

# **Sura Re Ltd.**

Financial Statements

**From January 01, 2023 to December 31, 2023**

(expressed in U.S. dollars)

## Independent Auditors' Report

The Board of Directors  
Sura Re Ltd.

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Sura Re Ltd. (the Company), which comprise the statement of financial position as at December 31, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Opinion

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

#### Emphasis of Matter

Without qualifying the above conclusion, we draw your attention to the change in accounting principles relating to the Insurance contracts, described in Note 2 to the financial statements presenting the impacts of IFRS 17 "Insurance Contracts" first time application from January 1, 2023.

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

*Ernst & Young Ltd.*

August 30, 2024

# Sura Re Ltd.

## Statement of financial position As at December 31, 2023

(expressed in U.S. dollars)

	31-Dec-23	31-Dec-22 (restated)	1-Jan-22 (restated)
<b>Assets</b>			
Cash and cash equivalents	12,808,190	4,972,355	1,646,284
Investments in bonds (note 4)	15,393,862	15,303,184	-
Short term time deposits (note 4)	1,958,300	-	16,024,033
Insurance contract assets (note 6)	8,361,971	10,363,509	3,271,016
Reinsurance contract assets (note 6)	26,650,003	18,598,837	14,289,439
Prepaid expenses and other assets	34,391	19,652	9,671
Other intangible assets	1,213,248	-	-
<b>Total assets</b>	<b>66,419,965</b>	<b>49,257,537</b>	<b>35,240,443</b>
<b>Liabilities</b>			
Insurance contract liabilities (note 6)	30,954,946	20,933,488	15,276,404
Reinsurance contract liabilities (note 6)	14,827,600	10,905,852	3,617,118
Accounts payable and accrued expenses	3,476,579	779,482	262,718
<b>Total liabilities</b>	<b>49,259,125</b>	<b>32,618,822</b>	<b>19,156,240</b>
<b>Shareholder's equity</b>			
Share capital			
Authorized, issued and fully paid common shares of par value \$1 each (note 10)	120,000	120,000	120,000
Contributed surplus	15,680,000	15,680,000	15,680,000
Retained surplus	1,360,840	838,715	284,203
<b>Total shareholder's equity</b>	<b>17,160,840</b>	<b>16,638,715</b>	<b>16,084,203</b>
<b>Total liabilities and shareholder's equity</b>	<b>66,419,965</b>	<b>49,257,537</b>	<b>35,240,443</b>

### Approved by the Board of Directors

Firmado por:



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Director

DocuSigned by:



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Director

30 de agosto de 2024 | 1:21 PM SAPST  
Date

30 August 2024 | 10:39 AM PDT  
Date

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

# Sura Re Ltd.

## Statement of profit or loss and other comprehensive income For the period of January 01, 2023 to December 31, 2023

(expressed in U.S. dollars)

	<b>31-Dec-23</b>	<b>31-Dec-22 (restated)</b>
Assumed insurance revenue (note 7)	50,330,798	38,276,918
Assumed insurance expenses (note 7)	(23,157,924)	(16,964,725)
<b>Assumed insurance result</b>	<b>27,172,874</b>	<b>21,312,193</b>
Reinsurance income ceded (note 7)	18,285,730	14,777,693
Ceded reinsurance expenses (note 7)	(44,920,625)	(35,601,697)
<b>Ceded reinsurance result</b>	<b>(26,634,895)</b>	<b>(20,824,004)</b>
<b>Insurance service result</b>	<b>537,979</b>	<b>488,189</b>
Net investment income (note 5)	733,758	310,036
Net foreign exchange income	95,751	7,673
<b>Total investment income</b>	<b>829,509</b>	<b>317,709</b>
Insurance finance result for assumed insurance contracts	(563,658)	83,359
Reinsurance finance result for reinsurance contracts ceded	476,581	(19,795)
<b>Net insurance financial result</b>	<b>(87,077)</b>	<b>63,564</b>
Non-attributable administrative expenses	(758,286)	(314,950)
<b>Other income and expenses</b>	<b>(758,286)</b>	<b>(314,950)</b>
<b>Profit for the year</b>	<b>522,125</b>	<b>554,512</b>
Other comprehensive income for the year	-	-
<b>Total Comprehensive income for the year</b>	<b>522,125</b>	<b>554,512</b>

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

# Sura Re Ltd.

## Statement of Changes in Shareholder's Equity

For the period of January 01, 2023 to December 31, 2023

(expressed in U.S. dollars)

	Share capital	Contributed surplus	Retained surplus/ (deficit)	Total shareholder's equity
	\$	\$	\$	\$
<b>December 31, 2021 (as previously reported)</b>	120,000	15,680,000	275,547	16,075,547
Impact of initial application of IFRS 17	-	-	8,656	8,656
<b>Restated balance as at January 1, 2022</b>	120,000	15,680,000	284,203	16,084,203
Profit for the year	-	-	554,512	554,512
Other comprehensive income for the year	-	-	-	-
<b>Restated balance as at December 31, 2022</b>	120,000	15,680,000	838,715	16,638,715
Profit for the year	-	-	522,125	522,125
Other comprehensive income for the year	-	-	-	-
<b>Balance as at December 31, 2023</b>	120,000	15,680,000	1,360,840	17,160,840

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

# Sura Re Ltd.

## Statement of Cash Flows

For the period of January 01, 2023 to December 31, 2023

(expressed in U.S. dollars)

	31-Dec-23	31-Dec-22 <i>restated</i>
<b>Cash flows from operating activities</b>		
Net income for the year	522,125	554,512
Changes in assets and liabilities		
Accrued interest	(82,045)	121,137
Insurance contract assets	2,001,538	(7,092,493)
Reinsurance contract assets	(8,051,166)	(4,309,398)
Prepaid expenses and other assets	(14,739)	(9,981)
Insurance contract liabilities	10,021,458	5,657,084
Reinsurance contract liabilities	3,921,748	7,288,734
Payable and accrued expenses	2,697,097	516,764
Net cash provided by operating activities	11,016,016	2,726,359
<b>Cash flows from investing activities</b>		
Proceeds on maturity/sales of investments	22,818,591	32,592,401
Purchase of marketable investments	(24,785,524)	(31,992,689)
Payment for intangible asset under development	(1,213,248)	-
Net cash provided by/ (used in) investing activities	(3,180,181)	599,712
<b>Net increase/(decrease) in cash and cash equivalents</b>	7,835,835	3,326,071
<b>Cash and cash equivalents – Beginning of year</b>	4,972,355	1,646,284
<b>Cash and cash equivalents – End of year</b>	12,808,190	4,972,355

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



# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

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(expressed in U.S. dollars)

### 1. General

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

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

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

### 2. Summary of significant accounting policies

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

#### (a) Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

#### (b) Basis of presentation

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

The Company has prepared its financial statements in conformity with IFRS 17 "Insurance Contracts", effective January 1, 2023, and believes it is in compliance with the standard.

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

# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

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(expressed in U.S. dollars)

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

#### (c) Translation of foreign currencies

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

#### (d) Financial assets

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

#### (e) Cash and cash equivalents

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

#### (f) Fair value of financial instruments

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

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

#### (g) Insurance and Reinsurance contracts

The Company applies the Premium Allocation Approach ("PAA") to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Company discounts cash flows expected to take more than one year after the date on which the claims are incurred, and it includes an explicit risk adjustment for non-financial risk.

#### Liability for remaining coverage (LRC)

The Company enters into various insurance contracts that transfer significant insurance risk. The Company defines significant insurance risk as the possibility of having to pay, on the occurrence of an insured event, an amount that is significant in relation to the premiums earned by the Company on such contracts. The contracts are classified as short-term. At initial recognition, the provision for remaining coverage is estimated as the premiums issued at inception, less acquisition costs directly attributable, plus cash flows before coverage, and plus the recognized onerous insurance liability. For acquisition costs, amortization is carried out consistent with paragraph 55(b) of the standard.

# Sura Re Ltd.

Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

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(expressed in U.S. dollars)

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

### (g) Insurance and Reinsurance contracts (cont'd)

#### Insurance acquisition cash flows (IACF)

Insurance acquisition cash flows are allocated to related groups of insurance contracts recognized in the statement of financial position. An asset for insurance acquisition cash flows is recognized for acquisition cash flows incurred before the related group of insurance contracts has been recognized.

#### Liability for incurred claims (LIC)

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Incurred Loss Development Method and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios.

Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims' development data on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

#### Risk adjustment for non-financial risk (RA)

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company applies a cost of capital approach to calculate the risk adjustment which is based on the Bermuda Monetary Authority (BMA) guidance notes that prescribes a risk margin calculation to reflect the uncertainty associated with the probability-weighted cash flows and the compensation for the risk of future cash flows being worse than expected and for the cost of holding regulatory capital.

# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

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(expressed in U.S. dollars)

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

#### (g) Insurance and Reinsurance contracts (cont'd)

The Company has estimated the confidence level corresponding to its risk adjustment calculated using a cost of capital approach is 8%. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 99.5<sup>th</sup> percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required.

#### Insurance revenue

The insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The standard allows to allocate the expected premium receipts to each period on the following base:

- the passage of time; or
- the expected timing of incurred insurance service expenses

The Company allocates the expected premium receipts to each period on the passage of time.

#### Insurance service expenses

Insurance service expenses arising from insurance contracts are recognized in profit or loss generally as they are incurred. They comprise the following items:

- Incurred claims and other insurance service expenses,
- Amortization of insurance acquisition cash flows: the Company amortizes insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts.
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

#### Acquisition costs

Acquisition costs are comprised of ceding companies' commissions, premium taxes and other expenses that relate directly to the acquisition of premiums. These costs are deferred and amortized over the terms of the related policies to the extent that they are considered to be recoverable from unearned premiums, after considering the related anticipated claims and expenses and investment income.

#### Reinsurance

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

# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

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(expressed in U.S. dollars)

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

#### (g) Insurance and Reinsurance contracts (cont'd)

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

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

The Company reflects reinsurance balances in the statement of financial position on a gross basis to indicate the extent of credit risk related to reinsurance.

#### Ceding Commission

Commission income consists of ceding commission, reinsurance taxes and other income that relate directly to the ceding of premiums. Commission received is deferred and recognized as revenue over the period during which the reinsurance contract is in place.

#### Insurance finance expenses/income for insurance contracts issued

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance contracts arising from the effects of the time value of money and financial risk.

#### (h) Intangible assets

An intangible asset is an identifiable asset, of a non-monetary nature and without physical appearance, which is expected to generate economic benefits for more than one accounting period. Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in combinations of business is its fair value at the acquisition date. After initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses.

The useful lives of intangible assets are determined as finite or indefinite. Intangible assets with finite useful lives are amortized over their useful lives on a straight-line basis with useful lives between 3 years and 66 years depending on the asset and are evaluated to determine if they had any impairment in value, provided there is indications that the intangible asset may have suffered such deterioration. The amortization period and amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each period.

#### Allocation of useful lives of intangible assets

The Company has defined the following useful lives for intangible assets

# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

(expressed in U.S. dollars)

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

#### (h) Intangible assets (cont'd)

	Useful lives
Relationship with clients	*
Acquired goodwill	Indefinite
Brands	*
Licenses and project software	**

\* The estimated useful life will be determined according to the initial valuation of the customer list and brands.

\*\*Licenses and software

a) Acquired for customers: amortized over the contract term.

b) Acquired to operate internally: from 1 to 5 years; in the event of having an asset with an estimated useful life longer than the defined useful life, a business case must be submitted to corporate to support it.

#### Amortization of intangible assets with finite useful lives

The Company must amortize intangible assets with finite useful lives on a straight-line basis over their expected useful lives. The amortization charge for each period should be recognized in the statement of income.

Changes in the expected useful life or expected pattern of consumption of future economic benefits of the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense of intangible assets with finite useful lives is recognized in the income statement.

Intangible assets with indefinite useful lives are not amortized but are tested annually to determine whether they have been impaired, either individually or at the cash-generating unit level. The indefinite life evaluation is reviewed annually to determine whether the indefinite life remains valid. If not, the change in useful life from indefinite to finite is made prospectively.

The gains or losses that arise when an intangible asset is derecognized are measured as the difference between the value obtained on disposal and the book value of the asset and is recognized in the income statement in the results of the period section.

#### Software development project

The company is developing an internal software named CORE. The expected launch date for this software is September 1, 2024.

The following table presents a reconciliation of the carrying amount of intangible assets held by the Company:

	<u>2022</u>	<u>Additions</u>	<u>Sale</u>	<u>Amortization</u>	<u>Impairment</u>	<u>2023</u>
Other intangible asset	-	1,213,248	-	-	-	1,213,248
<b>Total</b>	<b>-</b>	<b>1,213,248</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,213,248</b>

# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

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(expressed in U.S. dollars)

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

#### (i) Changes in accounting policies and disclosures

The accounting policies adopted by the Company for the preparation of its financial statements as of December 31, 2023, are consistent with those that were used for the preparation of its financial statements as of December 31, 2022, except for the application of IFRS 17 and IFRS 9, as indicated below.

These modifications and new interpretations required the revision of accounting policies, the remeasurement and/or presentation of certain items in the financial statements and certain additional disclosures. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company applied IFRS 17 for the first time as of January 1, 2023. The nature of the changes due to the adoption of the new accounting standards are described in the following paragraphs. The Company has restated the comparative information as of for December 31, 2022. The nature of the changes in accounting policies can be summarized, as follows:

#### **IFRS 17 Insurance Contracts**

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

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

The Company has initially applied IFRS 17, including any consequential amendments to other standards, from January 1, 2023. This standard has resulted in significant changes to the accounting for reinsurance contracts. As a result, the Company has restated specific comparative amounts and presented a third statement of financial position as of January 1, 2022.

The Company applies the PAA to simplify the measurement of contracts in life non-life segment. The PAA is similar to the Company's previous accounting treatment in measuring the remaining hedge liabilities. When measuring incurred claims liabilities the Company discounts cash flows expected to take more than one year after the date on which the claims are incurred, and it includes an explicit risk adjustment for non-financial risk.

# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

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(expressed in U.S. dollars)

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

#### IFRS 17 Insurance Contracts (cont'd)

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognized in revenue for insurance services provided.
- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision).
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses.

The Company's cash flow from liabilities is discounted using interest rates calculated by a bottom-up approach. Based on this methodology, discount interest rates result from adding together a liquidity premium and a risk-free yield curve.

The risk-free yield curve is based on quotes from fixed-income securities issued by the Bermuda Monetary Authority. The liquidity premium is determined as a weighted average of the closing bid-offer spread of these securities. Transactional volume is the variable used to calculate weights.

Period	USD Discount yield curve						
	1Y	3Y	5Y	10Y	15Y	20Y	27Y
December 2023	4.4%	4.8%	5.0%	5.3%	5.4%	5.5%	5.6%
December 2022	4.4%	4.7%	4.9%	5.2%	5.3%	5.4%	5.5%

#### Level of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together.

Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit'. However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts.



# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

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(expressed in U.S. dollars)

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

#### IFRS 17 Insurance Contracts (cont'd)

As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Company applied a full retrospective approach for transition to IFRS 17. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, the Company portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)
- A group of the remaining contracts in the portfolio (if any)

#### Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregates insurance contracts issued and presents separately:

- Portfolios of insurance contracts issued that are assets.
- Portfolios of insurance contracts issued that are liabilities.

The line-item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Gross written Premiums
- Change in unearned premium
- Sales commission expense
- Tax expense
- Claims expenses
- Change in OSLR
- Change in IBNR

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue.
- Insurance service expenses.
- Insurance finance income or expenses.

The Company provides disaggregated qualitative and quantitative information about:

- Amounts recognized in its financial statements from insurance contracts.
- Significant judgements, and changes in those judgements, when applying the standard

# Sura Re Ltd.

Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

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(expressed in U.S. dollars)

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

### IFRS 17 Insurance Contracts (cont'd)

#### Transition

On transition date, January 1, 2022, the Company:

- Has identified, recognized, and measured each group of insurance contracts as if IFRS 17 has always been applied.
- Has identified, recognized, and measured assets for insurance acquisition cash flows as if IFRS 17 has always been applied.
- Derecognized any existing balances that would not exist had IFRS 17 always been applied.
- Recognized any resulting net difference in equity.

#### Contract boundaries.

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Company has the practical ability to reassess the risks of the policyholder and, as a result, can set a price or level of benefits that fully reflects those risks.  
Or
- Both of the following criteria are satisfied:
  - The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio.
  - The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognized. Such amounts relate to future insurance contracts.

#### Measurement

The measurement model for the Company's portfolios is Premium Allocation Approach (PAA). The portfolios qualify for PAA since there is no significant difference in the measurement of the liability for remaining coverage (LRC) between PAA and the general model (BBA) therefore, these qualify for PAA.

For the portfolios, insurance acquisition cash flows are allocated to related groups of insurance contracts and amortized over the coverage period of the related group.

# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

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(expressed in U.S. dollars)

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

#### IFRS 17 Insurance Contracts (cont'd)

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition.
- Minus any insurance acquisition cash flows at that date.
- Plus, or minus any amount arising from the derecognition at that date of the asset recognized for insurance acquisition cash flows and;
- Any other asset or liability previously recognized for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognized.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognizes a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognized.

#### Subsequent measurement

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus, premiums received in the period.
- Minus insurance acquisition cash flows.
- Plus, any amounts relating to the amortization of the insurance acquisition cash flows recognized as an expense in the reporting period for the group.
- Plus, any adjustment to the financing component, where applicable.
- Minus the amount recognized as insurance revenue for the services provided in the period.
- Minus any investment component paid or transferred to the liability for incurred claims.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk (the risk adjustment). The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognizes a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognized.

# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

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(expressed in U.S. dollars)

### 3. *Insurance and financial risk*

For the Suramericana S.A. system, of which the Company is a part, risk management is a dynamic and interactive process, and a fundamental component of the strategy that supports the decision-making processes. Understanding risks as opportunities, configuring new businesses, exploring geographies, strengthening talent, among others, is an essential part of this management.

The System has a Framework Policy that allows articulating its risk management, so that the Companies can face the new challenges and opportunities of a changing environment, generating value through their interaction and coordination.

The Board of Directors, the Committees, and the Senior Management of the Company are responsible for their Risk Management Systems, which are implemented considering the size, complexity of the business and processes, geographic diversification and the nature of the risks faced, ensuring consistency and feedback with the organizational strategy.

In addition, the Suramericana System and the Company have a Trend and Risk Management System that seeks to systematically guarantee the soundness and sustainability of the business in the short, medium, and long term. The purpose of this system is to delve into the dynamics of the risk connected with the environment, identifying characteristics, factors, and relevant elements, in order to subsequently assess the risk and define options for its management and/or insurance, providing tools that enable anticipation and decision making appropriate to the speed demanded by the volatility of the current environment and aimed at creating value, not only by maximizing income, but also under tolerable risk levels.

In addition, the Comprehensive Risk Management System seeks to efficiently connect Suramericana S.A.'s risk appetite with the regulations required by the local Regulator.

#### **Risk Categories**

Below are the main risks around which the Company prioritizes and focuses its management, grouped in categories that respond to relevant issues according to the profile of each business and the sectors in which they are located.

#### **Underwriting Risk**

They refer to those risks derived from the Company's business model and operation. Business risks are managed together with financial risks, since any decision that modifies the financial vision modifies the Company's risk profile; therefore, the definitions described in the previous paragraphs are an integral part of the Company risk management. The following is a detail of the risks inherent to the insurance activity:

#### **Technical Risk Management of Insurance Companies**

The main non-financial risks that may affect these insurance companies are Reserves Risk, Underwriting and Pricing Risk and Reinsurance Risk.

# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

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(expressed in U.S. dollars)

### 3. Insurance and financial risk (cont'd)

#### Reserve Risk

This refers to the probability of loss of Sura Re because of an underestimation or overestimation in the calculation of technical reserves in conjunction with contractual obligations with clients (profit sharing, payment of guaranteed benefits, among others).

The reserve risk is mainly manifested by adverse deviations of loss experience and reserve adequacy generated by increases in the frequency of claims or severity represented by a higher value of these.

The Company has designed and implemented actuarial methodologies and processes of sufficient technical and practical development using complete and robust information that allows making reasonable estimates of the obligations with policyholders. Likewise, there are tools for the periodic monitoring of the adequacy of the reserves against the obligations of these, which allow taking actions to maintain adequate levels of liabilities.

#### Underwriting and Pricing Risk

Underwriting risk refers to the possibility of incurring losses because of inadequate policies and practices in the design of products, services, or their placement. It can be understood as Underwriting, Affiliation, Sales, among others. Meanwhile, tariff risks imply a probability of loss due to errors in the calculation of prices/tariffs, resulting in insufficient premiums to cover business costs.

The Company manages this risk from two approaches: the first from the process of design and development of solutions, where policies, processes and controls are defined for the underwriting and pricing of products. The second is the periodic monitoring of the risk that seeks to quantify whether the rate defined for a period can cover the future obligations resulting from the contracts. The analysis seeks to understand whether the retained premium earned is sufficient to cover the items of the insurance company, considering the loss ratio, technical and administrative expenses, financial income, and the minimum return expected by the shareholder given the risk assumed.

#### Sensitivity Analysis

To calculate the exposure to certain relevant risk variables, companies perform sensitivity analyses to their Financial Statements, which reflect how the result for the period may be affected if they were to materialize.

The sensitivity analysis shows how the result for the period could have been affected due to deviations of the relevant risk variable, the occurrence of which was reasonably possible at the end of the reporting period. The risks analyzed and the methods and assumptions used in preparing the sensitivity analysis are described below.

The Company performs a sensitivity analysis of premium and reserve risks as defined in the "QIS 5 Technical Specifications" of Solvency II. This analysis identifies the variation that these risks may have by means of adjustments of probability distributions, for which it is placed in a high severity event with the "Value at Risk" methodology. In this sensitivity, the distributions constructed for the Company's risks are used and an event with a higher probability of occurrence is chosen.

# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

(expressed in U.S. dollars)

### 3. Insurance and financial risk (cont'd)

#### Sensitivity Analysis (cont'd)

The choice of this model allows the organization to understand the risks assumed and their possible deviations in a connected way, considering its correlations and internal processes. Given this approach, the sensitivities are not performed by solution, but the impact of these is measured throughout the Company, as would be the case in the materialization of a deviation such as the one proposed.

Risk (USD)						
Country	Pricing		Reserves		Total	
	2022	2023	2022	2023	2022	2023
Sura Re	-	270,509	-	175,247	-	445,756

#### Actual Claims compared to Previous Estimates

The following tables show the evolution of ultimate claims - payments, claims reserves and reserves for claims incurred and not reported (IBNR), from 2017 to 2023 (Amounts expressed in USD).

Estimated gross reinsurance ultimate, without deducting	2017	2018	2019	2020	2021	2022	2023	TOTAL
0	2,144,282	121,623	33,896	6,376,334	3,147,139	7,328,264	12,108,945	31,260,483
1	1,478,160	770,142	160,452	12,174,428	14,056,636	7,965,028		36,604,846
2	335,723	873,996	41,386	5,302,051	16,514,751			23,067,907
3	-	58,964	610,536	7,111,042				7,780,542
4	-	45,084	42,472					87,556
5	185,481	284,930						470,411
6	56,063							56,063
Accumulated gross claims and other directly attributable expenses paid for the year of occurrence.	39,410	185,611	7,099	6,328,879	5,580,587	1,502,638	950,406	14,594,630
<b>Gross claims provisions by accident year from 2017 to 2023.</b>	<b>16,653</b>	<b>99,320</b>	<b>35,373</b>	<b>782,163</b>	<b>10,934,165</b>	<b>6,462,390</b>	<b>11,158,539</b>	<b>29,488,603</b>
Provisions for prior years' gross claims.	-	-	-	-	-	-	-	-
Discount effect	-	-	-	(134,677)	(485,844)	(456,682)	(1,163,192)	(2,240,395)
Effect of risk adjustment for non-financial risk	-	-	-	65,458	264,986	229,021	560,068	1,119,532
<b>Provision for claims incurred gross</b>	<b>16,653</b>	<b>99,320</b>	<b>35,373</b>	<b>712,943</b>	<b>10,713,306</b>	<b>6,234,729</b>	<b>10,555,414</b>	<b>28,367,739</b>

# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

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(expressed in U.S. dollars)

### 3. Insurance and financial risk (cont'd)

#### Reinsurance Risk

It consists of the possibility of suffering losses due to inadequate reinsurance management, including design of the reinsurance program, reinsurance placement and differences between the conditions accepted by policyholders and those accepted by the Company's reinsurers.

To manage this risk, part of the obligations assumed through automatic or facultative reinsurance contracts with previously approved reinsurers is transferred to the reinsurers, structuring proportional and/or non-proportional schemes according to the risk exposure.

Proportional treaties allow reducing the value exposed risk to risk and non-proportional treaties limit claims deviations and the exposure retained for catastrophic events.

Despite having a defined reinsurance scheme, the Company is responsible for its obligations with its clients, and therefore credit risk management is analyzed with respect to cession, mitigated by diversification of counterparties.

With respect to reinsurance contracts, the Company analyzes the capacity and financial soundness and operating performance of the reinsurers to meet their obligations. To manage this risk, the Company analyzes their financial strength with quantitative and qualitative variables (financial soundness, market positioning, among others), to support decision-making and comply with internal control procedures.

The current assignment of contracts for the Company is divided into 2 types, treaty and optional, which have the following distribution:

Region Assignment	%
Treaty	48%
Facultative	52%

From this session, the Company selects reinsurers that are in line with our risk appetite and that are backed by adequate risk ratings. The participation of the most representative reinsurers in automatic contracts is shown below in a general manner through an indicator of ceded premiums; for facultative contracts it is important to highlight that the largest participation is in the cession to Sura SAC for the cells managed for the different clients.

#### Treaty Contracts

Reinsurer	Contract participation
Munich Re	83.4%
Mapfre Re	7.9%
Swiss Re	5.8%
Axa XL	1.7%
Hannover Re	1.2%

# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

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(expressed in U.S. dollars)

### 3. *Insurance and financial risk (cont'd)*

#### **Financial Risk**

Financial risks are those risks whose impact on the Company's financial results is caused by changes in market conditions or non-compliance with obligations that third parties have with the Company, including all those related to the management of the Company's investment portfolio strategy. The performance of the financial markets and the economies of the region have effects on the operation of the businesses and, therefore, on their financial results. This leads them to have management systems that allow them to monitor their exposure to credit, market, and liquidity risk, from the management of treasury and investment portfolios.

The global macroeconomic and market environment in 2023 was marked by high interest rates, which were guided by monetary policy decisions focused on the convergence of inflation towards their target ranges. This was conditioned by a slow decrease in price variation due to the persistence of some of the factors that generated supply and demand disparities and volatility in commodity and energy prices during 2021 and 2022, such as geopolitical conflicts (between Russia and Ukraine and Israel and Hamas), restrictions on supply chains, low economic growth, among others.

The main financial risks (credit risk, market risk and liquidity risk) are detailed below.

#### **Market Risk**

The management of this risk focuses on how variations in market prices affect the value of the portfolios under management and the Company's income. For this purpose, there are Market Risk Management Systems implemented by the subsidiaries, through which exposures are identified, measured, and monitored.

The Companies periodically monitor the impact that variables such as interest rates, exchange rates and asset prices have on their results. In addition, to mitigate their volatility, the convenience of having a hedging scheme is determined, which is constantly monitored by the areas in charge.

The management of this risk is analyzed from the resources managed in the treasury and portfolios, both from the point of view of the Company's asset and liability positions.

Additionally, the Corporate Department supports the management of this risk in the subsidiaries through the construction and joint formulation of methodologies that ensure the Joint Management of Assets and Liabilities, allowing the identification and management of market risks with a comprehensive view of the Company's balance sheet.

Regarding the management of this risk in the insurance companies' portfolios, the methodology, limits and/or alerts are established in accordance with internal policies and applicable standards. Some measures considered are Value at Risk, Sensitivities and Simulations.

With respect to other monetary assets and liabilities denominated in foreign currencies, the Company's management must ensure that its net exposure is maintained at an acceptable level, in accordance with internally defined risk appetites.



# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

(expressed in U.S. dollars)

### 3. Insurance and financial risk (cont'd)

#### Market Risk (cont'd)

The following table presents the exposures by currency of the Company's financial assets as of December 31, 2023 (and December 31, 2022):

Financial assets by currency			
Data	USD	Others	Total
<b>SURA RE</b>			
December 2022	100%	0%	<b>100%</b>
December 2023	100%	0%	<b>100%</b>

#### Exchange rate risk sensitivity analysis:

The methodology used to perform the exchange rate sensitivity analysis was based on the Company's foreign currency exposure on both the asset and liability sides of the Company's balance sheet, evaluating a -10% variation in the exchange rate and taking the impact as a difference in income before taxes. The net result obtained is presented below for December 31, 2023 (and December 2022):

Variance / Sura RE	Effect of income before taxes 2022	Effect of income before taxes 2023
	USD	USD
<b>(-10%) in Exchange rate</b>	\$ 54,663	\$ 282,205

#### Interest rate exposures:

The following table presents the asset type exposures of the Company's financial assets as of December 31, 2023 (and December 31, 2022):

Fixed Income and Equity Asset Exposures								
Data	Fixed Income			Equities			Others	Total
	Fixed Rate	Variable Rate	Subtotal	National	Foreigners	Subtotal		
			<b>Sura RE</b>					
December 2022	100%	0%	100%	0%	0%	0%	0%	<b>100%</b>
December 2023	100%	0%	100%	0%	0%	0%	0%	<b>100%</b>

# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

(expressed in U.S. dollars)

### 3. Insurance and financial risk (cont'd)

#### Interest rate risk sensitivity analysis

As a methodology to perform the interest rate sensitivity analysis, only the detail of the investments that are classified at market (fair value) and the position invested in each one was taken, since the liabilities and the rest of the investments are classified at maturity. For each asset the modified duration was calculated and weighted by its market value. This measure gauges the impact on the price given the variation of the implicit rate. For this purpose, a variation of 10 bps was evaluated, and this result was applied to the Company's position. The net result obtained for December 2023 (and December 2022) is:

Variance / Sura RE	Effect Income before taxes 2022	Effect Income before taxes 2023
	USD	USD
<b>(+10bp) in Interest Rates</b>	\$ 0	\$ 0

#### Asset Price Sensitivity Analysis (Equities and Real Estate):

The Company's exposure to equities and real estate was used as the methodology to perform the sensitivity analysis of equities and real estate, evaluating a variation of -10%, taking the difference of the impact to income before taxes. The result obtained is presented below:

Variance / Sura RE	Effect Income before taxes 2022	Effect Income before taxes 2023
	USD	USD
<b>(-10%) in Real Estate</b>	\$ 0	\$ 0
<b>(-10%) in Equity Price</b>	\$ 0	\$ 0
<b>Total</b>	\$ 0	\$ 0

It should be noted that the sensitivity analyses performed above do not consider the interdependence of the risks evaluated, so the impact of these risks could be considerably lower.

#### Liquidity Risk

Liquidity risk refers to the Company's capacity to generate resources to meet its obligations and to operate its business.

For the management of this risk, the Company orients its actions within the framework of a liquidity management strategy for the short and long term in accordance with the policies and guidelines issued by the Board of Directors and Senior Management, which contemplate short-term and structural aspects, to ensure compliance with the obligations acquired, under the conditions initially agreed and without incurring in cost overruns. Likewise, the Company monitors cash flow in the short term to manage cash collection and payment activities and cash flow projections in the medium term, to determine the Company's liquidity position and anticipate the necessary measures for an adequate management.

# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

(expressed in U.S. dollars)

### 3. Insurance and financial risk (cont'd)

#### Liquidity Risk (cont'd)

The maturities of the Company's fixed income financial assets, cash equivalents and accounts receivable from policyholders as of December 31 of 2023 are presented below:

	Assets by months to maturity		Liabilities by months to maturity	
	Sura Re			
Terms (months)	December 2022	December 2023	December 2022	December 2023
0 – 1	46,875	3,551,140	291,500	852,486
1 – 3	4,924,454	1,618,555	152,718	1,322,823
3 - 12	6,983,885	5,051,662	358,366	5,513,283
>12	3,640,395	8,239,843	1,049,259	1,461,282
<b>0 - 12</b>	<b>15,595,609</b>	<b>18,461,200</b>	<b>1,851,843</b>	<b>9,149,874</b>

The values included in the tables above for financial assets and liabilities represent the best estimate of the Company's obligations and available resources in their respective terms.

To date, the Company maintains a strong liquidity position at all levels, performing a proactive follow-up accompanied by projections to its cash flows in the short and medium term, managing treasury activities and optimizing the management of resources.

#### Credit Risk

Credit risk management seeks to reduce the probability of incurring losses derived from non-compliance with financial obligations contracted by third parties with the different companies. For this purpose, guidelines have been defined to facilitate the analysis and follow-up of issuers and counterparties, from the resources managed in the treasury and the insurance companies' portfolios, as well as the exposures with the different counterparties, such as reinsurers.

Considering the above, the credit risk management of investments is carried out by the Integral Risk Management and Treasury area, ensuring that investments are always backed by issuers and/or managers with a credit quality in line with the organization's risk appetite. As of December 31, 2023, the Company's treasury investments were mostly concentrated in liquid collective portfolios managed by high credit quality managers, savings accounts and checking accounts.

# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

(expressed in U.S. dollars)

### 3. Insurance and financial risk (cont'd)

#### Credit Risk (cont'd)

Most of the insurance portfolio is invested in fixed income instruments. The following table presents a breakdown of the distribution of the Companies' fixed-income financial assets by credit rating (international scale) as of December 31, 2023 (and December 31, 2022):

Fixed Income Assets by Credit Rating (International Scale)				
Country Rating	December 2022		December 2023	
	A	A	A	A
	Percentage	Amount	Percentage	Amount
Government	14%	2,103,361	37%	6,553,050
A+	16%	2,528,065	4%	642,172
A	4%	566,206	34%	5,946,766
A-	18%	2,734,258	0%	-
BBB+	23%	3,594,600	6%	1,002,211
BBB	18%	2,756,310	3%	475,203
BB+	0%	-	16%	2,732,760
BB-	7%	1,020,384	0%	-
Others	0%	-	0%	-
<b>Total</b>	<b>100%</b>	<b>15,303,184</b>	<b>100%</b>	<b>17,352,162</b>

Note: The ratings are restated on an international scale, based on sovereign ratings issued by S&P, Fitch and Moody's. The rating selection methodology consists of taking the best rating from the three sources, provided that such rating has been issued within the last three months. Otherwise, the most recent rating available from any of the three rating agencies is taken. The exposure to the sovereign is representative.

In the case of the "Others" category, there are securities with a local investment grade rating which, when restated on an international scale, are rated below BB- due to the sovereign rating of these countries.

#### IFRS9 – Financial Instruments (Impairment)

Suramericana S.A. defines guidelines and methodologies for calculating the impairment of each of its financial instruments and consolidates the results of the application in its subsidiaries. As defined in IFRS 9, these methodologies recognize impairment as the expected or prospective loss of its financial assets, considering a 12-month or lifetime approach. Both approaches will be applied depending on the type of instrument and the credit conditions of the counterparty.

Specifically for accounts receivable associated with the customer portfolio, the subsidiaries use the general or 12-month approach considering the nature of the policies and the cancellations associated with them. Based on available historical information, an impairment percentage is calculated for each delinquency height, which is applied prospectively from the initial moment of the portfolio, and is updated over time, considering only those policies of a purely past due nature.

# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

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(expressed in U.S. dollars)

### 3. Insurance and financial risk (cont'd)

#### IFRS9 – Financial Instruments (Impairment) (cont'd)

For accounts receivable arising from reinsurance contracts, Suramericana, in general for the entire region, reviews the individual financial strength of each reinsurer and estimates the percentage of impairment associated with each one according to its credit quality. Each subsidiary, according to its market characteristics, may consider the payment agreements already established. The percentages are updated on a general basis for all reinsurers.

For the investments of the investment portfolio, the financial strength of each counterparty is analyzed through the credit risk process of each subsidiary and probabilities of default published by international risk rating agencies or other entities are used, to maintain a prospective approach in the calculation and consider the credit quality of each issuer.

Finally, the Company has estimated that, given the nature of its investments and accounts receivable, the adjustment on the provision or loss from the application of the expected methodology would be reflected as follows, considering the associated impacts on deferred taxes:

Portfolio Impairment (Customers)		
	2022	2023
Sura Re	\$ 0	\$ 0
Investments Impairment		
	2022	2023
Sura Re	\$ 0	\$ 0
Reinsurance Impairment		
	2022	2023
Sura Re	\$ 0	\$ 0

### 4. Investments

#### Fair value

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

#### Short-term financial assets and liabilities

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

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

# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

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(expressed in U.S. dollars)

### 4. Investments (cont'd)

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

	<u>As at December 31, 2023</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
	\$	\$	\$	\$
Time Deposit	1,958,300	-	-	1,958,300
Bonds	15,393,862	-	-	15,393,862
Total Investment at Fair Value	<u>17,352,162</u>	<u>-</u>	<u>-</u>	<u>17,352,162</u>

	<u>As at December 31, 2022</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
	\$	\$	\$	\$
Short Term Time Deposits	15,303,184	-	-	15,303,184
Total Investment at Fair Value	<u>15,303,184</u>	<u>-</u>	<u>-</u>	<u>15,303,184</u>

### 5. Investment income

	<u>2023</u>	<u>2022</u>
	\$	\$
Interest income	<u>733,758</u>	<u>310,036</u>
Net investment income	733,758	310,036

# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

(expressed in U.S. dollars)

### 6. Insurance and reinsurance contracts

The breakdown of groups of insurance contracts issued, that are in an asset position and those in a liability position is set out in the table below:

	2023			2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
<b>Insurance Contract</b>	<b>(8,361,971)</b>	<b>30,954,946</b>	<b>22,592,975</b>	<b>(10,363,509)</b>	<b>20,933,487</b>	<b>10,569,978</b>
Liability For Incurred Claims	-	29,835,414	29,835,414	-	20,088,571	20,088,571
Risk Adjustment	-	1,119,532	1,119,532	-	844,917	844,917
Liabilities for remaining coverage	(8,361,971)	-	(8,361,971)	(10,363,509)	-	(10,363,509)
<b>Reinsurance Contract</b>	<b>26,650,003</b>	<b>(14,827,600)</b>	<b>11,822,403</b>	<b>18,598,837</b>	<b>(10,905,852)</b>	<b>7,692,985</b>
Liability For Incurred Claims	25,720,797	-	25,720,797	17,835,740	-	17,835,740
Risk Adjustment	929,206	-	929,206	763,097	-	763,097
Liabilities for remaining coverage	-	(14,827,600)	(14,827,600)	-	(10,905,852)	(10,905,852)

The Company provides disclosure in respect of the net asset or liability for reinsurance contracts issued and ceded, showing the liability for remaining coverage and the liability for incurred claims, it is disclosed in the following tables:

	2023			
	Liabilities for remaining coverage Excluding loss component	Loss component	Liability For Incurred Claims Estimates of the present value of future cash flows	Risk adjustment
<b>Reinsurance Assumed contract liabilities as at 01/01</b>	-	-	20,088,571	844,917
<b>Reinsurance Assumed contract assets as at 01/01</b>	(10,363,509)	-	-	-
<b>Net reinsurance Assumed contract (assets)/liabilities as at 01/01</b>	<b>(10,363,509)</b>	<b>-</b>	<b>20,088,571</b>	<b>844,917</b>
<b>Reinsurance income</b>	<b>(50,330,798)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Assigned reinsurance premiums	(50,330,798)	-	-	-
<b>Reinsurance service expenses</b>	<b>6,860,163</b>	<b>203,855</b>	<b>15,574,706</b>	<b>238,783</b>
Incurred Claims and other expenses	-	-	4,989,467	-
Amortisation of insurance acquisition cash flows	6,860,163	-	-	-
Losses on onerous contracts and reversals of those losses	-	203,855	-	-
Changes to liabilities for incurred claims	-	-	10,585,239	238,783
<b>Reinsurance service result</b>	<b>(43,470,635)</b>	<b>203,855</b>	<b>15,574,706</b>	<b>238,783</b>
Reinsurance finance expenses	-	-	527,826	35,832
Effect of movements in exchange rates	-	-	-	-
<b>Total changes in the statement of comprehensive</b>	<b>(43,470,635)</b>	<b>203,855</b>	<b>16,102,532</b>	<b>274,615</b>
<b>Cash flows</b>				
Premiums received	54,415,962	-	-	-
Claims and other expenses paid	(673,041)	-	(6,355,689)	-
Insurance acquisition cash flows	(8,474,603)	-	-	-
<b>Total cash flows</b>	<b>45,268,318</b>	<b>-</b>	<b>(6,355,689)</b>	<b>-</b>
<b>Reinsurance Assumed contract liabilities as at 31/12</b>	<b>-</b>	<b>-</b>	<b>29,835,414</b>	<b>1,119,532</b>
<b>Reinsurance Assumed contract assets as at 31/12</b>	<b>(8,565,826)</b>	<b>203,855</b>	<b>-</b>	<b>-</b>
<b>Net reinsurance Assumed contract (assets)/liabilities as at 31/12</b>	<b>(8,565,826)</b>	<b>203,855</b>	<b>29,835,414</b>	<b>1,119,532</b>

# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

(expressed in U.S. dollars)

### 6. Insurance and reinsurance contracts (cont'd)

	2023			
	Assets for remaining coverage		Assets For Incurred Claims	
	Excluding loss component	loss component	Estimates of the present value of future cash flows	Risk adjustment
<b>Reinsurance Ceded contract assets as at 01/01</b>	-	-	17,835,740	763,097
<b>Reinsurance Ceded contract liabilities as at 01/01</b>	(10,905,852)	-	-	-
<b>Net reinsurance Ceded contract assets/(liabilities) as at 01/01</b>	<b>(10,905,852)</b>	<b>-</b>	<b>17,835,740</b>	<b>763,097</b>
<b>Reinsurance expenses</b>	<b>(44,920,625)</b>	-	-	-
An allocation of reinsurance premiums	(44,920,625)	-	-	-
<b>Amounts recoverable from reinsurers for incurred claims</b>	<b>5,740,924</b>	<b>101,927</b>	<b>12,307,112</b>	<b>135,767</b>
Amounts recoverable for incurred claims and other expenses	5,740,924	-	3,353,660	-
Loss-recovery on onerous underlying contracts and adjustments	-	101,927	-	-
Changes to amounts recoverable for incurred claims	-	-	8,953,452	135,767
<b>Net income or expense from reinsurance contracts held</b>	<b>(39,179,701)</b>	<b>101,927</b>	<b>12,307,112</b>	<b>135,767</b>
Reinsurance finance income	-	-	446,239	30,342
Effect of movements in exchange rates	-	-	-	-
<b>Total changes in the statement of comprehensive income</b>	<b>(39,179,701)</b>	<b>101,927</b>	<b>12,753,351</b>	<b>166,109</b>
Cash flows				
Premiums paid	41,124,512	-	-	-
Amounts received	(5,968,486)	-	(4,868,294)	-
<b>Total cash flows</b>	<b>35,156,026</b>	<b>-</b>	<b>(4,868,294)</b>	<b>-</b>
<b>Reinsurance Ceded contract assets as at 31/12</b>	<b>-</b>	<b>-</b>	<b>25,720,797</b>	<b>929,206</b>
<b>Reinsurance Ceded contract liabilities as at 31/12</b>	<b>(14,929,527)</b>	<b>101,927</b>	<b>-</b>	<b>-</b>
<b>Net reinsurance Ceded contract assets/(liabilities) as at 31/12</b>	<b>(14,929,527)</b>	<b>101,927</b>	<b>25,720,797</b>	<b>929,206</b>

	2022			
	Liabilities for remaining coverage		Liability For Incurred Claims	
	Excluding loss component	loss component	Estimates of the present value of future cash flows	Risk adjustment
<b>Reinsurance Assumed contract liabilities as at 01/01</b>	-	-	14,856,400	420,004
<b>Reinsurance Assumed contract assets as at 01/01</b>	<b>(3,271,016)</b>	-	-	-
<b>Net reinsurance Assumed contract (assets)/liabilities as at 01/01</b>	<b>(3,271,016)</b>	<b>-</b>	<b>14,856,400</b>	<b>420,004</b>
<b>Reinsurance income</b>	<b>(38,276,918)</b>	-	-	-
Assigned reinsurance premiums	(38,276,918)	-	-	-
<b>Reinsurance service expenses</b>	<b>5,357,669</b>	-	<b>11,054,641</b>	<b>434,245</b>
Incurring Claims and other expenses	-	-	9,623,851	-
Amortisation of insurance acquisition cash flows	5,357,669	-	-	-
Losses on onerous contracts and reversals of those losses	-	-	-	-
Changes to liabilities for incurred claims	-	-	1,430,790	434,245
<b>Reinsurance service result</b>	<b>(32,919,249)</b>	<b>-</b>	<b>11,054,641</b>	<b>434,245</b>
Reinsurance finance expenses	-	-	(74,027)	(9,332)
<b>Total changes in the statement of comprehensive</b>	<b>(32,919,249)</b>	<b>-</b>	<b>10,980,614</b>	<b>424,913</b>
Cash flows				
Premiums received	32,325,833	-	-	-
Claims and other expenses paid	96,153	-	(5,748,443)	-
Insurance acquisition cash flows	(6,595,230)	-	-	-
<b>Total cash flows</b>	<b>25,826,756</b>	<b>-</b>	<b>(5,748,443)</b>	<b>-</b>
<b>Reinsurance Assumed contract liabilities as at 31/12</b>	<b>-</b>	<b>-</b>	<b>20,088,571</b>	<b>844,917</b>
<b>Reinsurance Assumed contract assets as at 31/12</b>	<b>(10,363,509)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net reinsurance Assumed contract (assets)/liabilities as at 31/12</b>	<b>(10,363,509)</b>	<b>-</b>	<b>20,088,571</b>	<b>844,917</b>



# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

(expressed in U.S. dollars)

### 6. Insurance and reinsurance contracts (cont'd)

	2022			
	Liabilities for remaining coverage		Liability For Incurred Claims	
	Excluding loss component	loss component	Estimates of the present value of future cash flows	Risk adjustment
Reinsurance Ceded contract assets as at 01/01	-	-	13,903,637	385,802
Reinsurance Ceded contract liabilities as at 01/01	(3,617,118)	-	-	-
<b>Net reinsurance Ceded contract assets/(liabilities) as at 01/01</b>	<b>(3,617,118)</b>		<b>13,903,637</b>	<b>385,802</b>
<b>Reinsurance expenses</b>	<b>(35,601,697)</b>	-	-	-
An allocation of reinsurance premiums	(35,601,697)	-	-	-
<b>Amounts recoverable from reinsurers for incurred claims</b>	<b>4,944,921</b>	-	<b>9,451,160</b>	<b>381,612</b>
Amounts recoverable for incurred claims and other expenses	4,944,921	-	8,819,744	-
Changes to amounts recoverable for incurred claims	-	-	631,416	381,612
<b>Net income or expense from reinsurance contracts held</b>	<b>(30,656,776)</b>	-	<b>9,451,160</b>	<b>381,612</b>
Reinsurance finance income	-	-	(15,478)	(4,317)
Effect of movements in exchange rates	-	-	-	-
<b>Total changes in the statement of comprehensive income</b>	<b>(30,656,776)</b>	-	<b>9,435,682</b>	<b>377,295</b>
Cash flows				
Premiums paid	29,582,849	-	-	-
Amounts received	(6,214,807)	-	(5,503,579)	-
<b>Total cash flows</b>	<b>23,368,042</b>	-	<b>(5,503,579)</b>	<b>-</b>
Reinsurance Ceded contract assets as at 31/12	-	-	17,835,740	763,097
Reinsurance Ceded contract liabilities as at 31/12	(10,905,852)	-	-	-
<b>Net reinsurance Ceded contract assets/(liabilities) as at 31/12</b>	<b>(10,905,852)</b>	-	<b>17,835,740</b>	<b>763,097</b>

### 7. Reinsurance service result

The table below presents an analysis of assumed reinsurance service result recognized in profit or loss in the period:

Assumed reinsurance result	2023	2022
<b>Reinsurance income assumed</b>	<b>50,330,798</b>	<b>38,276,918</b>
Assigned reinsurance premiums assumed	50,330,798	38,276,918
<b>Assumed reinsurance expenses</b>	<b>(23,157,924)</b>	<b>(16,964,725)</b>
Incurred Losses	(4,989,467)	(9,623,851)
Liability For Incurred Claims assumed	(10,824,022)	(1,865,035)
Loss Component assumed	(203,855)	-
Acquisition costs assumed	(6,860,163)	(5,357,669)
Attributable administrative expenses	(280,417)	(118,170)
<b>Assumed reinsurance result</b>	<b>27,172,874</b>	<b>21,312,193</b>

# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

(expressed in U.S. dollars)

### 7. Reinsurance service result (cont'd)

The table below presents an analysis of ceded reinsurance service result recognized in profit or loss in the period:

Ceded reinsurance result	2023	2022
<b>Ceded reinsurance expenses</b>	<b>(44,920,625)</b>	<b>(35,601,697)</b>
Assigned ceded reinsurance premiums	(44,920,625)	(35,601,697)
<b>Reinsurance income ceded</b>	<b>18,285,730</b>	<b>14,777,693</b>
Loss reserves recoverable	3,353,660	8,819,744
Liability For Incurred Claims ceded	9,089,219	1,013,028
Ceding Commission	5,740,924	4,944,921
Loss Component Recovery	101,927	-
<b>Ceded reinsurance result</b>	<b>(26,634,895)</b>	<b>(20,824,004)</b>

### 8. Reinsurance finance result for reinsurance contracts

The table below presents an analysis of total reinsurance finance result recognized in profit or loss in the period:

Reinsurance finance result for reinsurance contracts	2023	2022
<b>Reinsurance finance result for reinsurance contracts assumed</b>	<b>(563,658)</b>	<b>83,359</b>
Interest accreted - LIC BEL	(578,186)	(130,131)
Interest accreted - LIC RA	(31,679)	(3,698)
Due to changes in interest rates and other financial assumptions - LIC BEL	50,360	204,158
Due to changes in interest rates and other financial assumptions - LIC RA	(4,153)	13,030
<b>Reinsurance finance result for reinsurance contracts ceded</b>	<b>476,581</b>	<b>(19,795)</b>
Interest accreted - LIC BEL	534,963	121,692
Interest accreted - LIC RA	29,858	3,388
Due to changes in interest rates and other financial assumptions - LIC BEL	(88,724)	(137,171)
Due to changes in interest rates and other financial assumptions - LIC RA	484	(7,704)

### 9. Reinsurance

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

# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

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(expressed in U.S. dollars)

### 10. Share capital.

Share capital consists of 120,000 common shares with a par value of \$1 each, which were authorized, issued and fully paid as at December 31, 2023 and 2022.

### 11. Related party transactions

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

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

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

During the period, the Company entered into assumed and ceded reinsurance agreements with Seguros Generales Suramericana S.A. and its subsidiaries and affiliates, and the following balances are included in the financial statements:

	<u>2023</u>	<u>2022</u>
	\$	\$
Insurance & reinsurance balances receivable	29,274,500	26,087,309
Funds withheld	1,626,319	953,885
Interest on funds withheld	607	-
Insurance & reinsurance balance payable	33,189,876	26,253,517
Funds withheld payable	1,351,192	933,115

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

# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

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(expressed in U.S. dollars)

### 12. Capital risk management and statutory financial reporting.

The Company is required by its commercial insurance license to maintain a liquidity and solvency margin as well as an enhanced capital requirement in accordance with the provisions of the Insurance Act, 1978 of Bermuda. These provisions have been met. As of December 31, 2023, and 2022, the Company exceeded the BMA's target capital level of 120% of the enhanced capital requirement. As of December 31, 2023, and 2022, the Company's actual statutory capital and surplus under the Act was \$15,913,201 and \$16,619,063 respectively, and accordingly there is no restriction on the amount of retained earnings available for the payment of dividends to shareholders. Actual statutory capital and surplus, as determined using statutory principles, is as follows:

	2023 \$	2022 \$
Total shareholder's equity	17,160,840	16,638,715
Less: Non-admitted assets:		
Prepaid expenses	(34,391)	(19,652)
Other intangible assets	(1,213,248)	-
Statutory capital and surplus	<u>15,913,201</u>	<u>16,619,063</u>

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

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

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

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

# Sura Re Ltd.

## Notes to Financial Statements

For the period of January 01, 2023 to December 31, 2023

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(expressed in U.S. dollars)

### 13. Taxation

#### Bermuda

On December 27, 2023, the Bermuda Corporate Income Tax Act 2023 (“BCIT Act”) was enacted into law. The BCIT Act introduces a 15% corporate income tax (“CIT”) on Bermuda businesses that are part of multinational enterprise (“MNE”) groups with annual revenue of €750 million or more. The effective date for the CIT is January 1, 2025, except for certain provisions commencing January 1, 2024.

The Company is within the scope of Pillar 2 on the basis that the Group’s worldwide revenue is above EUR 750 million and therefore, the BCIT will apply to all Group entities which come within the scope of the tax (those in Bermuda).

Furthermore, the Company has not intension to apply any anticipated tax methodology in relation to the Bermuda CIT and therefore has not filled out the Election Form (Form CT-ELP) published for the Bermuda Corporate Income Tax. As at December 31, 2023, the Company is not required to pay any income tax or capital gain tax under the current Bermuda law.

#### Colombia

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

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

### 14. Subsequent Events

The Company has evaluated subsequent events through August 30, 2024, which is the date that the financial statements were issued, and no material subsequent events were deemed as at the above issuance date.