REGENCY
assurance

FINANCIAL & COMPLIANCE

ACTUARIAL REPORT

March 2022

CONTEXT

Regency Assurance is a long term licensed insurance company regulated by the Financial Services Regulatory Commission and an underwriter of insurance risk.

Financial analysis and reporting is carried out by independent actuaries on behalf of Regency Assurance and regulatory stakeholders to ensure continued compliance within the regulatory framework as it relates to the company's financial position and confirms its ability to meet its underwriting liabilities.

Actuarial findings are reported to insurance managers and regulators quarterly as part of Regency's commitment to ensure it remains compliant to its financial and regulatory requirements and provides reserve adjustments to ensure these are maintained long term.

The contents of this document have been authored by both external independent analysis and internal interpretation of data; this report is an accumulation of these sources. Whilst effort has been made to ensure the accuracy and reliability of the contents, it should be noted that this is a secondary source and collection of understandings rather than the primary source of data.

Please note that this document is confidential and for internal use by Regency Assurance Directors and Officers only and any person outside of the organization in receipt of it should immediately disregard its contents and dispose of it in its entirety in a secure manner.

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HRFA ASSOCIATES

INSURANCE RESERVE

As of March 2022 for Regency Assurance

I, Douglas A. Eckley, am a member of the American Academy of Actuaries and a partner of HRFA Associates. I have been hired by Regency Assurance Ltd (the Company) to provide this reserve opinion.

Douglas A Eckley MAAA

HRFA Associates

RESERVE (and DAC) AMOUNTS as of MARCH 2022

Regency Assurance Accounting Notes

Reserve values submitted exclusively to the Financial Services Regulatory Commission, appointed Insurance Management company and Regency Assurance authorised officers. Q1 reserve opinions confirmed to have been applied to accounts of March 2022.

RELIANCES

I relied upon information provided by the Company that included, but was not limited to, the following:

- Insurance contract terms
- Techniques used by the Company to control losses, such as reinsurance, underwriting, and contract terms
- Underwriting procedures
- A listing of sales
- Listings of claims paid

“ MINOR AMOUNT OF INVESTMENT RISK UNDER THE CONTRACTS.

DISCUSSION

The level of reserves must be considered in light of the risks that the Company assumes.

The Company issues contracts that provide primarily general insurance, but also limited amounts of long-term insurance on occasion. Proceeds under these contracts are held in the general account of the Company (in other words, the company has not established any segregated portfolios).

The Company bears the risk that claims could exceed premiums under the life and health insurance coverages.

I examined the coverages under each of the contracts in effect. Here is the key data that I gathered from that examination and from my discussions with the Company:

- The Company bears a minor amount of investment risk under the contracts. This risk is limited because the contracts are written on a one-year term basis. At renewal, the Company has the prerogative to adjust the premium according to anticipated claims experience at that time.
- The contracts do not provide for a payout to the policyholder, upon surrender by the policyholder, of the policy, other than a potential refund of unearned premium.
- The contracts provide for the regular assessment of periodic premiums.
- The contracts are of the annual renewable type, and the Company can decline to renew or adjust the premium amount consistently with emerging claims experience.

ACHIEVING ITS DESIRED LOSS RATIOS.

The Company is beginning to achieve a sufficient size, by virtue of size alone, to limit variability of results due to statistical fluctuations in claims experience on the life and health insurance contracts. Additionally, the Company employs reinsurance, underwriting, coverage exclusions, deductibles, and copayments to limit that variability.

The Company has been issuing policies for over five years. Although this is not enough time to accumulate a large volume of experience, the indications are that the company is achieving its desired ratios. I have assumed that claims on the underlying contracts will continue to develop consistently with the corresponding premiums, except for the possibility discussed in the next paragraph.

Two years ago, as of 31 March 2020, I considered it prudent to establish an additional reserve, which I refer to as a contingency reserve, in anticipation of higher-than-usual claims over due to the COVID-19 virus. To-date, claim payments by the company have not risen noticeably. In fact, they fell for much of the past year and only now are returning UP to pre-pandemic levels, most likely relating to the fact that the company's niche is coverage for ex-patriots. As of June 2020, I reduced the contingency reserve to 50% of its March 2020 level. Starting September 2020 and continuing to-date, I have removed the reserve because I believe that risk from COVID-19, for this company, is no longer significant enough to warrant a special reserve. I will continue to monitor claim trends and hold open the possibility that a special reserve will again become necessary.

OPINION

The reserve amounts, net of the DAC balance and identified above, are sufficient to cover foreseeable claim payment obligations that may arise from the insurance contracts in force as of March 2022.

Douglas A Eckley, MAAA

MANAGEMENT REPORT

INTRODUCTION

The purpose of this report is to provide management with useful financial information in a visual format.

On occasion, this information may assist management in the day-to-day decision making that is required to best operate the company.

The categories provided are:

5 YEAR PERFORMANCE

Regency Assurance has consistently performed well with annual growth rates at all times meeting double digit forecasts. The annual performance growth rate over the previous 5 years to date has averaged 36.10%, with the overall 5-year rate reaching 331.48%.

ANNUAL GROWTH RATES:

2017	2018	2019	2020	2021
24.79%	85.71%	29.79%	29.08%	11.13%

With the increased levels of premium achieved through the additional commercial business lines, 2022 to-date has seen a further increase in the performance and it is forecasted that the coming annual results will at least maintain the current trajectory.

Furthermore, Regency Assurance finds itself well placed within the international insurance and financial services market as it relates to levels of profits realised annually with the average 5-year margin being 40.15%.

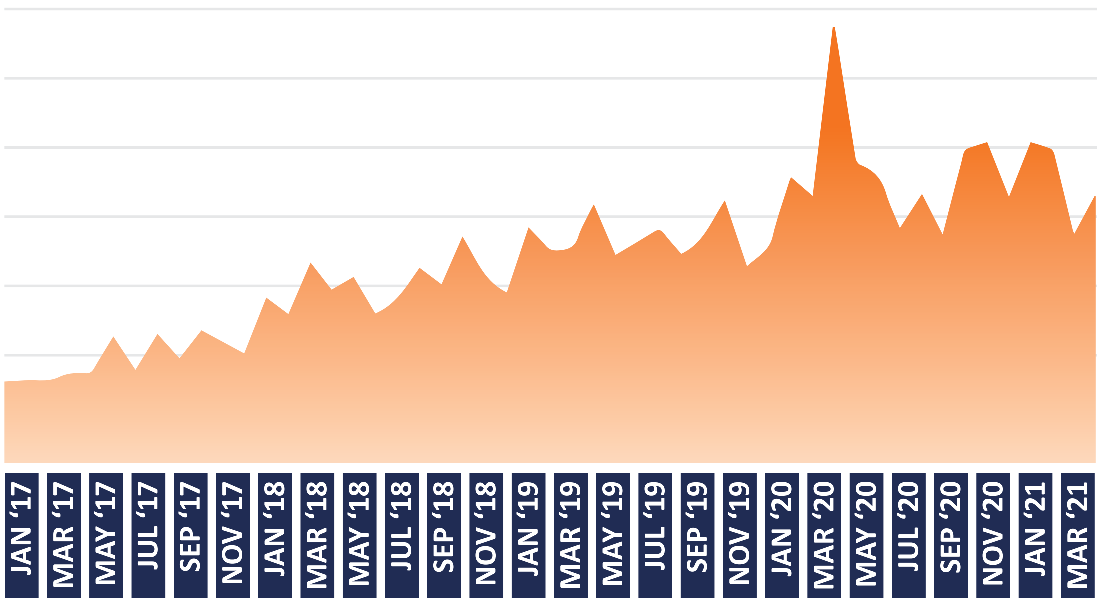
This rate of profitability has enabled the company to build levels of cash reserves greater than those required under the regulatory framework. Whilst the regulatory framework designates minimum levels as they relate to Margins of Solvency, Regency Assurance's last submitted regulator confirmation registered the Margin of Solvency at 52.01 times the mandatory amount.

OVERVIEW

Starting July 2020, the company put into place a new reporting system. The migration to the new system is being done over several months, and is almost complete. Until the migration is complete, some claims will be entered into the old system, and some into the new. All values in this report represent combined values from both systems. The graphs in this report indicate that claim payment trends are reasonable, and therefore I am comfortable that the migration is proceeding properly.

During the first half of 2020, and in the month of March in particular, the company executed an explosive growth in volume, as shown in this graph.

ANNUALISED PREMIUM PLACED:



The reason for the March highpoint most likely was that the COVID-19 virus has made ex-patriots and others more aware of the need for health insurance. The company is in the right place to serve this need.

Of course, such a high level of production would not continue indefinitely, and we see more normal, though higher than the comparable time period a year earlier, production during the remaining months of 2020 and continuing thus far into 2022.

The company has not yet suffered any increase in claim payout due to the virus. We noticed this as of June, and it is confirmed by the experience since July of last year. The explanation may be that ex-patriots "hunkered down" and were less exposed to the types of health issues that result in claims, or even that many of them returned home.

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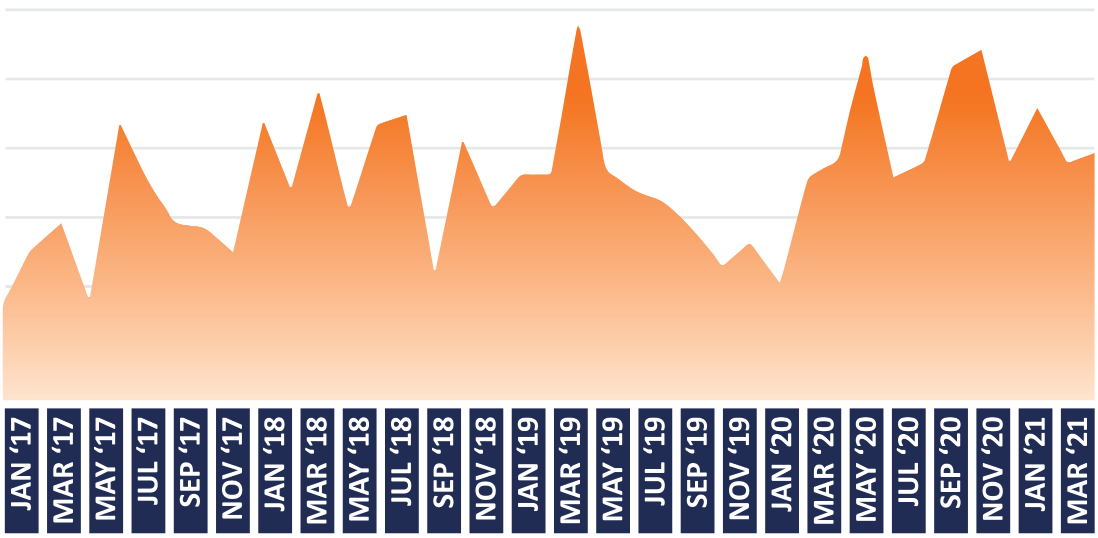
CLAIMS FLOW

This important category contains
4 graphs

1. CLAIMS APPROVED:



This graph shows dollars of claims approved for payment by month, including a linear trend line. It contains mostly good news: the company is growing strongly but in a controlled manner.

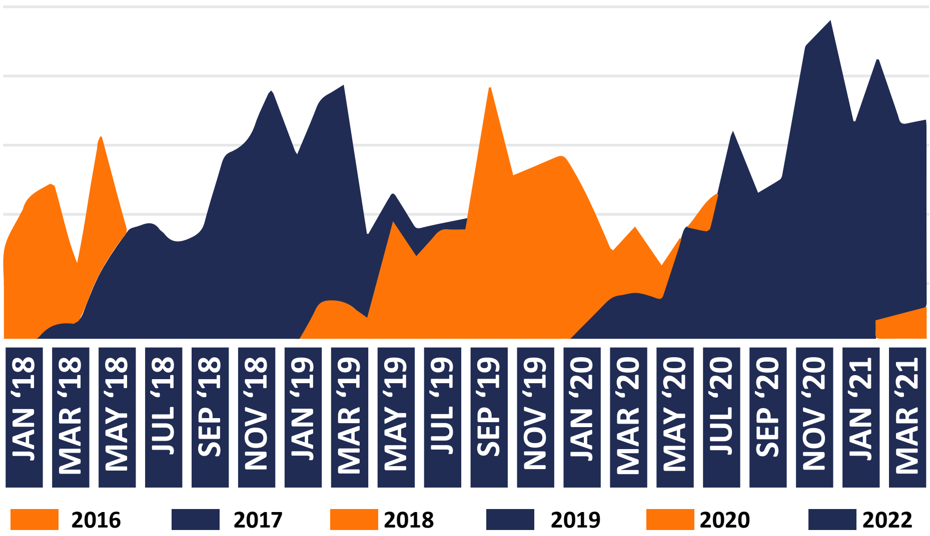
But why the slowdown starting in the first quarter of 2020?

Claims have dropped because, due to the COVID-19 virus, people are not being exposed to their regular routine and are under lockdown, thus limiting themselves to accident or injury.

Also some people who would normally visit the doctor/hospital for minor of conditions may be refraining from doing so for fear of being exposed to the virus.

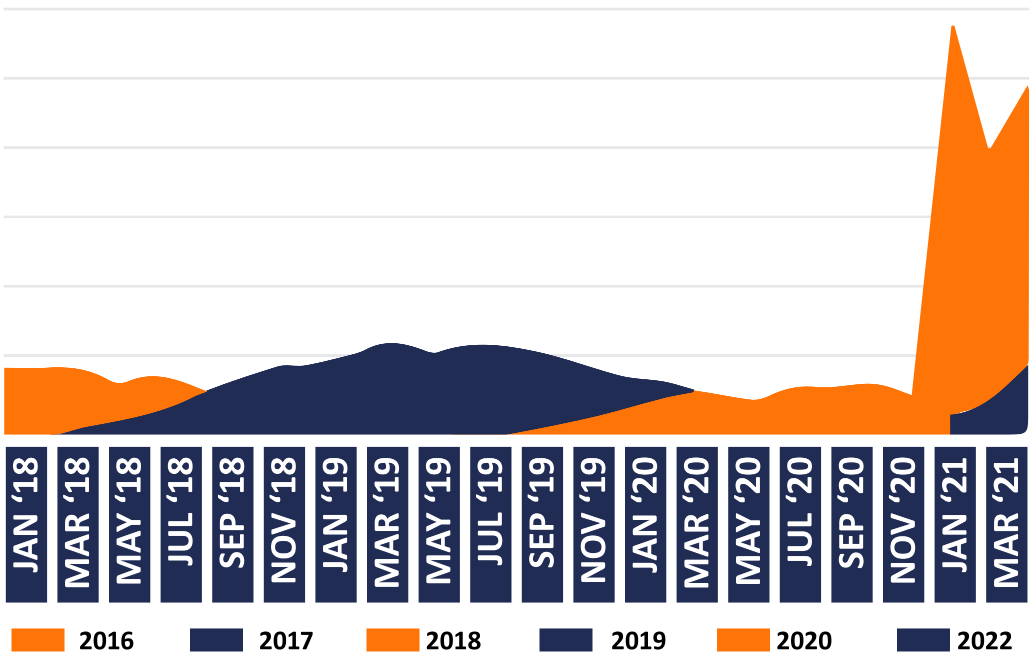
Indeed, in more recent quarters we see a return to more normal levels.

2. CLAIMS APPROVED BY ISSUE YEAR:



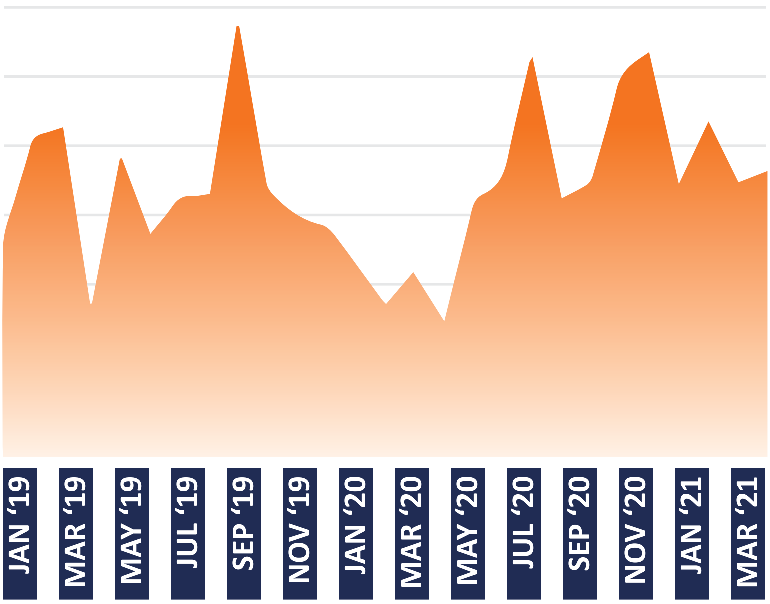
This graph provides a breakdown of the data in graph #1. The lines (one for each year starting with 2016) add up to the data shown in graph #1. Each line looks at only the dollar claim amounts from policies issued in the year indicated. Importantly, the patterns of the lines are fairly consistent.

3. CLAIMS COUNTS BY ISSUE YEAR:



This graph is similar to #2, but instead of showing dollars of claims, it shows counts of claims. For this reason, the lines show less volatility (one claim for a large dollar amount does not distort the data; it is still just one claim). This graph may show trends more clearly than #2. For the first quarter of 2022 we see a different pattern emerging because the new claims system counts, as separate claims, each service provided and covered within the same hospital stay. As we get further into 2022, we will see the new pattern take hold and be able to analyse further.

4. CLAIMS PAID BY MONTH:



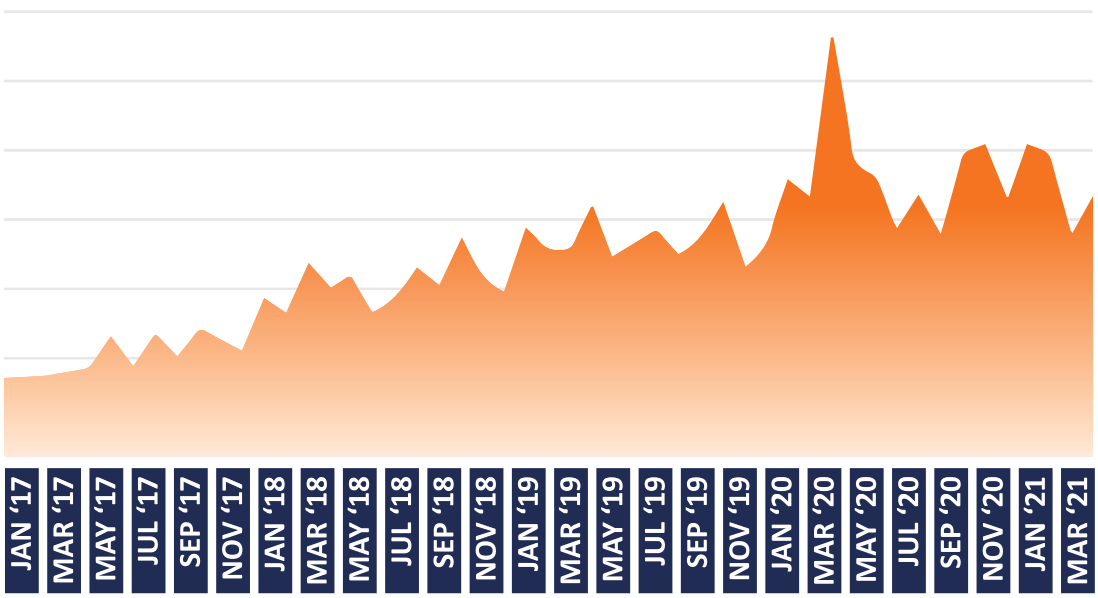
Claims paid, shown in this graph, look very similar to claims approved, shown in graph #1.

This is good news: the company is consistent and prompt in paying approved claims. Yet the graph bears close monitoring, if for no other reason, to confirm that the good work continues.

PREMIUM FLOW

Only one graph is presented: Annualised Premium Placed on a month-by-month basis. We see the strong growth of the company since inception, and also the COVID-related (at least, this was the apparent cause) spike in production during March of last year.

ANNUALISED PREMIUM PLACED:



LOSS RATIO AND CUMULATIVE LOSS RATIO

This graph shows both (incremental and cumulative) data lines in this important area.

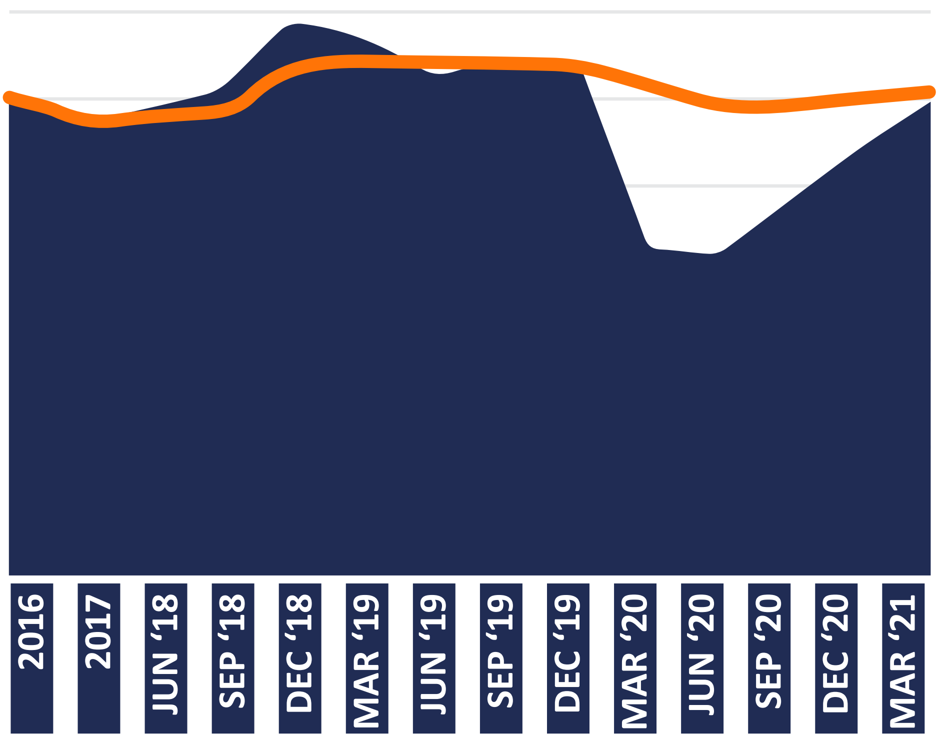
The news thus far is all good: despite rapid growth, the company is maintaining a consistent and low pattern of claims paid divided by premiums collected.

Why the slowdown in the first half of 2020? See the comments above, in the section titled "Claims Flow". While an unprecedented amount of premium was written in March of 2020, claims under those issues have begun to appear by now, and we do not see a similar spike in claims paid. It could even be said that the "good news" of COVID has by now worn off. Following the paid loss ratio line, for more recent quarters we see a return to normal levels. As of March 2022 we appear to have returned to the long run average.

This is all good news for Regency.

However, some unknowns remain (notably, additional waves of COVID could happen) and this graph is one that we monitor closely. Thus far, if anything, COVID caused Regency loss ratios to decline. See the discussion above for possible reasons. Over recent quarters we see loss ratios coming back to a more usual level. Looking forward, although the effect of worldwide vaccination will develop more quickly in some regions than others, it appears that Regency is well positioned.

MONTHLY LOSS RATIOS:

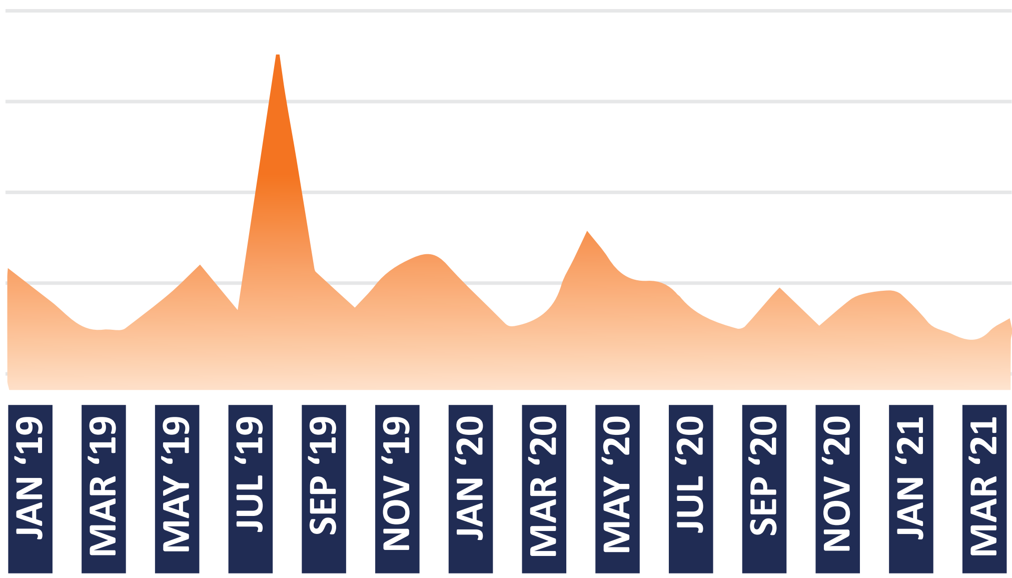


DELAY BETWEEN HOSPITALISATION AND SUBMISSION OF CLAIMS

This graph addresses an important but difficult statistic. The company does well with claims processing, as discussed above (compare graph #1 with graph #4).

But the time from hospitalisation to submission is BEYOND the company's control. If it changes, then some of the data that management sees will need to be interpreted differently. As can be seen, this statistic has continued steady through March of 2022. That is very good news for the actuary and the claims manager.

AVERAGE DAYS FROM HOSPITALISATION TO SUBMISSION OF CLAIM



REGULATION

Regency Assurance is a long-term licensed insurance company regulated by the Financial Services Regulatory Commission under the Nevis International Insurance Ordinance Cap. 7.07.

The following extracts are taken directly from the Insurance Ordinance and are highlighted to confirm whether or not the company has maintained continual compliance and adhered to the minimum levels of security for members.

PART III – RECORDS, ACCOUNTS AND LONG-TERM BUSINESS

17. Keeping of business records.

(1) In this section,

"business records" include accounting, policy and claims records of the registered insurer and such working papers and other documents as are necessary to explain the methods and calculations by which its accounts are made up;

"accounts" mean profit and loss accounts and balance sheets, and includes notes (other than directors' reports) attached to, or intended to be read with, any of those profit and loss accounts or balance sheets.

(2) A registered insurer shall

(a) keep and maintain such business records as correctly record and explain its transactions and financial position;

(b) keep and maintain its business records in such a manner as will enable true and fair accounts to be prepared from time to time; and

(c) keep and maintain its business records at its principal place of business and if the principal place of business is anywhere outside of Nevis then a copy of the business records must be kept by the Registered agent in Nevis.

(3) Any registered insurer who fails to comply with this section commits an offence against this Ordinance.

18. Annual Accounts.

(1) In this section,

"annual accounts" mean financial statements prepared under the International Financial Reporting Standards.

(2)

(a) a copy of the registered insurer's audited annual accounts shall be submitted to the Registrar within 21 days after the date of the meeting at which the accounts were approved by the board of directors and in any event not later than six months after the close of the financial year to which they relate; and

(b) where the audited accounts are submitted later than six months after the close of the financial year to which they relate a penalty to be prescribed shall be payable.

(3) Such statements, reports, certificates and information as may be required by regulations made under this Ordinance, or required by any other enactment to be annexed or attached to the annual accounts for any

purpose shall be produced to the Registrar at the same time as the annual accounts are submitted.

(4) For the purpose of this section, an audit shall be carried out by an auditor approved for that purpose by the Minister.

(5) Any registered insurer who wilfully fails to comply with subsections (2) and (3) of this section, commits an offence against this Ordinance. [Section amended by Ordinance 2/2009]

20. Non- application of section 15.

(1) Where an insurer is a captive, allied reinsurance company or an allied annuity company, section will not apply.

(2) The companies referred to in subsection (1) shall submit annually

> *(a) financial statements and tax returns, as filed and accepted by relevant authority in country of origin, (or where filed), within 21 days of filing but no later than 6 months after the year to which it applies, and has been completed by an approved accounting firm; where documents required above are not available, a registered insurer shall submit audited financial statements.*
>
> *(b) an undertaking by the Insurance Manager as to the financial viability and solvency of the registered insurer.*
>
> *(c) other such information or submissions as may be deemed necessary by the Registrar.*

21. Actuarial Valuation.

(1) Every registered insurer licensed to carry on long-term business shall, in addition to filing audited accounts as required under section 19, prepare and file every three years an actuarial valuation of its assets and liabilities, certified by an approved actuary, so as to enable the Registrar to be satisfied as to its solvency.

(2) The actuarial valuation shall be submitted to the Registrar not later than six months after the close of the financial year to which it relates.

(3) Any person who contravenes this section, commits an offence against this Ordinance.

22. Statutory and long-term business funds.

(1) Subject to this section, a registered insurer may establish and maintain one or more statutory funds, under an appropriate name, in respect of such part or parts of the offshore insurance business carried on by it, as the registered insurer so determines;

(2) Where a registered insurer has established a statutory fund, it shall determine as soon as practicable thereafter what part or parts of its off-shore insurance business relate to that statutory fund.

(3) A registered insurer shall not determine that a particular policy or policies issued by it relate to a particular statutory fund unless the owner of the policy or the person who upon the issue of the policy will become the owner has consented in writing to the application of this section to the policy.

(4) All amounts received by a registered insurer in respect of any part of its offshore insurance business in respect of which it has established a statutory fund, shall be carried to and become assets of that fund, including any income arising from investment of the assets of that statutory fund.

(5) The assets of every statutory fund maintained by a registered insurer may be invested (subject to any provisions in the instrument constituting the registered insurer or in the articles of association or other rules of the registered insurer which impose restrictions upon the manner in which the assets of the insurer may be invested) in such manner as the registered insurer thinks fits.

(6) For the purposes of subsection (5) of this section, the whole or any part of the assets of a statutory fund may from time to time be applied or invested by a registered insurer in or towards the payment of any premium or other fee or payment (each of whatsoever nature) payable in order to effect or maintain, or in respect of effecting or maintaining, reinsurance in respect of that statutory fund.

(7) Where a registered insurer transacts or carries on long-term insurance business, the insurer shall establish a statutory fund to be known as the long-term business fund into an appropriately named sub-fund to which, all receipts in respect of each sub-class of such business shall be paid.

(8) No transfer of assets from a long-term business fund other than a transfer in accordance with subsection (3)(c) shall be effected without

(a) the authority of a resolution of the directors of the registered insurer; and

(b) the written consent of the actuary to the registered insurer

(9) No registered insurer transacting or carrying on long-term business shall declare or pay a dividend to any person other than a policy holder unless

(a) at a date within the year immediately preceding the declaration of the dividend, the value of the assets in its long-term business fund as certified by the actuary to the registered insurer, exceeds the extent (as so certified) of the liabilities of the registered insurer's long-term business; and

(b) the amount of such dividend shall not be such as to cause the margin of solvency of the registered insurer to fall below the amount required under section 23.

(10) Every registered insurer which had established any statutory fund or a long term business fund in respect of any part of its off-shore business shall (a) keep its business accounts in respect of such insurance business separate from any business accounts kept in respect of any other insurance business;

(b) maintain books of account and other records in such a manner that the assets of any statutory or long-term business fund established pursuant to this section and the liabilities referable to the off-shore insurance business to which any statutory or long-term business fund relates, can be readily identified at any time;

(11) The assets of statutory or long-term business fund shall not be available to meet any liabilities or expenses of the registered insurer other than the liabilities or expenses referable to that part or part of the insurance business to which the statutory or long-term business fund relates.

(12) The restriction imposed by subsection (11) of this section shall not apply to so much of those assets as are certified by the actuary to the insurer to exceed the extent (as certified) of the liabilities of the registered insurer's long-term business.

(13) A registered insurer shall not mortgage or charge any assets of any statutory or long-term business fund other than with the consent of all owners of policies issued in respect of the insurance business to which that statutory or long-term business fund relates.

(14) The assets of a statutory or long-term business fund shall be kept distinct and separate from all other assets of the registered insurer.

(15) Where a registered insurer has established a statutory or long-term business fund in accordance with this section

(a) no assets of the registered insurer other than these comprising and constituting the statutory or long-term business fund shall be available to meet any liabilities or expenses (each of whatsoever nature) in any way referable to the insurance business to which the statutory or long-term business fund relates; and

(b) no proceedings of any nature whatsoever seeking to recover from such registered insurer any assets or amount other than the statutory or long-term business fund or value thereof shall be taken in any way against or in respect of such registered insurer in any Court and no judgment of any Court shall issue against any such registered insurer or be enforced in Nevis against such registered insurer for any moneys or assets other than those of the statutory or long-term business fund.

(16) Any registered insurer who contravenes the provisions of this section commits an offence against this Ordinance.

23. Transfer of long term business.

(1) Where it is proposed to carry out a scheme under which the whole or part of the long-term business carried on by a registered insurer ("the transferor") is to be transferred to another registered insurer ("the transferee") the transferor or transferee may apply to the Court by petition, for an Order sanctioning the scheme.

(2) The Court shall not determine an application under this section unless the petition is accompanied by a report on the terms of the scheme by an independent actuary (not being an employee of, nor actuary to, either registered insurer) and the Court is satisfied that the requirements of subsection (3) of this section have been complied with or that in the circumstances compliance is unnecessary.

(3) The requirements referred to in subsection (2) of this section are

(a) that a notice has been published in such one newspaper circulating in Nevis as the Registrar shall approve stating that the application has been made and giving the address of the offices at which, and the period for which, copies of the documents mentioned in subparagraph (d) of this subsection will be available as required by that paragraph.

(b) except where the Court has otherwise directed, that the statement

(i) setting out the terms of the scheme; and

(ii) containing a summary of the report mentioned in subsection (2) sufficient to indicate the opinion of the actuary on the likely effects of the scheme on the long-term policy holders of the registered insurers concerned, has been sent to each of those policy holders and to every member of those registered insurers;

(c) that a copy of the petition and of the report mentioned in subsection (2) of this section and of any statement sent out under paragraph (b) of this subsection has been served on the Registrar and that a period of not less than three weeks has elapsed since the date of such service; and

d) that copies of the petition and of the report mentioned in subsection (2) of this section have been open to inspection at the office in Nevis of the registered insurers concerned or their representatives for a period of *not less that 3 weeks beginning with the date of the publication of a notice in accordance with paragraph (a) of this subsection.*

(4) Each of the registered insurers concerned shall furnish a copy of the petition and of the report mentioned in subsection (2) of this section to any person who asks for one at any time before an Order sanctioning the scheme is made on the petition.

(5) On any petition under this section

(a) the Registrar; and

(b) any person (including any employee of the transferor or the transferee) who alleges that he would be adversely affected by the carrying out of the scheme, shall be entitled to be heard.

(6) The Court shall not make an Order sanctioning the scheme unless it is satisfied that the transferee is, or, immediately after the making of the Order will be, authorised to carry on any long-term business to be transferred under the scheme.

(7) No such transfer as is mentioned in subsection (1) of this section shall be carried out unless the scheme relating to the transfer has been sanctioned by the Court in accordance with this section and no Order shall be made in respect of so much of any compromise or arrangement as involves any such transfer.

(8) Where the Court makes an Order under this section sanctioning a scheme the Court may, either by that Order or by any subsequent Order, make provision for all or any of the following matters:-

(a) the transfer to the transferee of the whole or any part of the undertaking and of the property or liabilities of the transferor;

(b) the allotting or appropriation by the transferee of any shares, debentures, policies or other like interests in the transferee which under the scheme are to be allotted or appropriated by the transferee to or for any person;

(c) the continuation by or against the transferee of any legal proceedings pending by or against the transferor;

(d) the dissolution, without winding up, of the transferor;

(e) such incidental, consequential and supplementary matters as are necessary to secure that the scheme shall be fully and effectively carried out.

(9) Where any such Order provides for the transfer of property or liabilities that property shall, by virtue of the Order, be transferred to and vest in, and those liabilities shall, by virtue of the Order, be transferred to and become the liabilities of the transferee, and, in the case of any property, if the Order so directs, free from any mortgage or charge which is by virtue of the scheme to cease to have effect.

(10) For the purposes of any provision requiring the delivery of an instrument as a condition for the registration of the transfer of any property, an Order which by virtue of this section operates to transfer any property shall be treated as an instrument of transfer.

(11) Where a scheme is sanctioned by an Order of the Court under this section the transferee shall, within 10 days from the date on which the order is made, or such longer period as the Registrar may allow, deposit 2 certified copies of the Order with the Registrar.

(12) Any person who fails to comply with subsection (4) or (11) of this section commits an offence against this Ordinance.

24. Solvency margins.

(1) Subject to subsection (6) of this section every registered insurer shall ensure that the value of its assets exceeds the amount of its liabilities ("the margin of solvency") of each fund by such amount as may be prescribed by or determined in accordance with regulations made for the purposes of this section.

(2) If the solvency margin of a registered insurer falls below such amount as may be prescribed by or determined in accordance with regulations made for the purposes of this section, the registered insurer shall advise the Registrar and the registered insurer shall at the request of the Registrar submit to him a short-term financial scheme within thirty days of the request, or such longer periods as the Registrar may permit, and shall if the Registrar considers the scheme (or the scheme as previously modified) inadequate, propose modifications to it.

(3) A scheme submitted under subsection (2) of this section may include proposals for

(a) the appointment of a special manager acceptable to the Registrar; and

(b) the discontinuance, either in whole or in part, of the registered insurer's business.

(4) A registered insurer shall give effect to any scheme accepted by the Registrar.

(5) If a registered insurer is unable or fails to submit a scheme which is acceptable to the Registrar, the registered insurer shall be deemed to be unable to pay its debts.

(6) This section shall not apply to a registered insurer who carries on only reinsurance business or captive insurance business.

Regency Assurance has continued to remain compliant with all requirements under the Nevis Insurance Ordinance as it relates to long-term insurance companies.

Whilst investment in the review, evaluation and quality assurance processes significantly increase, the group directors and third party insurance and financial managers are confident in Regency's ability to provide trusted insurance and financial services solutions to the company's global portfolio of members.

LIVE**LIFE**

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