Financial Statements of

PHOEBE PUTNEY INDEMNITY, LTD.

July 31, 2021 and 2020

PHOEBE PUTNEY INDEMNITY, LTD.

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Independent Auditors' Report to the Board of Directors

We have audited the accompanying financial statements of Phoebe Putney Indemnity, Ltd., which comprise the balance sheets as of July 31, 2021 and 2020, and the related statements of income, changes in shareholder's equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Phoebe Putney Indemnity, Ltd. as of July 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Accounting principles generally accepted in the United States of America require that the required supplementary information (“RSI”) under Accounting Standards Update 2015-09, Disclosure about Short- Duration Contracts labeled as Unaudited in note 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the U.S. Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG

October 8, 2021

PHOEBE PUTNEY INDEMNITY, LTD.

Balance Sheets

July 31, 2021 and 2020
(stated in United States dollars)

	Note		2021	2020
Assets				
Cash and cash equivalents	3, 4		14,274,065	10,569,921
Investments	4		82,957,573	81,726,873
Receivable from investments			82,308	0
Due from reinsurer			5,585	3,076,908
Reinsurance recoverable	5		6,923,611	9,228,617
Prepaid expenses			13,008	10,508
Total assets		US$	104,256,150	104,612,827
Liabilities and shareholder's equity				
Liabilities				
Provision for outstanding claims	5		67,386,102	62,427,298
Losses payable			94,746	106,629
Ceded premiums payable			3,441,404	3,525,728
Accounts payable and accrued expenses			33,430	31,582
			70,955,682	66,091,237
Shareholder's equity				
Share capital	6		1	1
Additional paid-in capital			11,074,700	11,074,700
Retained earnings			22,225,767	27,446,889
			33,300,468	38,521,590
Total liabilities and shareholder's equity		US$	104,256,150	104,612,827

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors on October 8, 2021.

PHOEBE PUTNEY INDEMNITY, LTD.

Statements of Income

For the year ended July 31, 2021 and 2020
(stated in United States dollars)

	Note		2021	2020
Underwriting income				
Premium written			14,604,979	13,919,920
Reinsurance premiums ceded			(2,261,695)	(3,452,766)
			12,343,284	10,467,154
Underwriting expenses				
Claims paid	5		13,192,008	13,723,951
Reinsurance recoveries	5		(2,595,006)	(639,408)
Movement in provision for outstanding claims			4,958,804	1,550,164
Movement in reinsurance recoverable			2,305,006	(3,120,592)
			17,860,812	11,514,115
Net underwriting loss			(5,517,528)	(1,046,961)
Net investment income	7		12,517,997	3,168,434
Administration expenses	8		(221,591)	(260,863)
Net income for the year		US$	6,778,878	1,860,610

See accompanying notes to financial statements.

PHOEBE PUTNEY INDEMNITY, LTD.

Statements of Changes in Shareholder's Equity

For the year ended July 31, 2021 and 2020
(stated in United States dollars)

	Share capital	Additional paid-in capital	Accumulated other comprehensive income	Retained earnings	Total
Balance at July 31, 2019	1	11,074,700	289,183	25,297,096	36,660,980
ASU 2016-01 Adjustment	0	0	(289,183)	289,183	0
Net income for the year	0	0	0	1,860,610	1,860,610
Balance at July 31, 2020	1	11,074,700	0	27,446,889	38,521,590
Dividend paid	0	0	0	(12,000,000)	(12,000,000)
Net income for the year	0	0	0	6,778,878	6,778,878
Balance at July 31, 2021	1	11,074,700	0	22,225,767	33,300,468

See accompanying notes to financial statements.

PHOEBE PUTNEY INDEMNITY, LTD.

Statements of Cash Flows

For the year ended July 31, 2021 and 2020
(stated in United States dollars)

		2021	2020
Cash provided by/(applied in):			
Operating activities			
Net income for the year and period		6,778,878	1,860,610
(Deduct)/add: Items not involving movement of cash:			
Net realized gains on disposal of investments		(1,410,495)	(866,646)
Movement in net unrealized gain on trading investments		(11,213,335)	(2,114,322)
Add/(deduct): Net changes in operating assets and liabilities:			
Due from reinsurer		3,071,323	(639,408)
Reinsurance recoverable		2,305,006	(3,120,592)
Prepaid expenses		(2,500)	0
Interest receivable		0	28
Losses payable		(11,883)	(3,482,720)
Ceded premiums payable		(84,324)	988,315
Accounts payable and accrued liabilities		1,848	(30,043)
Provision for outstanding claims		4,958,804	1,550,164
		4,393,322	(5,854,614)
Investing activities			
Purchases of investments		(2,300,000)	(104,563,436)
Proceeds from disposal of investment		13,693,130	40,893,193
Receivable from investment sale		(82,308)	0
Due from broker		0	27,020
		11,310,822	(63,643,223)
Financing activities			
Dividends paid		(12,000,000)	0
		(12,000,000)	0
Increase/(decrease) in cash and cash equivalents during the year		3,704,144	(69,497,837)
Cash and cash equivalents at beginning of year and period		10,569,921	80,067,758
Cash and cash equivalents at end of the year	US$	14,274,065	10,569,921

See accompanying notes to financial statements.

1. Incorporation and background information

Phoebe Putney Indemnity, Ltd. ("the Company") was incorporated on November 14, 2018, as an exempted company under the Companies Act of the Cayman Islands and holds a Class "B(i)" Insurer's Licence under Section 4(3)(b) of the Cayman Islands Insurance Act. The Company is a wholly-owned subsidiary of Phoebe Putney Health System ("the Parent"), a not-for-profit corporation, organized under Section 501(c)(3) of the Internal Revenue Code. The Company provides general liability, professional liability, personal injury liability, advertising injury liability, contractual liability and auto physical damage coverage to the Parent.

With effect from January 31, 2019, the Company merged with Phoebe Putney Indemnity, LLC ("PPI LLC") with the Company remaining as the surviving entity. PPI LLC was organized on August 1, 2006 as a single parent captive under the captive insurance laws of the state of South Carolina to insure the risks of the Parent in Southwest Georgia. Upon merger, the rights, the property of every description including choses in action, and the business, undertaking, goodwill, benefits, immunities, powers and privileges of PPI LLC immediately vested to the Company. The Company continued the business of PPI LLC to provide insurance coverage to the Parent.

The Company issues a claims-made policy with a per occurrence limit of $2,000,000 (2020: $1,000,000) and an annual aggregate of $2,000,000 (2020: $1,000,000) as respects to Medical Incidents, which is excess of a per occurrent limit of $5,000,000 and an annual aggregate of $27,000,000 covering professional and general liabilities, personal injury, advertising injury liability, and contractual liability risks of the Parent.

The Company purchases annual excess of loss reinsurance coverage in order to limit its financial exposure to large claims relating to employed physicians and surgeons. Under the per risk coverage, the reinsurer shall pay up to $600,000 (2020: $750,000) per loss, per insured, in excess of $400,000 (2020: $250,000) per loss, per insured. Under the clash coverage, the reinsurer shall pay up to $600,000 (2020: $750,000) per loss occurrence, in excess of $400,000 (2020: $250,000) per loss occurrence. The maximum amount recoverable for both of these coverage's combined shall not exceed 300% of the maximum subject premium or $6,000,000, whichever is greater. Under the excess of limits coverage, the reinsurer shall pay up to $6,000,000 (2020: $5,000,000) per loss, per insured, in excess of $1,000,000, per loss, per insured. The maximum amount recoverable for this coverage shall not exceed $12,000,000 (2020: $10,000,000). The reinsurance treaty provides for adjustable premiums based on ceded losses up to a stated maximum. Such adjustments are recorded in the period when they become known.

The Company issues a policy covering automobile physical damage for the Parent owned vehicles. Under the policy, the limit of liability for the physical damage comprehensive coverage is for the actual cash value or cost of the repair, whichever is less.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with U.S. generally accepted accounting principles and the significant accounting policies adopted by the Company are as follows:

2. Summary of significant accounting policies (continued)

(a) Fair value measurements

The fair value of a financial asset or liability is defined using an "exit price" definition. It is the amount that would be received to sell the asset or the amount that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of fair value hierarchy are described below.

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant inputs not observable in the market. These unobservable inputs reflect the Company's own assumptions about the inputs market participants would use in pricing the assets or liabilities.

(b) Premium written and reinsurance premiums ceded

Premiums written for prospective insurance are recognised as earned on a pro-rata basis over the risk periods of the policies written and any unearned portion at the balance sheet dates is transferred to unearned premiums. Reinsurance premiums ceded are similarly recognised on a pro-rata basis with any unexpensed portion at the balance sheet dates transferred to deferred reinsurance premiums ceded.

(c) Provision for outstanding claims and reinsurance recoverable

The Company determines its provision for known cases on the basis of the claims reported to it by the Parent. The Company has engaged the services of independent consulting actuaries to advise on the required level of total outstanding claims and claims adjustment expenses. The provision for outstanding claims and claims adjustment expenses is therefore based upon the advice of these actuaries and management's best estimate for the ultimate development of claims reported.

Changes in estimates of outstanding claims and claims adjustment expenses resulting from the continuous review process and differences between estimates and payments are recognised in the statements of operations and comprehensive income in the period in which they are determined.

The Company records its estimated liabilities gross of any amounts recoverable under its own reinsurance, which amounts, if any, are recorded separately in the balance sheet. In the event that the Company's reinsurers are unable to meet their obligations under the reinsurance agreements, the Company would be liable to pay all claims under the reinsurance assumed but would only receive reimbursement to the extent that the reinsurers can meet their obligations.

2. Summary of significant accounting policies (continued)

(d) Investments and net investment income

Prior to August 1, 2019, investments in equity securities are categorized as "available-for-sale" and reported in the balance sheets at fair value.

The Company records purchases and sales of investments on the trade date. Any unrealised gains or losses on available-for-sale investments, calculated by reference to the cost or amortised cost, as appropriate, are recognised as a component of other comprehensive income on the balance sheets. Where there is a decline in the fair value of an available-for-sale equity investment below cost and the Company does not have the intent and ability to hold the equity investment for a period of time sufficient to allow the anticipated recovery in fair value, the cost is adjusted. If the Company intends to sell a security in an unrealised loss position or it is more likely than not that the amortised cost basis of the security will not be recovered prior to the sale of the security, the cost or amortised cost is adjusted. Any adjustments to cost or amortised cost are recorded in the statements of operations. Realised gains and losses, calculated by reference to the cost or amortised cost of the investment, are recorded in the statements of operations.

The Company evaluates declines in the fair value of its available-for-sale investments below their cost to determine whether they are other than temporary. If the decline in fair value is deemed to be other than temporary, the cost basis of the individual security is written down to fair value as a new cost basis and the amount of the write-down is included in the statements of income in investment income.

In January 2016, the Financial Accounting Standards Board issued Accounting Standard Update 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). The standard is intended to improve the recognition, measurement, presentation and disclosure of financial instruments.

Among other changes, there is no longer an available-for-sale classification, for which changes in fair value are currently reported in other comprehensive income, for equity securities with readily determinable fair values. Equity investments with readily determinable fair values are measured at fair value through net income. ASU 2016-01 was adopted by the Company on August 1, 2019. As a result of the implementation of ASU 2016-01, effective August 1, 2019, changes in unrealised gains and losses on investments in equity securities with readily determinable fair values are recorded in the statements of operations within net investment income and equity investments are presented separately from available-for-sale investments on the balance sheets.

2. Summary of significant accounting policies (continued)

(e) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid money market funds and balances in a current account.

(f) Use of estimates

The preparation of the financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual results could differ from these estimates.

(g) Other comprehensive income

The Company has no comprehensive income other than the net income disclosed in the statements of income. Therefore, a separate statement of comprehensive income has not been prepared.

3. Cash and cash equivalents

		2021	2020
Money market funds		2,802,054	4,560,762
Current account		11,472,011	6,009,159
	US$	14,274,065	10,569,921

(stated in United States dollars)

4. Investments

The cost, unrealized gains and losses, and fair value of investments which are classified as investments measured at fair value through net income as of July 31, 2021 are as follows:

		Cost	Gross unrealized gain	Gross unrealized loss	Fair value
Morgan Stanley Offshore Emerging Mutual fund		4,099,793	964,086	0	5,063,879
Hudson Bay International Fund		1,300,000	14,743	0	1,314,743
Aetos Capital Multi-Strategy Arbitrage Cayman Fund		4,476,011	791,217	0	5,267,228
Aetos Capital Distressed Investment Strategies Cayman Fund		1,803,311	265,860	0	2,069,171
Aetos Capital Long/Short Strategies Cayman Fund		2,543,104	777,489	0	3,320,593
Vanguard Global Stock Market Index Fund		18,244,493	7,482,637	0	25,727,130
Walter Scott Global Equity – NCS Institutional Fund Global Equity Mutual Fund		4,143,105	2,022,906	0	6,166,011
Davidson Kempner International BVI		3,000,000	446,235	0	3,446,235
Parametric Global Defensive Equity Fund		2,500,000	483,271	0	2,983,271
Vanguard U.S. Government Bond Index Fund		13,230,917	0	(171,558)	13,059,359
Doubleline (Nordea) Total Return Fund		10,000,000	423,267	0	10,423,267
Legg Mason Brandywine Global Fixed Income Fund		4,000,000	116,686	0	4,116,686
Total alternative investments funds	US$	69,340,734	13,788,397	(171,558)	82,957,573

(stated in United States dollars)

4. Investments (continued)

The cost, unrealized gains and losses, and fair value of investments which are classified as investments measured at fair value through net income as of July 31, 2020 are as follows:

		Cost	Gross unrealized gain	Gross unrealized loss	Fair value
Morgan Stanley Offshore Emerging Mutual fund		4,099,793	20,039	0	4,119,832
Mason Capital Fund		1,864,260	0	(339,707)	1,524,553
Aetos Capital Multi-Strategy Arbitrage Cayman Fund		4,476,011	278,474	0	4,754,485
Aetos Capital Distressed Investment Strategies Cayman Fund		1,803,311	0	(42,836)	1,760,475
Aetos Capital Long/Short Strategies Cayman Fund		2,543,104	365,974	0	2,909,078
Vanguard Global Stock Market Index Fund		24,591,209	1,102,585	0	25,693,794
Walter Scott Global Equity – NCS Institutional Fund Global Equity Mutual Fund		4,172,573	471,838	0	4,644,411
Davidson Kempner International BVI		3,000,000	39,537	0	3,039,537
Parametric Global Defensive Equity Fund		2,500,000	0	(9,294)	2,490,706
Vanguard U.S. Government Bond Index Fund		16,273,108	234,172	0	16,507,279
Doubleline (Nordea) Total Return Fund		10,000,000	214,521	0	10,214,521
Legg Mason Brandywine Global Fixed Income Fund		4,000,000	68,202		4,068,202
Total alternative investments funds	US$	79,323,369	2,795,342	(391,837)	81,726,873

4. Investments (continued)

The Company invested in the following alternative investment funds as at July 31, 2021 each with a value in excess of 1% of total assets, which use the net asset value ("NAV") as a practical expedient to measure fair value:

(a) The Morgan Stanley Offshore Emerging Mutual Fund is registered under the Mutual Funds Law of the Cayman Islands and is regulated by the Cayman Islands Monetary Authority. The investment objective of the fund is long-term capital appreciation primarily by investing in emerging country equity securities. Shares of the Fund may be redeemed at any time by transmitting an irrevocable redemption request. There are no unfunded commitments at year end.

(b) The Hudson Bay International Fund investment is an exempted company incorporated under the Companies Act of the Cayman Islands in November 2008 to operate as a private investment fund for persons who are not "US Persons" or are Permitted US Persons. The Fund invests all of its investable assets in Hudson Bay Intermediate Fund Ltd., which in turn invests all of its investable assets in Hudson Bay Master Fund, Ltd., a Cayman Islands exempted Company incorporated in June 2005. The investment objective of the Master Fund is to target traditional and non-traditional sources of alpha by employing a diverse set of absolute return strategies that are intended to be uncorrelated to each other and to the major indices. Investors must give written notice of 65 days prior to the applicable redemption date in order to redeem some or all of its shares. There are no unfunded commitments at year end.

(c) The Aetos Capital Multi-Strategy Arbitrage Cayman Fund is intended to be a vehicle by which investors can access a portfolio of high-quality arbitrage strategies, investing in both U.S. and non-U.S. securities and instruments, constructed and monitored using dedicated resources and disciplined methodologies. Investors are given the option to liquidate their investment in this fund quarterly and must give 90 days' notice prior to liquidating. There are no unfunded commitments at year end.

(d) The Aetos Capital Distressed Investment Strategies Cayman Fund is intended to be a vehicle by which investors can access a portfolio of high-quality distressed investment strategies, constructed and monitored using dedicated resources and disciplined methodologies. Investors are given the option to liquidate their investment in this fund quarterly and must give 90 days' notice prior to liquidating. There are no unfunded commitments at year end.

(e) The Aetos Capital Long/Short Strategies Cayman Fund is intended to be a vehicle by which investors can access a portfolio of high quality long/short strategies, constructed and monitored using dedicated resources and disciplined methodologies. Investors are given the option to liquidate their investment in this fund quarterly and must give 90 days' notice prior to liquidating. There are no unfunded commitments at year end.

4. Investments (continued)

(f) The NCS Institutional Global Equity US$ Fund's investment manager will be authorized to allocate the assets attributable to the Global Equity US$ Fund without limitation among geographic regions and individual countries throughout the world based on its analysis of global economic, political and financial conditions; provided no more than 15% of the assets attributable to the Global Equity US$ Fund may be invested in securities issued by companies located in Emerging Markets Countries. Investors are given the option to redeem on any valuation day upon the delivery of a Redemption notice and must be given before 12 Noon (Irish Time) at least two business days prior to the Valuation Day. There are no unfunded commitments at year end.

(g) The Davidson Kempner International (BVI), Ltd is a multi-strategy fund with an event driven focus, seeking to exploit situations in which announced or anticipated event create opportunities to invest in securities and other financial instruments at a discount to their exit values. Investors are given the option to liquidate their investment in this fund quarterly and must give 60 days' notice prior to liquidating. There are no unfunded commitments at year end.

(h) The Parametric Global Defensive Equity Fund is a Sub-Fund of Eaton Vance International (Ireland) Funds plc. The investment objective of the Fund is to provide a defensive equity exposure that is expected to provide favorable risk adjusted performance relative to the MSCI All Country World Index in USD over the long term. Investors may redeem their shares on every Dealing Day or any Business Day. There are no unfunded commitments at year end.

(i) The Legg Mason Brandywine Global Fixed Income Fund is part of an umbrella fund with segregated liability between funds, established as an open-ended, variable capital investment company incorporated with limited liability under the laws of Ireland. The Fund's investment objective is to maximize total return consisting of income and capital appreciation. Shares of the Fund may be redeemed at any time up to the Valuation Point on each Dealing Day with the Fund's Administrator or with Dealers. There are no unfunded commitments at year end.

As of July 31, 2021 and July 31, 2020, all investments of the Company are measured at fair value through net income.

(stated in United States dollars)

5. Provision for outstanding claims and reinsurance recoverable

		2021	2020
Provision for reported claims		54,065,346	49,013,636
Provision for adverse claims development and incurred but not reported claims		13,320,756	13,413,662
	US$	67,386,102	62,427,298

The Company has engaged independent consulting actuaries Willis Towers Watson to advise on the necessary level of outstanding claims and claim adjustment expenses. In their report dated August 9, 2021, the actuaries estimated the Company's net retained liabilities as at July 31, 2021, on an undiscounted basis at a 75% confidence level to be US$65,101,854 (2020: US$58,036,118). Outstanding liabilities are recorded at a 75% (2020: 75%) confidence level discounted at 4% (2020: 4%) for periods ended July 31, 2019 and prospectively and at a 75% (2020: 75%) confidence level undiscounted for prior periods. The actuaries also estimated the provision in the reinsured layers at July 31, 2021, on an undiscounted basis to be US$6,924,237 (2020: US$7,857,141). The Company has recorded US$67,386,102 (2020: US$62,427,298) on a gross basis and US$60,462,491 (2020: US$53,198,681) on a net basis as its best estimate of outstanding claims and claims adjustment expenses.

Should the Company's reinsurers be unable to reimburse the Company for recoverable losses, then the Company would still be liable to pay the losses but would only receive reimbursement to the extent possible from the reinsurers.

(stated in United States dollars)

5. Provision for outstanding claims and reinsurance recoverable (continued)

Movement in the provision for outstanding claims and outstanding claims recoverable is summarised as follows:

		2021	2020
Assumption of liability following merger		62,247,298	60,877,134
Less: reinsurance recoverable following merger		(9,228,617)	(6,108,025)
		53,198,681	54,769,109
Incurred, net related to:			
Current period		19,275,000	12,310,000
Prior years		(514,188)	(740,885)
Tail		(900,000)	(55,000)
		17,860,812	11,514,115
Paid, net related to:			
Current period		(6,770,299)	(575,684)
Prior years		(3,826,703)	(12,508,859)
		(10,597,002)	(13,084,543)
Net balance at end of period		60,462,491	53,198,681
Add: reinsurance recoverable		6,923,611	9,228,617
Balance at end of period	US$	67,386,102	62,427,298

The movement in incurred losses in relation to prior years is as a result of changes in underlying estimates and assumptions inherent in the loss reserving process. Consistent with most companies with similar insurance operations, the Company's provision for claims and claim adjustment expenses is ultimately based on management's reasonable expectations of future events. It is reasonably possible that the expectations associated with these amounts could change in the near term (i.e. within one year) and that the effects of such changes could be material to the financial statements.

Methodology for determining the provision for outstanding claims

The provision for outstanding claims represents management's estimate of the ultimate liability for unpaid losses and loss expenses for claims that have been reported and adverse loss development on those claims ("ALD") as at the balance sheet date. The provision for outstanding losses does not represent an exact calculation of the liability, but instead represents management's best estimate, utilizing actuarial expertise and projection methods that develop estimates for the ultimate cost of losses and loss expenses.

(stated in United States dollars)

5. Provision for outstanding claims and reinsurance recoverable (continued)

Methodology for determining the provision for outstanding claims (continued)

The establishment of the provision for outstanding claims is an inherently uncertain process involving estimates and judgment, and as such may change in future periods. The Company reflects changes to the provision for outstanding claims in the statements of operations and comprehensive income in the period the estimates are changed.

Cumulative amounts paid and the provision for reported loss at July 31, 2021, are subtracted from the estimate of the ultimate cost of claim and claim adjustment expenses to derive ALD. Accordingly, ALD includes development on known claims and re-opened claims.

The following estimation and analysis methods are principally used by the Company's consulting actuaries to estimate the provision for outstanding claims. These estimation and analysis methods are typically referred to as conventional actuarial methods.

- The expected pure premium/loss ratio method uses a prior measure of anticipated losses based on longer-term trends in loss experience, relative to the Company's exposures or premiums. Actual losses are not considered in this method.
- The Bornhuetter-Ferguson method uses an initial estimate of ultimate losses based on the expected pure premium/loss ratio method and the development patterns from the paid loss and reported loss development methods.

Methodology for determining the number of reported claims

A claim file is created when the Company is notified of an actual demand for payment, notified of an event that may lead to a demand for payment, or when it is determined that a demand for payment could possibly lead to a future demand for payment on another coverage on the same policy or on another policy. Claim files are generally created for a policy at the claimant level, by coverage, depending on the facts and circumstances of the underlying loss event. For the purposes of the loss development tables below, only reported claims with incurred amounts are considered.

The reconciliation of the net incurred and paid claims development tables to the provision for outstanding claims in the balance sheet is as follows:

		2021	2020
Undiscounted provision for outstanding claims, net		65,101,854	58,036,118
Discount		(4,639,363)	(4,837,437)
Provision for outstanding claims, net		60,462,491	53,198,681
Add: reinsurance recoverable on unpaid claims		6,923,611	9,228,617
Total gross provision for outstanding losses	US$	67,386,102	62,427,298

(stated in United States dollars)

5. Provision for outstanding claims and reinsurance recoverable (continued)

Medical Professional and Patient General Liability

A.	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		
	Incurred claims and allocated claim adjustment expenses, net of reinsurance											
	Unaudited											
Report/Fiscal Year											*IBNR Reserves 7/31/2021*	*Cumulative number of reported claims 7/31/2021*
2012	30,658,682	22,954,589	16,257,461	11,645,757	11,199,003	12,230,251	11,800,776	11,800,776	11,800,776	11,800,776	$0	34
2013		17,661,883	12,245,544	7,946,640	7,001,059	7,098,017	6,565,706	6,447,220	6,197,668	6,197,668	0	42
2014			20,561,932	18,825,498	11,755,117	9,442,468	9,543,534	9,475,756	10,605,016	10,308,892	0	31
2015				20,724,532	15,715,046	13,497,868	12,303,341	12,063,646	11,624,931	11,265,623	57,827	27
2016					10,366,891	10,875,846	7,209,596	5,705,909	5,114,230	5,780,565	118,419	41
2017						13,229,274	15,830,078	10,777,177	10,194,060	10,359,863	847,483	46
2018							12,974,254	18,336,542	14,319,231	12,811,403	1,453,080	31
2019								12,947,393	15,106,215	11,853,904	2,651,754	38
2020									14,508,591	15,406,758	3,435,338	80
2021										21,647,333	(7,493,307)	83
Tail					12,899,600	13,274,450	13,518,400	14,339,500	14,274,326	15,345,050	15,345,050	0
									Total	132,777,835		

(stated in United States dollars)

5. Provision for outstanding claims and reinsurance recoverable (continued)

Medical Professional and Patient General Liability (continued)

B.

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance
Unaudited

Report/Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2012	622,673	1,085,865	6,067,166	9,647,113	9,719,447	11,800,776	11,800,776	11,800,776	11,800,776	11,800,776
2013		162,909	1,754,850	2,671,447	3,768,898	4,699,121	5,973,272	5,970,567	6,197,668	6,197,668
2014			69,707	4,272,195	6,462,017	6,733,855	8,386,803	8,508,661	10,308,892	10,308,892
2015				2,243,425	3,470,283	4,523,591	6,207,151	6,656,999	10,564,709	10,582,400
2016					333,993	1,006,071	2,765,287	2,905,915	3,810,844	5,316,044
2017						331,718	4,274,066	5,878,278	7,723,838	8,592,455
2018							746,977	1,980,040	2,963,990	4,441,414
2019								186,876	1,762,525	2,968,292
2020									575,684	697,741
2021										6,770,299
Tail	0	0	0	0	0	0	0	0	0	0
									Total	67,675,981

Undiscounted Liability for claims and allocated claim adjustment expenses, net of reinsurance

2012-2021	Before 2012
$65,101,854	$0

Total net liability $65,101,854

Average annual percentage payout of incurred claims by age, net of reinsurance
Unaudited

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
7.99%	17.18%	18.92%	13.91%	9.95%	20.02%	4.39%	1.22%	0.00%	0.00%

(stated in United States dollars)

6. Share capital and additional paid-in capital

		2021	2020
Authorised:			
50,000 ordinary shares of US$1.00 each	US$	50,000	50,000
Issued and fully paid			
1 ordinary	US$	1	1

The Company is subject to a minimum net worth required as established by the Cayman Islands Monetary Authority ("CIMA"). Under the terms of its license, the Company is required to maintain a minimum statutory net worth in accordance with the Company's approved business plan with CIMA of US$100,000. At July 31, 2021 and 2020, the Company is in compliance with these requirements.

7. Net investment income

		2021	2020
Movement in unrealized gains on investments		11,213,335	2,114,322
Realized loss on money market funds		1,410,495	866,646
Interest income		2,399	306,865
Investment management and custody fees		(108,232)	(119,399)
	US$	12,517,997	3,168,434

8. Administration expenses

	Note	2021	2020
Professional fees		144,043	155,645
Management fees		43,750	35,000
Software expenses		17,723	17,723
Government fees		12,532	12,624
Travel and meeting expenses	10	1,820	37,936
Miscellaneous expenses		1,723	1,935
	US$	221,591	260,863

9. Taxation

Under the Cayman Islands Tax Concessions Act, the Governor in Cabinet issued an undertaking to the Company exempting it from all local income, profit or capital gains taxes until November 19, 2038. The undertaking has been issued for a period of twenty years and at the present time, no such taxes are levied in the Cayman Islands. Accordingly, no provision for taxes is made in these financial statements.

Management does not consider the Company to be engaged in a United States trade or business and therefore it is not subject to United States income taxes. If the Company should be considered to be engaged in a United States trade or business, it could be subject to federal income tax, Federal alternative minimum tax and branch profits tax.

Management is required to determine whether an income tax position is more likely than not to be sustained upon examination by the applicable taxing authority based on the technical merits of the position. Management has evaluated all income tax positions and does not consider the Company to be engaged in trade or business in any jurisdiction other than the Cayman Islands and therefore is not subject to income taxes. If the Company should be considered to be engaged in a trade or business in a jurisdiction outside of the Cayman Islands, it could be subject to income taxes.

Management does not believe there are any income tax positions taken by the Company that are subject to uncertainty and as a result, no provisions are made in these financial statements.

10. Related party transactions

As outlined in note 1, with the exception of reinsurance contracts entered into with third parties, all insurance business relates to contracts underwritten to the Parent or its affiliates, and therefore all related transactions and balances are with related parties.

Included in general and administration expenses are travel and meeting expenses for directors incurred during the period ended July 31, 2021, amounting to US$0 (2020: US$34,568). As at July 31, 2021 and 2020, no expenses remain payable.

(stated in United States dollars)

11. Financial instruments

Fair value

At July 31, 2021 and 2020, the following methods and assumptions were used by management to estimate the fair value of each class of financial instruments:

(a) Cash and cash equivalents

The carrying amount approximates fair value. The company considers its cash and cash equivalents to be Level 1 assets in the fair value hierarchy.

(b) Due from reinsurer, interest receivable, receivable from investments, losses payable, ceded premiums payable, accounts payable and accrued expenses

The above items are substantially short term, and do not bear interest. As such, their carrying amount approximates their fair value.

(c) Provision for outstanding losses and outstanding losses recoverable

As noted in note 2(c), the provisions for outstanding losses and outstanding losses recoverable are based upon management's best estimate and rely upon the advice of risk managers and independent consulting actuaries. Due to the uncertainty surrounding these provisions, it is not practicable to estimate the final amount and dates of settlement of these losses with sufficient accuracy, which would be necessary in order to determine a reliable fair value for the provisions.

(d) Investments

The following tables present the financial instruments measured at fair value on a recurring basis carried on the balance sheets by caption and by level within the valuation hierarchy as at July 31, 2021:

		Fair Value Measurements at Reporting Date Using			
		Level 1	Level 2	Level 3	07/31/2021
Alternative investment funds with readily determinable fair value		0	49,209,756	0	49,209,756
Alternative investment funds measured using NAV as a practical expedient to fair value		0	0	0	33,747,817
Total assets	US$	0	49,209,756	0	82,957,573

(stated in United States dollars)

11. Financial instruments (continued)

As of July 31, 2020, all investments held by the Company were measured using NAV as a practical expedient to fair value.

		Fair Value Measurements at Reporting Date Using			
		Level 1	Level 2	Level 3	07/31/2020
Alternative investment funds with readily determinable fair value		0	52,415,595	0	52,415,595
Alternative investment funds measured using NAV as a practical expedient to fair value		0	0	0	29,311,278
Total assets	US$	0	52,415,595	0	81,726,873

In the normal course of business, the Company purchases and sells various financial instruments which may result in both market and credit risks, the amount of which is not apparent from the financial statements.

Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates and equity markets will affect the fair value of positions held by the Company. The Company is exposed to market risk on its money market funds and its investments which are carried at fair value. Specifically, a risk exists that the ultimate selling price of investments or the money market fund may differ from their fair values as at the balance sheet dates. Management does not anticipate any material losses from this exposure. The Company manages this exposure to market risk by appointing a reputable investment manager to monitor its investment positions. In addition, management actively reviews the performance of its investment manager and market values of its investments.

Credit risk

Credit risk is the risk of counterparty default. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for the non-exchange traded financial instrument is not backed by an exchange clearing house. Financial assets which potentially expose the Company to credit risk consist of cash and cash equivalents, investments, interest receivable, due from broker, reinsurance recoverable and amounts due from reinsurer. However, since all cash and cash equivalents, investments, due from broker and interest receivable are held at or due from reputable financial institutions, management does not anticipate any material losses from these exposures. The Company manages its exposure to credit risk with regards to reinsurance recoverable and amounts due from reinsurer by actively reviewing the insurance ratings of its reinsurers.

11. Financial instruments (continued)

Credit risk (continued)
A concentration of credit risk exists as all of the cash balances and investments are held with one bank in the Cayman Islands and one bank in the United States. Management does not anticipate any losses as a result of this concentration. The Company's exposure to credit risk is limited to the amounts in the balance sheet.

12. Subsequent events

In preparing these financial statements, management has evaluated subsequent events up to October 8, 2021, which is the date that the financial statements were approved and available to be issued.