
2016			1,816	2,015	1,733	1,643	1,608	1,579	1,564	1,557	5	206
2017				1,552	1,269	1,471	1,317	1,102	1,065	1,058	7	386
2018					2,045	2,649	2,797	2,589	2,908	2,824	46	268
2019						3,101	1,886	1,608	1,497	1,828	82	256
2020							1,516	1,329	1,208	1,348	191	203
2021								1,964	2,268	2,524	486	265
2022									2,882	3,930	1,680	410
2023										5,166	3,760	491
									Total	$ 22,588		

CVS Caremark Indemnity, Ltd.
Auto Liability
in thousands

Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance

Accident Year	For the Years Ended December 31, (Unaudited) 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 206	$ 333	$ 714	$ 878	$ 1,030	$ 1,697	$ 1,697	$ 1,697	$ 1,697	$ 1,697
2015		215	444	557	653	655	655	655	655	655
2016			505	900	1,429	1,457	1,548	1,552	1,552	1,552
2017				203	400	1,046	1,044	1,051	1,051	1,051
2018					298	1,062	1,170	1,807	1,923	2,409
2019						380	621	1,153	1,169	1,670
2020							289	550	806	828
2021								170	734	2,006
2022									406	1,829
2023										636
									Total	14,333
									All outstanding liabilities before 2014, net of reinsurance	1
									Liabilities for claims and claim adjustment expenses, net of reinsurance	$ 8,256

CVS CAREMARK INDEMNITY LTD.

NOTES TO THE FINANCIAL STATEMENTS, Cont'd.

DECEMBER 31, 2023 AND 2022
(expressed in United States dollars)

5. Losses and loss expenses, cont'd.

CVS Caremark Indemnity, Ltd.
General Liability
in thousands

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance — For the Years Ended December 31, (Unaudited); As of December 31, 2023

Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total of Incurred-but-Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2014	$ 37,634	$ 33,237	$ 34,172	$ 34,021	$ 31,751	$ 34,315	$ 33,809	$ 33,155	$ 32,340	$ 32,302	$ 350	9,027
2015		27,813	24,694	28,534	29,328	29,814	29,246	28,027	27,145	27,306	517	9,028
2016			28,251	28,412	27,858	31,150	29,681	28,211	27,131	26,952	737	8,604
2017				31,693	32,269	35,715	33,879	32,866	30,874	30,448	1,414	8,688
2018					32,861	33,325	31,428	29,905	27,927	28,889	2,144	8,708
2019						35,542	40,694	41,514	37,960	40,936	4,566	7,842
2020							41,576	47,436	50,929	53,975	8,755	6,878
2021								41,590	37,426	39,207	12,271	6,581
2022									42,581	45,663	24,297	6,682
2023										42,007	34,461	6,140
									Total	$ 367,683		

CVS Caremark Indemnity, Ltd.
General Liability
in thousands

Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance — For the Years Ended December 31, (Unaudited)

Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 2,388	$ 5,689	$ 13,467	$ 20,622	$ 24,680	$ 26,003	$ 26,759	$ 28,069	$ 31,959	$ 31,951
2015		853	5,183	13,005	18,603	23,191	24,999	25,252	25,939	25,972
2016			1,161	5,226	10,492	19,804	23,849	24,740	24,870	25,287
2017				1,049	5,815	13,765	22,276	25,889	26,991	28,021
2018					1,234	5,962	12,804	17,718	20,730	22,934
2019						1,611	9,416	16,687	23,376	31,553
2020							1,985	9,181	24,959	35,666
2021								1,135	5,848	15,852
2022									1,145	7,147
2023										1,210
									Total	225,593
									All outstanding liabilities before 2014, net of reinsurance	951
									Liabilities for claims and claim adjustment expenses, net of reinsurance	$ 143,041

5. Losses and loss expenses, cont'd.

CVS Caremark Indemnity, Ltd.
Druggist Liability
in thousands

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance — For the Years Ended December 31, (Unaudited); As of December 31, 2023

Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total of Incurred-but-Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2014	$ 41,116	$ 41,880	$ 46,446	$ 48,239	$ 48,531	$ 47,012	$ 46,430	$ 45,927	$ 49,133	$ 53,924	$ 167	3,125
2015		31,922	35,272	41,480	42,169	44,629	41,374	40,197	39,106	38,769	273	2,642
2016			36,857	35,549	36,785	41,948	39,353	37,140	34,742	34,025	759	2,404
2017				37,987	35,789	34,777	31,293	27,893	26,611	26,076	1,086	2,366
2018					37,183	39,035	40,268	33,717	29,593	33,644	2,066	2,391
2019						33,433	34,366	30,211	28,632	26,322	2,733	1,921
2020							35,236	27,392	18,341	17,169	2,692	1,451
2021								28,772	20,016	13,882	4,586	1,633
2022									22,835	15,127	8,683	1,409
2023										16,999	14,023	1,073
									Total	$ 275,937		

CVS Caremark Indemnity, Ltd.
Druggist Liability
in thousands

Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance — For the Years Ended December 31, (Unaudited)

Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 2,410	$ 13,858	$ 25,389	$ 31,484	$ 40,039	$ 41,599	$ 42,037	$ 42,353	$ 42,751	$ 42,876
2015		1,662	14,541	21,333	25,537	35,532	38,181	38,272	38,331	38,495
2016			2,586	7,840	17,428	24,703	28,152	31,444	32,453	32,589
2017				2,443	8,668	17,026	19,705	21,484	22,630	23,739
2018					1,888	6,264	17,099	20,168	22,150	23,339
2019						1,540	5,461	10,803	15,102	21,743
2020							1,803	6,148	8,326	10,672
2021								785	3,525	6,644
2022									1,195	3,941
2023										917
									Total	204,954
						All outstanding liabilities before 2014, net of reinsurance				671
						Liabilities for claims and claim adjustment expenses, net of reinsurance				$ 71,654

5. Losses and loss expenses, cont'd.

CVS Caremark Indemnity, Ltd.
Healthcare Professional Liability
in thousands

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance — As of December 31, 2023

Accident Year	For the Years Ended December 31, (Unaudited) 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total of Incurred-but-Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2014	$ 2,317	$ 1,660	$ 1,257	$ 1,083	$ 1,031	$ 873	$ 865	$ 862	$ 860	$ 859	$ -	2,959
2015		1,845	1,271	1,079	1,263	986	1,230	1,170	1,167	1,164	1	2,962
2016			1,896	1,699	1,729	772	982	940	971	1,069	4	3,032
2017				2,302	2,666	1,812	1,361	1,150	1,076	1,061	14	2,723
2018					3,110	2,695	2,010	2,185	1,960	1,855	73	3,374
2019						2,644	1,656	1,221	784	1,348	185	4,118
2020							1,818	1,628	721	2,361	647	3,313
2021								2,818	1,874	4,417	1,543	3,749
2022									1,879	2,074	1,848	1,147
2023										3,399	2,768	424
									Total	$ 19,607		

CVS Caremark Indemnity, Ltd.
Healthcare Professional Liability
in thousands

Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance

Accident Year	For the Years Ended December 31, (Unaudited) 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 87	$ 145	$ 448	$ 567	$ 713	$ 859	$ 859	$ 859	$ 859	$ 859
2015		62	130	268	712	752	1,073	1,103	1,130	1,133
2016			87	145	271	448	619	691	735	775
2017				65	344	1,032	1,045	1,047	1,047	1,047
2018					114	724	902	1,672	1,737	1,782
2019						57	142	378	421	632
2020							90	153	191	282
2021								63	117	2,091
2022									45	100
2023										47
									Total	8,748
									All outstanding liabilities before 2014, net of reinsurance	-
									Liabilities for claims and claim adjustment expenses, net of reinsurance	$ 10,859

CVS CAREMARK INDEMNITY LTD.

NOTES TO THE FINANCIAL STATEMENTS, Cont'd.

DECEMBER 31, 2023 AND 2022
(expressed in United States dollars)

5. <u>Losses and loss expenses, cont'd.</u>

CVS Caremark Indemnity, Ltd.
Worker's Compensation
in thousands

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance — For the Years Ended December 31, (Unaudited); As of December 31, 2023

Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total of Incurred-but-Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2014	$ 109,670	$ 99,049	$ 89,594	$ 86,393	$ 84,872	$ 83,847	$ 82,225	$ 83,648	$ 83,178	$ 81,220	$ 7,191	6,237
2015		102,719	98,081	95,350	90,583	89,654	88,626	90,421	89,420	87,312	8,929	6,221
2016			107,322	95,535	90,401	87,002	84,661	84,258	83,181	79,840	9,501	6,197
2017				99,686	95,464	90,978	86,623	86,886	84,271	80,531	11,034	6,569
2018					98,901	94,223	89,804	90,553	87,785	83,324	12,698	6,572
2019						101,234	102,304	105,052	101,163	94,357	16,307	6,704
2020							95,693	98,925	94,115	89,834	19,431	5,666
2021								114,918	110,117	102,933	28,227	6,900
2022									113,436	103,436	41,000	6,345
2023										101,417	60,889	5,423
									Total	$ 904,205		

CVS Caremark Indemnity, Ltd.
Worker's Compensation
in thousands

Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance — For the Years Ended December 31, (Unaudited)

Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 13,009	$ 32,198	$ 44,910	$ 53,261	$ 58,473	$ 63,372	$ 65,549	$ 67,610	$ 69,784	$ 71,435
2015		13,103	33,731	48,047	58,090	63,951	68,584	72,089	73,679	74,833
2016			14,366	32,221	46,636	55,872	61,625	64,762	66,577	67,489
2017				14,420	34,387	48,283	55,856	60,903	64,435	66,232
2018					16,167	36,272	48,525	57,399	61,472	64,900
2019						18,180	41,387	56,974	65,949	71,467
2020							14,734	35,561	50,224	60,118
2021								17,141	42,535	58,336
2022									19,577	45,712
2023										18,690
									Total	599,211
						All outstanding liabilities before 2014, net of reinsurance				48,362
					Liabilities for claims and claim adjustment expenses, net of reinsurance					$ 353,356

5. Losses and loss expenses, cont'd.

CVS Caremark Indemnity, Ltd.
Health (Excluding Medicare Part D Exposures)
in thousands

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance — As of December 31, 2023

Accident Year	For the Years Ended December 31, (Unaudited) 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total of Incurred-but-Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2014	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	0
2015		-	-	-	-	-	-	-	-	-	-	0
2016			-	-	-	-	-	-	-	-	-	0
2017				11,200	11,632	11,632	11,632	11,632	11,632	11,632	-	0
2018					303,296	303,791	303,791	303,791	303,791	303,791	-	0
2019						305,119	305,119	305,119	305,119	305,119	-	0
2020							-	-	-	-	-	0
2021								-	-	-	-	0
2022									-	-	-	0
2023										-	-	0
									Total	$ 620,542		

CVS Caremark Indemnity, Ltd.
Health (Excluding Medicare Part D Exposures)
in thousands

Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance

Accident Year	For the Years Ended December 31, (Unaudited) 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2015		-	-	-	-	-	-	-	-	-
2016			-	-	-	-	-	-	-	-
2017				-	5,155	11,632	11,632	11,632	11,632	11,632
2018					129,236	303,791	303,791	303,791	303,791	303,791
2019						305,119	305,119	305,119	305,119	305,119
2020							-	-	-	-
2021								-	-	-
2022									-	-
2023										-
									Total	620,542
									All outstanding liabilities before 2014, net of reinsurance	$ -
									Liabilities for claims and claim adjustment expenses, net of reinsurance	$ -

CVS CAREMARK INDEMNITY LTD.

NOTES TO THE FINANCIAL STATEMENTS, Cont'd.

DECEMBER 31, 2023 AND 2022
(expressed in United States dollars)

5. <u>Losses and loss expenses, cont'd.</u>

CVS Caremark Indemnity, Ltd.
Property (Inventory Shrink)
in thousands

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance — As of December 31, 2023

	For the Years Ended December 31, (Unaudited)										As of December 31, 2023	
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total of Incurred-but-Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2014	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	0
2015		-	-	-	-	-	-	-	-	-	-	0
2016			-	-	-	-	-	-	-	-	-	0
2017				3,013	5,601	5,601	5,601	5,601	5,601	5,601	-	0
2018					143,028	142,499	142,499	142,499	142,499	142,499	-	0
2019						52,179	52,179	52,179	52,179	52,179	-	0
2020							-	-	-	-	-	0
2021								-	-	-	-	0
2022									-	-	-	0
2023										-	-	0
									Total	$ 200,279		

CVS Caremark Indemnity, Ltd.
Property (Inventory Shrink)
in thousands

Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance

	For the Years Ended December 31, (Unaudited)									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2015		-	-	-	-	-	-	-	-	-
2016			-	-	-	-	-	-	-	-
2017				-	3,079	5,601	5,601	5,601	5,601	5,601
2018					77,196	142,499	142,499	142,499	142,499	142,499
2019						52,179	52,179	52,179	52,179	52,179
2020							-	-	-	-
2021								-	-	-
2022									-	-
2023										-
									Total	200,279
					All outstanding liabilities before 2014, net of reinsurance					$ -
					Liabilities for claims and claim adjustment expenses, net of reinsurance					$ -

5. Losses and loss expenses, cont'd.

CVS Caremark Indemnity, Ltd.
All Coverages Combined (Excluding Medicare Part D Exposures, Reinsurance Pool Reserves, and Corridor Deductible Losses)
in thousands

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance — For the Years Ended December 31, (Unaudited); As of December 31, 2023

Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total of Incurred-but-Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2014	$ 191,793	$ 176,645	$ 172,443	$ 171,031	$ 167,803	$ 167,767	$ 165,039	$ 165,295	$ 167,209	$ 170,002	$ 7,709	21,556
2015		165,579	160,278	167,323	164,122	165,760	161,143	160,475	157,496	155,207	9,722	21,020
2016			176,143	163,209	158,505	162,515	156,285	152,128	147,588	143,443	11,007	20,443
2017				187,432	184,690	181,985	171,704	167,129	161,129	156,406	13,554	20,732
2018					620,425	618,218	612,597	605,239	596,462	596,826	17,027	21,313
2019						533,252	538,205	536,905	527,334	522,089	23,873	20,841
2020							175,839	176,710	165,313	164,687	31,716	17,511
2021								190,062	171,702	162,963	47,113	19,128
2022									183,613	170,229	77,508	15,993
2023										168,988	115,900	13,551
									Total	$ 2,410,841		

CVS Caremark Indemnity, Ltd.
All Coverages Combined (Excluding Medicare Part D Exposures, Reinsurance Pool Reserves, and Corridor Deductible Losses)
in thousands

Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance — For the Years Ended December 31, (Unaudited)

Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 18,101	$ 52,224	$ 84,927	$ 106,812	$ 124,935	$ 133,530	$ 136,901	$ 140,588	$ 147,049	$ 148,818
2015		15,895	54,029	83,209	103,595	124,081	133,493	137,371	139,735	141,088
2016			18,704	46,333	76,257	102,284	115,792	123,188	126,187	127,692
2017				18,178	57,848	98,383	117,158	127,606	133,386	137,323
2018					226,133	496,573	526,790	545,054	554,302	561,654
2019						379,066	414,326	443,294	463,316	484,363
2020							18,901	51,593	84,505	107,566
2021								19,294	52,758	84,929
2022									22,369	58,728
2023										21,499
									Total	1,873,660
									All outstanding liabilities before 2014, net of reinsurance	49,985
									Liabilities for claims and claim adjustment expenses, net of reinsurance	$ 587,166

(expressed in United States dollars)

5. Losses and loss expenses, cont'd.

The following reconciles the above cumulative incurred and paid data to the liability for unpaid losses and loss adjustment expenses as of December 31, 2023:

Reconciliation of the Disclosure of Incurred and Paid Claims Development to the Liability for Unpaid Claims and Claim Adjustment Expenses

		2023
Net outstanding liabilities		
Auto Liability	$	8,256
General Liability		143,041
Druggist Liability		71,654
Healthcare Professional Liability		10,859
Worker's Compensation		353,356
Health		-
Property (Inventory Shrink)		
R-Pool		139
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance		587,305
Reinsurance recoverable on unpaid claims		
Auto Liability	$	-
Workers Compensation	$	-
Total reinsurance recoverable on unpaid claims	$	-
Unallocated claims adjustment expenses	$	-
Impact of discounting	$	-
	$	-
Total gross liability for unpaid claims and claim adjustment expense	$	587,305

The following summarizes the average annual percentage payout of incurred claims by age:

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance

Years	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year	7th Year	8th Year	9th Year	10th Year
Auto Liability	17.9%	22.7%	29.6%	7.3%	7.9%	11.4%	0.0%	0.0%	0.0%	0.0%
General Liablity	3.8%	14.5%	24.3%	22.6%	14.4%	5.1%	1.8%	2.7%	6.1%	0.0%
Druggist Liability	6.7%	20.5%	23.3%	13.3%	15.0%	5.5%	2.1%	0.4%	0.6%	0.2%
Healthcare Professional Liability	4.9%	10.0%	24.6%	16.9%	9.3%	10.7%	1.7%	2.0%	0.1%	0.0%
Workers Compensation	17.6%	24.0%	16.3%	10.6%	6.2%	4.8%	2.8%	1.8%	2.0%	2.0%
Health	47.5%	33.9%	18.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Property (Inventory Shrinkage)	51.4%	33.6%	15.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
All Coverages Excl. Medicare Part D	**20.5%**	**22.6%**	**16.9%**	**11.0%**	**7.6%**	**4.2%**	**2.3%**	**1.6%**	**2.3%**	**1.0%**

(expressed in United States dollars)

6. Concentrations of credit risk

The Company is party to financial instruments with concentration of credit risk. These financial instruments include cash and cash equivalents, restricted cash, insurance and reinsurance balances receivable, marketable securities, funds withheld and intercompany loan. As of December 31, 2023 and 2022, all cash and cash equivalents, restricted cash, and funds withheld are held with two financial institutions while intercompany loan issued is with the ultimate parent. For all classes of financial assets held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the date of the Balance Sheet.

Credit risk arises from the failure of the counter-party to perform according to the terms of a contract. Except as disclosed in Note 6, the Company does not require collateral or other security to support financial instruments with credit risk.

7. Letters of credit

In the normal course of reinsurance operations, the Company has issued letters of credit in the amount of $304,708 (2022 - $304,768) in favor of ceding insurance companies. At December 31, 2023, the letters of credit were collateralized by cash and cash equivalents of $304,708 (2022 - $304,768).

8. Restricted Cash

On June 24, 2010, the Company entered into an assignment agreement with National Union Fire Insurance Company (NUFIC) to assign its deductible reimbursement policies to NUFIC. NUFIC requires collateral for the Workers' Compensation Large Deductible policies issued in the US. A trust agreement is being used to satisfy a portion of these collateral requirements.

At December 31, 2023, the Company had $239,968,824 (2022 - $217,621,650) in trust with the Bank of New York to satisfy the collateral requirements. Prior to June 24, 2010, the collateral was provided by the parent company.

9. Marketable securities

Total investments at December 31, 2023 and December 31, 2022 were as follows:

	2023	**2022**
Debt securities available for sale	$353,578,032	$292,308,660
Hedge funds	15,924,278	14,747,924
Total	**369,502,310**	**$307,056,584**

(expressed in United States dollars)

9. Marketable securities, cont'd

The Company fair values debt securities utilizing Level 1 and Level 2 inputs and hedge funds classified in Level 3 because the Company prices these securities through an internal analysis of each investment's financial statements and cash flow projections. Significant unobservable Level 3 inputs consist of earnings and revenue multiples, discount for lack of marketability and comparability adjustments. An increase or decrease in any of these unobservable inputs would have resulted in a change in the fair value measurement. 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 quoted prices for similar assets in active markets, quoted prices for identical assets in inactive markets and inputs that are observable that are not prices (such as interest rates and credit risks).

The following summary presents an analysis of the Company's investments by level of input for determining fair value measurements as at December 31, 2023:

2023

	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
U.S. government bonds	45,312,930	-	-	45,312,930
International government bonds	-	79,097,263	-	79,097,263
Corporate bonds	-	135,526,896	-	135,526,896
Commercial mortgage-backed securities	-	71,150,039	-	71,150,039
Asset-backed securities	-	22,490,904	-	22,490,904
Hedge funds	-	-	15,924,278	15,924,278
Total	**45,312,930**	**308,265,102**	**15,924,278**	**369,502,310**

2022

	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
U.S. government bonds	35,425,313	-	-	35,425,313
International government bonds	-	65,502,913	-	65,502,913
Corporate bonds	-	91,972,453	2,797,955	94,770,408
Commercial mortgage-backed securities	-	71,939,629	-	71,939,629
Asset-backed securities	-	24,670,397	-	24,670,397
Hedge funds	-	-	14,747,924	14,747,924
Total	**35,425,313**	**254,085,392**	**17,545,879**	**307,056,584**

(expressed in United States dollars)

9. Marketable securities, cont'd

The following table is a reconciliation for all level 3 financial instruments measured at fair value on a recurring basis. There were no transfers between levels for the year ended December 31, 2023 (2022 – no transfers).

	December 31, 2023 $	**December 31, 2022 $**
Balance, beginning of year	17,545,879	13,220,236
Unrealized gains/(losses) included in OCI	1,176,354	831,792
Purchases (Sales)	(2,797,955)	3,493,851
Balance, end of year	15,924,278	17,545,879
Change in unrealized gains/(losses) included in OCI relating to instruments held at the end of the year	-	(1,426,029)
Change in unrealized gains/(losses) not included in OCI relating to instruments held at the end of the year	344,562	

Debt securities

Debt securities available for sale at December 31, 2023 and 2022 were as follows:

2023

	Amortized cost	**Gross Unrealized Gain**	**Gross Unrealized Loss**	**Fair Value**
U.S. government bonds	46,533,205	317,024	(1,537,299)	45,312,930
International government bonds	85,601,279	2,605,084	(9,109,100)	79,097,263
Corporate bonds	146,569,486	3,509,190	(14,551,780)	135,526,896
Commercial mortgage-backed securities	79,086,700	489,343	(8,426,004)	71,150,039
Asset-backed securities	22,500,000	272	(9,368)	22,490,904
Total	**380,290,670**	**6,920,913**	**(33,633,551)**	**353,578,032**

(expressed in United States dollars)

9. Marketable securities, cont'd

2022

	Amortized cost	**Gross Unrealized Gain**	**Gross Unrealized Loss**	**Fair Value**
U.S. government bonds	41,011,747	-	(5,586,434)	35,425,313
International government bonds	80,252,355	460,901	(15,210,343)	65,502,913
Corporate bonds	115,938,202	426,026	(21,593,820)	94,770,408
Commercial mortgage-backed securities	85,558,340	-	(13,618,711)	71,939,629
Asset-backed securities	25,500,000	-	(829,603)	24,670,397
Total	**348,260,644**	**886,927**	**(56,838,911)**	**292,308,660**

Gross proceeds from sales on the debt securities for the year ended 31 December 2023 amounted to $81,900,957 (2022: $112,387,531) and gross purchases amounted to $130,314,989 (2022: $131,768,050)

(expressed in United States dollars)

9. Marketable securities, cont'd

The Company reviewed 138 (2022: 177) individual securities with the total unrealized loss position of $33,633,551 (2022: $56,838,911) and concluded that the unrealized losses are within the 0 to 12 months category and these are performing assets, where it is more likely than not that the Company would not be required to sell these securities prior to the anticipated recovery of their amortized cost basis. Resultantly, any other than temporary impairment has not been recognized for these securities. The Company has evaluated the impact as per the requirements of ASU 2016-13 and concluded the impact to the financial statements is immaterial.

December 31, 2023

	Less than 12 months		**12 months or more**		**Total**	
	Fair Value $	**Gross Unrealized losses $**	**Fair Value $**	**Gross Unrealized losses $**	**Fair Value $**	**Gross Unrealized Losses $**
U.S. government bonds	9,775,273	(175,301)	19,319,766	(1,361,998)	29,095,039	(1,537,299)
International government bonds	5,017,752	(54,855)	44,299,464	(9,054,245)	49,317,216	(9,109,100)
Corporate bonds	6,340,409	(134,825)	72,890,404	(14,416,955)	79,230,813	(14,551,780)
Commercial mortgage-backed securities	5,090,329	(99,348)	47,637,332	(8,326,656)	52,727,661	(8,426,004)
Asset-backed securities	-	-	16,490,632	(9,368)	16,490,632	(9,368)
Total	**26,223,763**	**(464,329)**	**200,637,598**	**(33,169,222)**	**226,861,361**	**(33,633,551)**

December 31, 2022

	Less than 12 months		**12 months or more**		**Total**	
	Fair Value	**Gross Unrealized losses**	**Fair Value**	**Gross Unrealized losses**	**Fair Value**	**Gross Unrealized Losses**
U.S. government bonds			35,425,313	(5,586,434)	**35,425,313**	(5,586,434)
International government bonds	20,238,049	(3,598,593)	37,947,596	(11,611,750)	58,185,645	(15,210,343)
Corporate bonds	53,812,593	(9,287,108)	35,133,376	(12,306,712)	88,945,969	(21,593,820)
Commercial mortgage-backed securities	5,675,828	(423,518)	66,263,801	(13,195,193)	71,939,629	(13,618,711)
Asset-backed securities	24,670,397	(829,603)	-	-	24,670,397	(829,603)
Total	**104,396,867**	**(14,138,822)**	**174,770,086**	**(42,700,089)**	**279,166,953**	**(56,838,911)**

(expressed in United States dollars)

9. Marketable securities, cont'd

A security is potentially impaired when its fair value is below its cost or amortized cost. The Company analyses its available for sale income portfolios on an individual security basis for potential other than temporary impairment based on criteria including issuer-specific circumstances, changes in credit ratings to below investment grade and general macro-economic conditions. The other than temporary impairment expense for the 12 months ended December 31, 2023 was $4,688,246.

Credit ratings for the debt securities in the Company's investment portfolio range from AAA to B as set out by Standards & Poor's.

The amortized cost and fair value of debt securities at December 31, 2023 are shown below by contractual maturity. Actual maturities may differ from contractual maturities because securities may be restructured, called or prepaid, or the Company intends to sell a security prior to maturity.

	Amortized cost	**Fair value**
Due to mature:		
Less than one year	$ 378,076	$ 393,755
One year through five years	78,910,011	75,359,324
After five years through ten years	146,603,412	136,359,162
Greater than ten years	154,399,171	141,465,791
Total	**$ 380,290,670**	**$ 353,578,032**

10. Related party transactions

Premiums written and losses paid are all with related parties.

The Company assumes risks associated with premiums, claims and expenses under a 15% quota share reinsurance agreement with Silverscript Insurance Company. Silverscript Insurance Company is a wholly owned subsidiary of CVS Health Corporation, which is also the ultimate parent of the Company. Under the agreement, the Company nets off amounts recoverable and amounts payable. As at December 31, 2023, the Company was owed $34,598,890 (2022 - $42,028,677) from Silverscript Insurance Company. During the year, the Company paid a commission expense of $60,415,094 (2022 - $61,356,501) to Silverscript Insurance Company in respect of the above agreement.

On October 30, 2015, the Company issued a $500,000,000 loan to the Ultimate Parent initially payable upon demand or until October 20, 2020. Effective October 20, 2020, the Board approved an increase in the loan from the existing $500,000,000 to $700,000,000 and the loan matures on October 30, 2025. During the year ended December 31, 2023, the applicable interest rate on the loan ranges from 7.50% to 8.50%. Interest is payable on the last day of the applicable interest period. As at December 31, 2023, $62,329 (2022: $143,836) of interest was accrued on the loan. Interest receivable at year-end was $3,611,491 (2022: $2,763,375). Interest income on the intercompany loan at December 31, 2023 was $57,275,342 (2022: $34,036,301).

(expressed in United States dollars)

11. Share capital

	2023	2022
Authorized, issued and fully paid:		
850,000 voting common shares of $1 par value each	$ 850,000	$ 850,000

12. Taxes

On December 27, 2023, the Government of Bermuda enacted the Corporate Income Tax ("CIT") Act of 2023 which established a 15 percent income tax on net taxable income of Bermuda entities effective January 1, 2025. The CIT regime provides for a one-time tax rebasing to fair value for all assets and liabilities of Bermuda tax resident entities and permanent establishments held as of September 30, 2023. This is referred to as the economic transition adjustment ("ETA"). The Company may make an election to forego the ETA and, if such election is made, the Company would be allowed an opening tax loss carryforward ("NOL") equal to the net taxable losses, if any, arising in the five fiscal years preceding January 1, 2025. As of December 31, 2023, the Company has not yet decided whether to opt for ETA or NOL.

As a result of the Company's election to be treated as a US entity for US federal income tax purposes, the Company's income is taxable in the United States at a 21% rate and such taxes would be creditable against the Bermuda income tax.

As such, a valuation allowance will be established to bring down the ETA or NOL deferred tax asset established. As such, the Company does not expect that it will be materially impacted by the Bermuda CIT when it is effective in 2025.

Under current Bermuda Law, the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company had previously received a Tax Assurance 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. Of note, the Bermuda CIT disregards the existence of previously issued Tax Assurance Certificates for Bermuda businesses which are within the scope of being subject to Bermuda CIT. However, it is not anticipated that the CIT will affect the Company since the Company has made an irrevocable election under Section 953(d) of the Internal Revenue Code of 1986, as amended, to be taxed as a US domestic corporation. As a result of this "domestic election", the Company is subject to U.S. taxation on its worldwide income as if it was a U.S. corporation. The Company accounts for income taxes under the provision of ASC 740.

(expressed in United States dollars)

12. Taxes, cont'd.

The deferred tax asset reflects the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes multiplied by the enacted tax rate when the temporary differences are expected to reverse. The significant temporary differences that give rise to the deferred tax assets relates to discounted loss reserves and unrealized losses.

Income taxes attributable to continuing operations for the year ended December 31, 2023 and 2022 consist of the following:

		2023		2022
Current tax (expense)	$	(29,875,458)	$	(26,272,593)
Deferred tax (expense)/benefit		(577,827)		(631,879)
Income tax (expense)	**$**	**(30,453,285)**	**$**	**(26,904,472)**

For federal income tax purposes, the Company joins in a consolidated income tax return filing with its ultimate parent company, CVS Health Corporation, and other affiliated companies ("CVS"). For state income tax purposes, the Company is included in the Parent's unitary filings on multiple state jurisdictions. The method of allocation between the companies is subject to a written tax allocation agreement. The provision for income taxes is recorded in the amounts that would have been provided had the Company filed separate federal and state income tax returns. Intercompany income tax balances are settled between the Company and its ultimate parent on a timely basis after income tax returns have been filed with the Internal Revenue Service and appropriate state jurisdictions.

The IRS has completed its examinations of the CVS consolidated U.S. federal income tax returns through tax years 2016, 2018 and 2019. The IRS has substantially completed its examination of the CVS consolidated U.S. federal income tax return for tax year 2017. The IRS has not examined tax years 2020, 2021 or 2022. State income tax audits are ongoing.

(expressed in United States dollars)

12. Taxes, cont'd.

The tax effects of temporary differences that give rise to significant portions of the net deferred tax asset are as follows:

		2023		2022
Deferred tax asset:				
Discount on loss and loss adjustment expenses	$	14,564,249	$	15,685,157
Advance premiums		-		-
Unrealized gain/loss		5,820,248		12,190,070
Valuation Allowance		(5,820,248)		(12,190,070)
Total deferred tax assets		14,564,249		15,685,157
Loss reserve transition adjustment		(1,086,422)		(1,629,503)
Total deferred tax liabilities		(1,086,422)		(1,629,503)
Net Deferred tax asset	**$**	**13,477,827**	**$**	**14,055,654**

When evaluating the realizability of deferred tax assets, the Company considers all available positive and negative evidence, including future reversals of existing taxable differences, projected future taxable income, tax planning strategies and the Company's recent operating results. The Company established a valuation allowance of $5.8 million as of December 31, 2023, because it does not consider it more likely than not that the Unrealized Capital Loss will be recovered.

On December 22, 2017, the Tax Cuts and Jobs Act ("the Act") was signed into law. The Act lowered the corporate tax rate from 35% to 21% beginning in 2018, among other changes.

The Company has completed its analysis of the impact of the Act; however, this analysis is subject to change as authoritative guidance is issued by regulatory authorities, including Treasury and the IRS. The Act modified the provisions applicable to the determination of the tax basis of unpaid loss reserves. These modifications impact the payment pattern, applicable interest rate, and ability to elect to use company payment data. In 2019, the US Treasury issued proposed and revised discount factors and other guidance necessary to determine the required loss reserve transition adjustment to be included in taxable income over a period of 8 years beginning in 2018. The loss reserve transition adjustment deferred tax liability reflected in the table above represents the remaining transition adjustment to be amortized into income as of December 31, 2019.

(expressed in United States dollars)

13. Investment Income

The components of net investment income for the years ended December 31, 2023 and 2022 is as follows:

		2023		**2022**
Interest income	$	34,232,625	$	16,264,947
Interest on intercompany loan		57,275,342		34,036,301
Equity earnings on hedge fund investments		1,176,355		1,527,687
Total	**$**	**92,684,322**	**$**	**51,828,935**

14. Statutory requirements

The Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 (the "Legislation") requires the Company to meet a minimum solvency margin. Statutory capital and surplus at December 31, 2023 was $916,316,272 (2022: $777,778,545) and the amount required to be maintained by the Company was $88,095,750 (2022: $94,214,409). This requirement was met at December 31, 2023 and December 31, 2022.

In this regard, the declaration of dividends from retained earnings and returns of additional paid-in capital are limited to the extent that the above requirements are met.

Further, under the Insurance Act, the Company must maintain capital at a level equal to its enhanced capital requirement ("ECR") which is established by reference to the Bermuda Solvency Capital Requirement ("BSCR") model. The BSCR is a standard mathematical model designed to give the Bermuda Monetary Authority ("BMA") more advanced methods for determining an insurer's capital adequacy. Underlying the BSCR is the belief that all insurers should operate on an ongoing basis with a view to maintaining their capital at a prudent level in excess of the minimum solvency margin otherwise prescribed under the Insurance Act. Alternatively, under the Insurance Act, insurers may, subject to the terms of the Insurance Act and to the BMA's oversight, elect to utilize an approved internal capital model to determine regulatory capital. In either case, the ECR shall at all times equal or exceed the respective Class 3A insurer's Minimum Solvency Margin and may be adjusted in circumstances where the BMA concludes that the insurer's risk profile deviates significantly from the assumptions underlying its ECR or the insurer's assessment of its risk management policies and practices used to calculate the ECR applicable to it. While not specifically referred to in the Insurance Act, the BMA has also established a target capital level ("TCL") for each Class 3A insurer equal to 120% of its respective ECR.

While a Class 3A insurer is not currently required to maintain its statutory capital and surplus at this level, the TCL serves as an underlying warning toll for the BMA and failure to maintain statutory capital at least equal to the TCL will likely result in increased BMA regulatory oversight.

15. Indemnifications and warranties

In the ordinary course of business, the Company may enter into contracts or agreements that contain indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Company. Based on past experience, management currently believes that the likelihood of such event is remote.

16. Subsequent events

Subsequent events were evaluated to April 26, 2024, the date the financial statements were available to be issued. No events have occurred subsequent to December 31, 2023 requiring adjustments or disclosure in these financial statements.