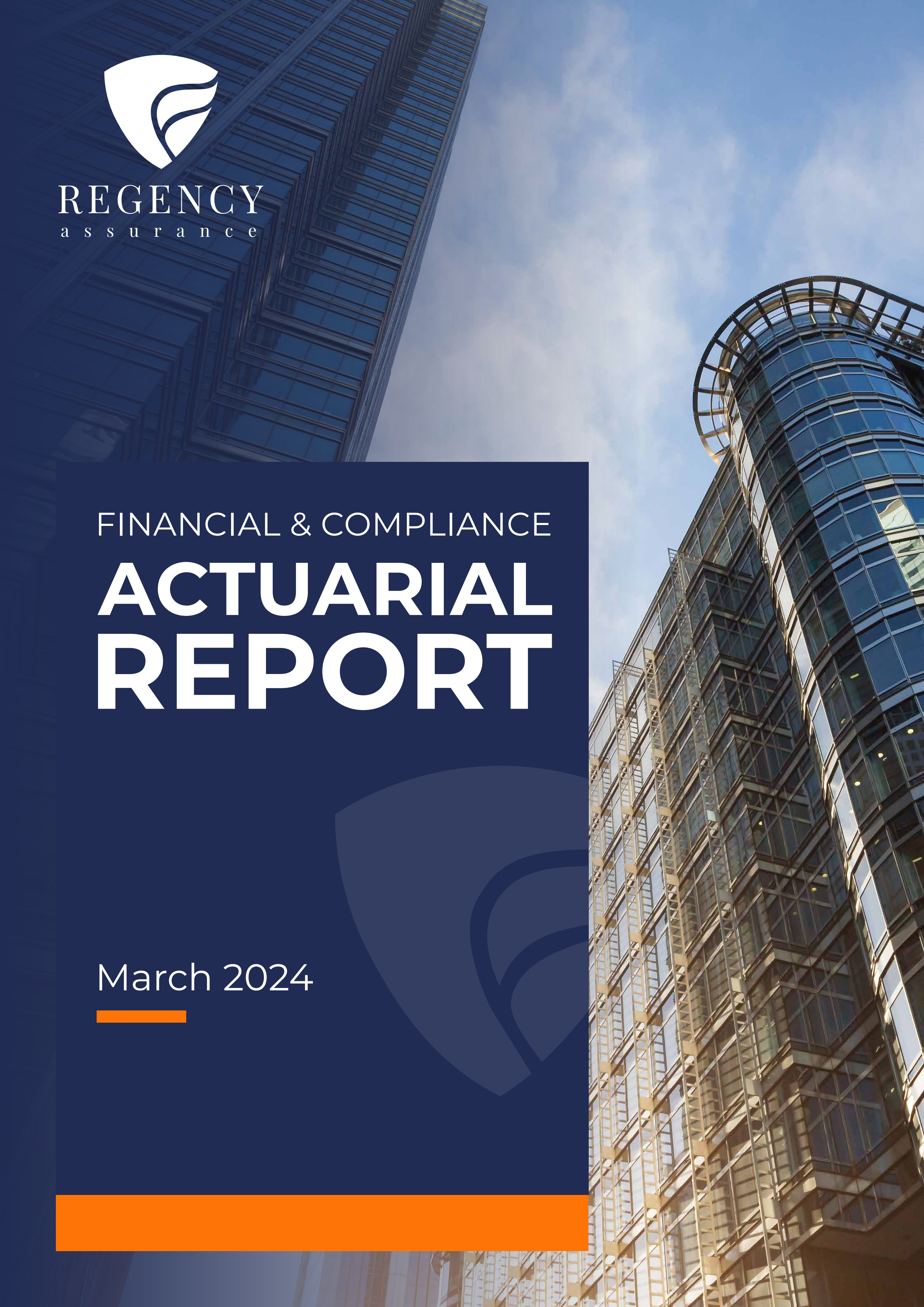


REGENCY
assurance

FINANCIAL & COMPLIANCE
ACTUARIAL REPORT

March 2024

REGENCY
assurance

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.

REGENCY assurance

HRFA ASSOCIATES

INSURANCE RESERVE

As of March 2024 for Regency Assurance

I, Douglas A. Eckley, am a member of the American Academy of Actuaries and a professor at George Mason University. 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 2024

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 2024.

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 from January to March 2024 inclusive
- Listings of claims paid from January to March 2024 inclusive
- A listing of Financial Services contracts in-force as of March 2024

“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 health insurance, but also limited amounts of life 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.

This year (2024) the company has begun marketing to employee benefits programs, but the coverages are the same as those offered in other channels. As of this writing the new line remains relatively insignificant but growth is expected. I will monitor this as future quarters unfold.

During 2022 the company began providing financial services by issuing Guaranteed Investment Contracts (“GIC’s”). I have reviewed the contract provisions and found no secondary guarantees and no provisions that would entail disintermediation risk. The interest crediting rates are reasonable relative to the terms to maturity. The liability shown above is the full accrued value plus a 5% add-on discussed in the next paragraph.

Currently the assets backing the GIC’s are in near-cash form. This very conservative positioning will likely change over coming quarters, and I will be monitoring this. Discussion with management indicates that deployment will be accomplished in the year 2024. With that in mind, I have added 5% to the accrued value to obtain the reserve. The 5% is close to the average crediting rate, and its use is a way of allowing a full year for the company to deploy assets. I am comfortable with this amount of conservatism at this time.

The GIC’s contain a 1% life insurance cover, which entails a small reserve also shown above. This reserve is the present value of anticipated future life insurance claims over the life of the existing contracts.

I examined the coverages under each of the health insurance contracts in effect as of end March 2024. Here are 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.

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

The Company began issuing health coverages in the year 2016. Enough time has elapsed to accumulate a statistically credible volume of experience. The indications are that the company is achieving its desired loss ratios. With this in mind, I have assumed that claims on the underlying contracts will continue to develop consistently with the corresponding premiums.

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 end March 2024.

Douglas A Eckley

Douglas A Eckley, MAAA
29 April 2024

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:

Pg.7 Overview

Pg.9 Regency Lines of Business

Pg.10 Claims Flow

Pg.12 Premium Flow

Pg.13 Loss Ratio & Cumulative Loss Ratio

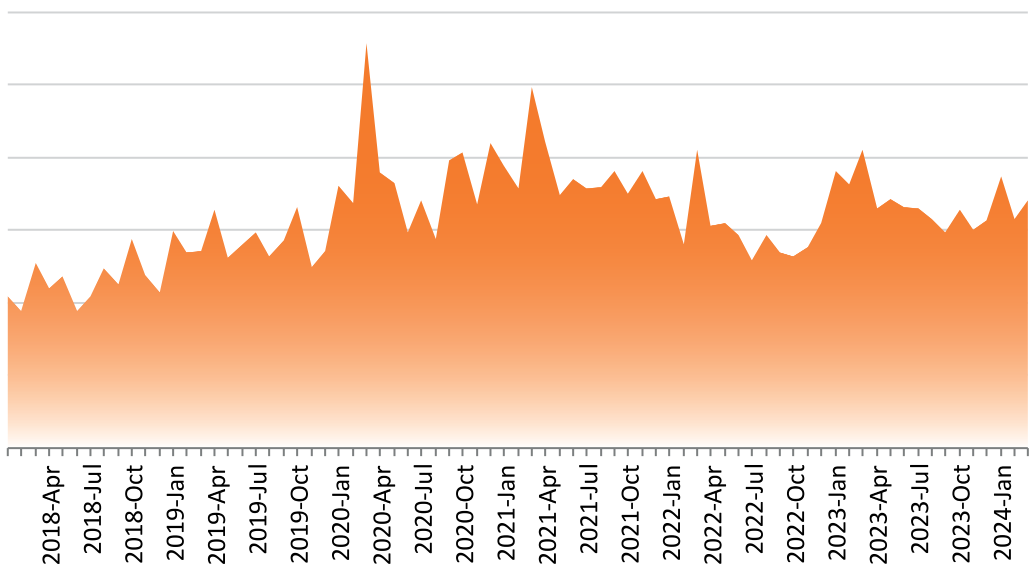
Pg.14 Delay between Hospitalisation & Submission of claims

Pg.15 Directors Outlook

OVERVIEW

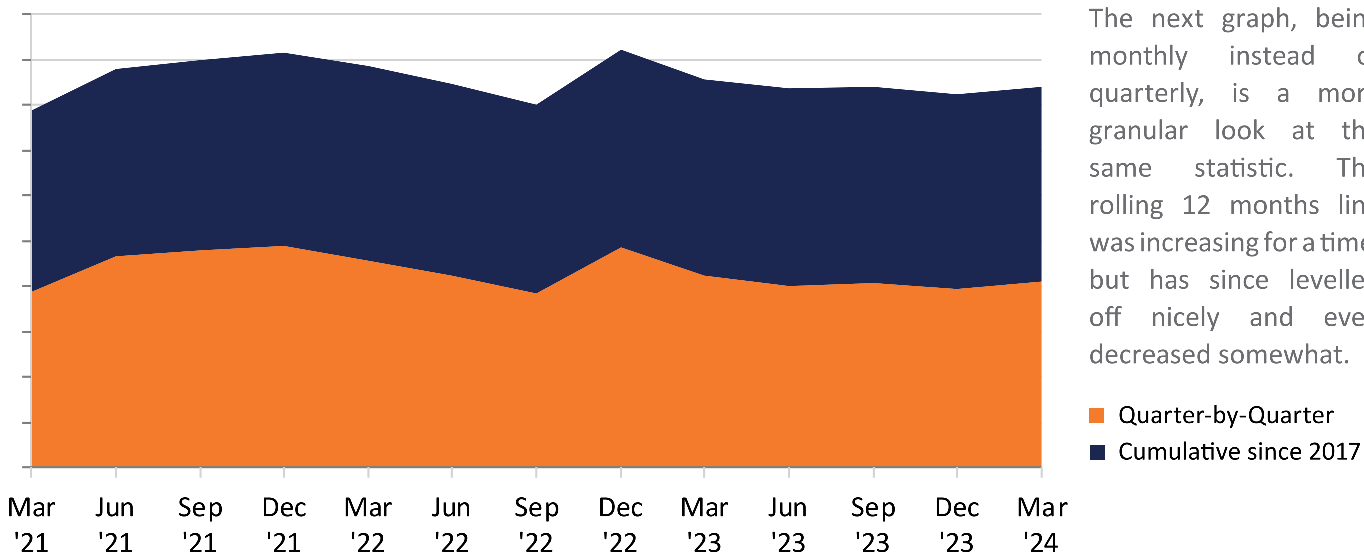
Over the past 24 months, health insurance premium has stabilized at a relatively high level, as shown in this graph:

ANNUALISED PREMIUM PLACED:



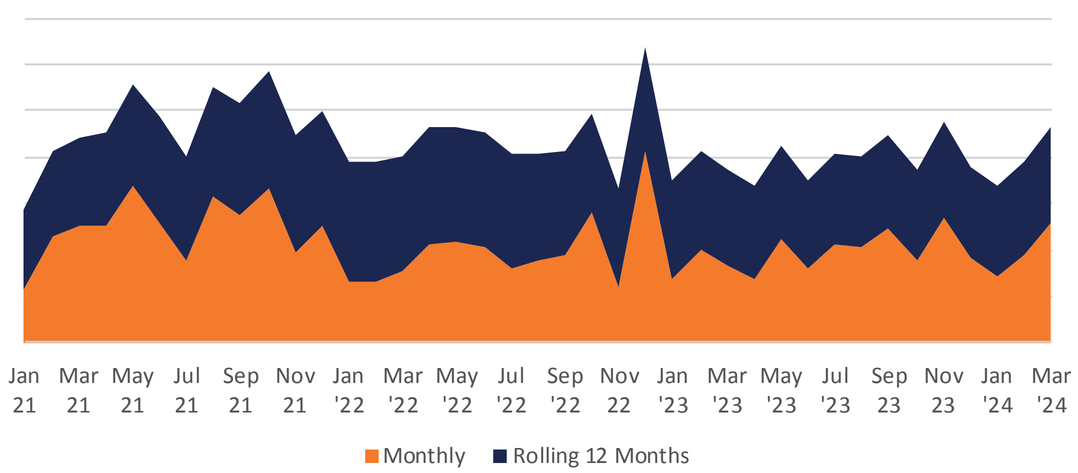
The reason for the March/April 2020 highpoint may have been that the COVID-19 virus has made expatriates and others more aware of the need for health insurance. The company was in the right place to serve this need. Quarterly loss ratios over the last two years have been fairly consistent and have held at reasonably low levels:

QUARTERLY LOSS RATIOS:



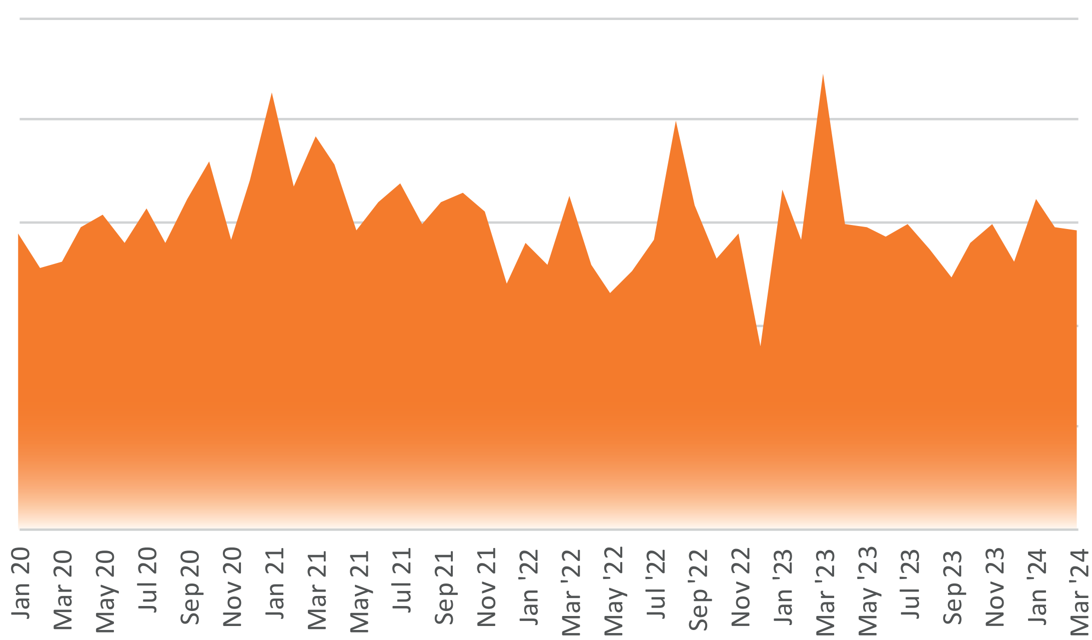
The next graph, being monthly instead of quarterly, is a more granular look at the same statistic. The rolling 12 months line was increasing for a time, but has since levelled off nicely and even decreased somewhat.

MONTHLY LOSS RATIOS:



On the other hand, we saw over the year 2022 a declining trend in the monthly premium income for the RFE (health insurance for ex-patriots) line of business, which is the main line of business for the company. In particular, December of 2022 showed a sharper drop-off. Happily, the year 2023 provided a rebound, along with some evidence that December of 2022 was a statistical blip. So far in 2024, we see a return to stability. This graph shows the situation, and includes the trend line fit by the ordinary least squares method:

MONTHLY REGENCY FOR EXPATS PREMIUM INCOME:



REGENCY
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REGENCY LINES OF BUSINESS

During 2022 the company entered a new line of business, designated internally as "RFS". Thus far the line consists of Guaranteed Investment Contracts. I reviewed the contract provisions and found no secondary guarantees and no provisions that would entail disintermediation risk. The interest crediting rates are reasonable relative to the terms to maturity. The liability carried is the full accrued value. Significant growth is expected for this line of business, and in fact it saw a significant amount of volume during the 4th quarter of 2023. The accrued liability for the contracts has now reached the vicinity of $11 million.

Currently the assets backing the GIC's are in near-cash form. This very conservative positioning will likely change over coming quarters. With these considerations in mind, I have added 5% to the accrued value to obtain the reserve (see the actuarial opinion). The 5% is close to the average crediting rate, and its use is a way of allowing a full year for the company to deploy assets in a more strategic way.

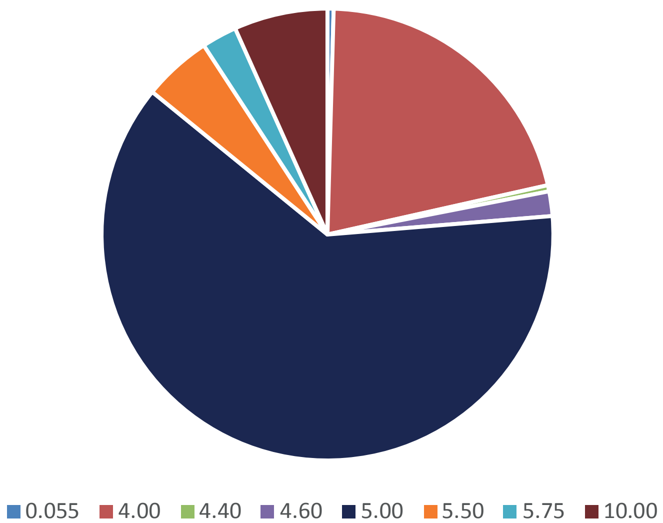
Warnings regarding the data file:

1) One deposit, for $800,000, shows a crediting rate of 10% is almost surely an error. This should be investigated before much time elapses.

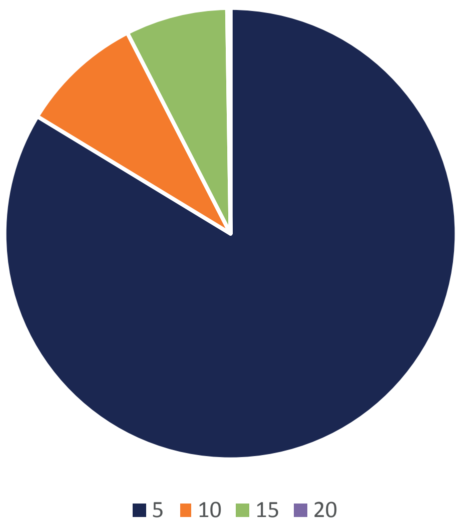
2) Some deposits, not shown in the graph, show blank in the crediting rate field. This also should be corrected.

As indicated by the graphs below, the dominant term to maturity is 5 years, which entails less risk than longer maturities. Also as indicated, the dominant interest crediting rates are in the 4% to 5% range. These appear to be in tune with returns available in the market.

DEPOSITS BY CREDITING RATE:



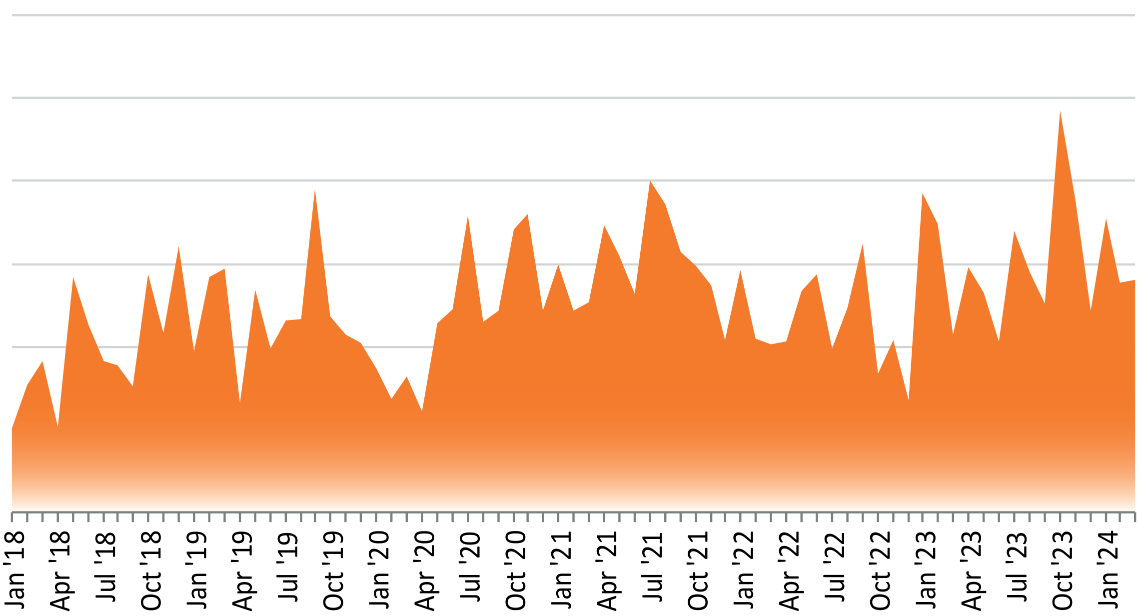
DEPOSITS BY YRS-TO-MATURITY:



CLAIMS FLOW

This important category contains
4 graphs

1. CLAIMS APPROVED:

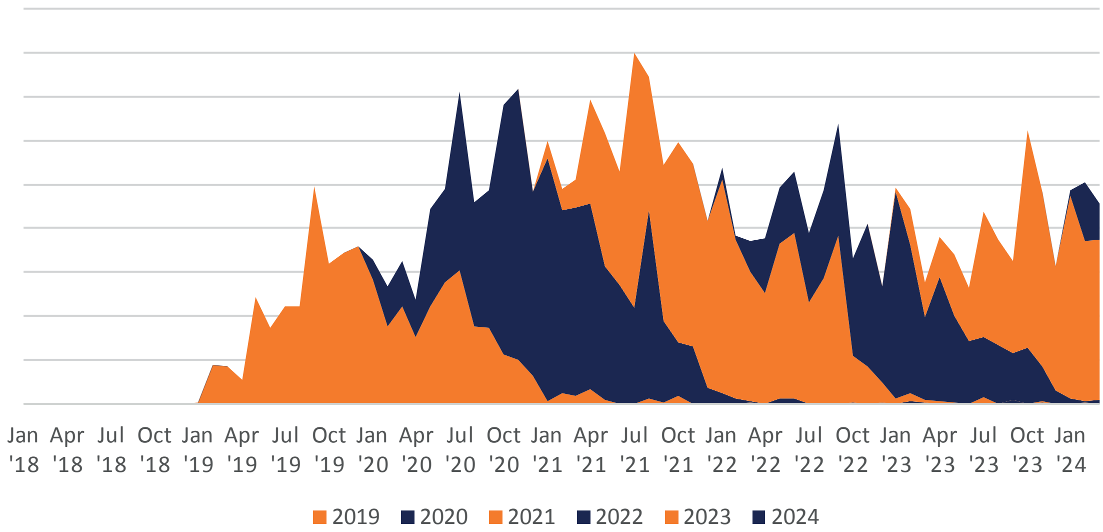


This graph shows dollars of claims approved for payment by month, including a linear trend line. It contains mostly good news: the company is growing strongly but in a controlled manner.

The slowdown starting in the first quarter of 2020 was due to the COVID-19 virus. People were not following their regular routines, thus limiting their exposure to accident or injury.

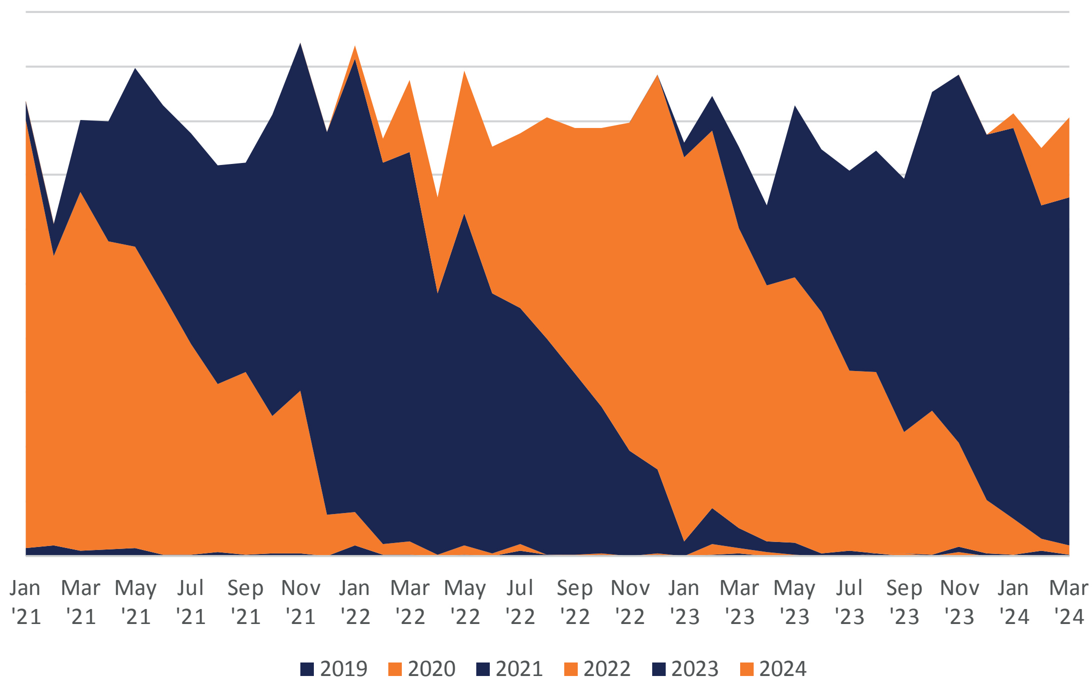
In more recent quarters we see a return to more normal levels.

2. CLAIMS APPROVED BY ISSUE YEAR:



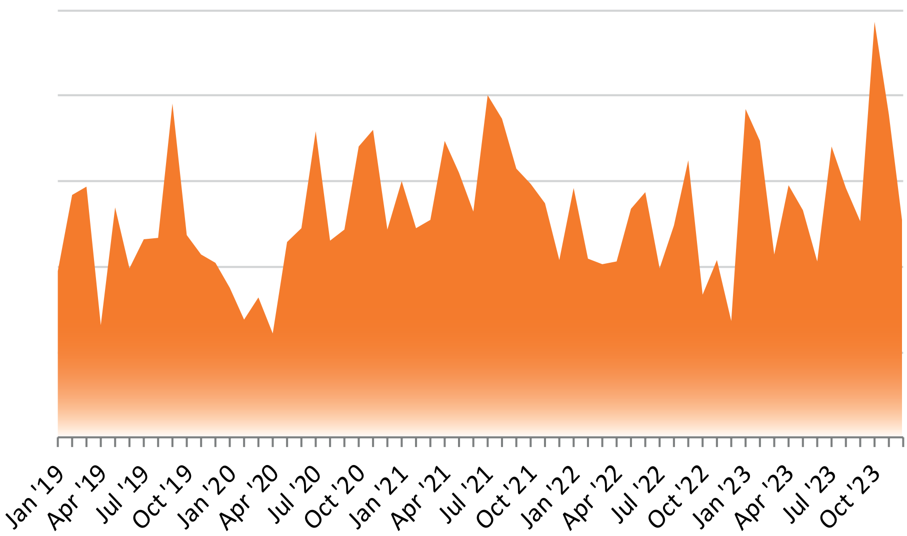
This graph provides a breakdown of the data in graph #1. The lines (one for each year starting with 2016) add up to the data shown in graph #1. Each line looks at only the dollar claim amounts from policies issued in the year indicated. The 2016 issue year does not show significantly because the company was just getting underway. Importantly, the patterns of the lines on the graph are fairly consistent.

3. CLAIM COUNTS BY ISSUE YR:



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). Starting with the first quarter of 2021 the company employed a new approach that counts, as separate claims, each service provided and covered within the same hospital stay. Therefore this graph begins with January 2021.

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

Two graphs are presented:

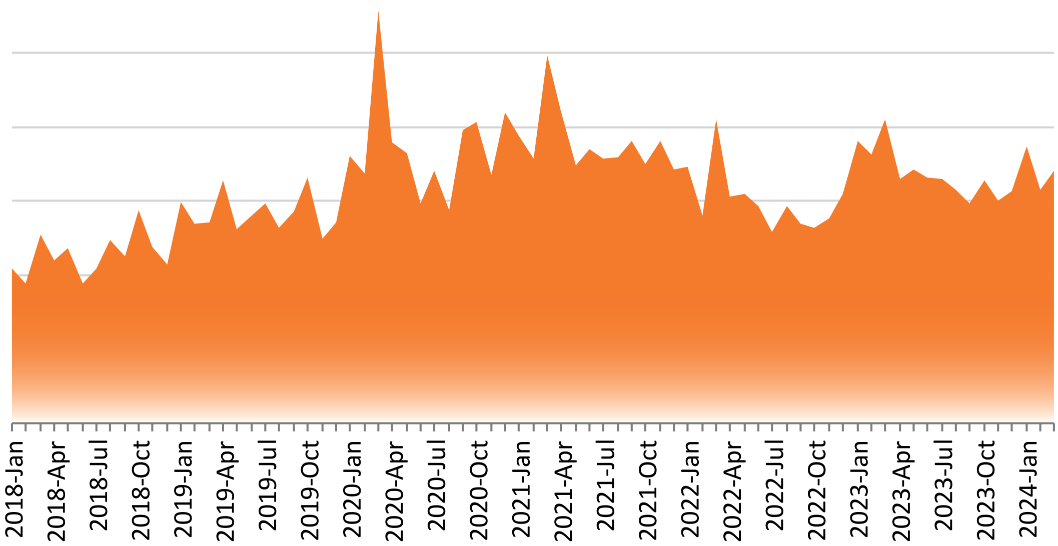
- Annualized Premium Placed on a month-by-month basis.
- Monthly RFE Premium Income

We see the strong growth of the company since inception. Interestingly, we see a spike in production every March for the last three years. Perhaps management has an explanation for this. From the actuarial perspective, it is not of major import since it is only one month out of 12.

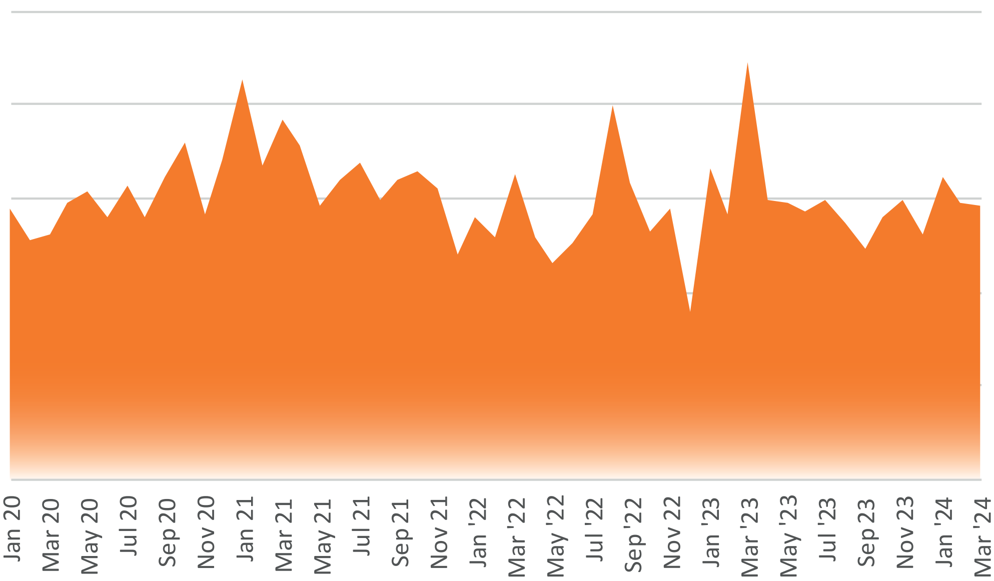
But we also see a slight downtrend in monthly premium income for the RFE line of business over the past year. This was discussed in the Overview section of this report.

Of note, these graphs exclude premium from the RFS line of business.

ANNUALISED PREMIUM PLACED:



MONTHLY RFE PREMIUM INCOME:

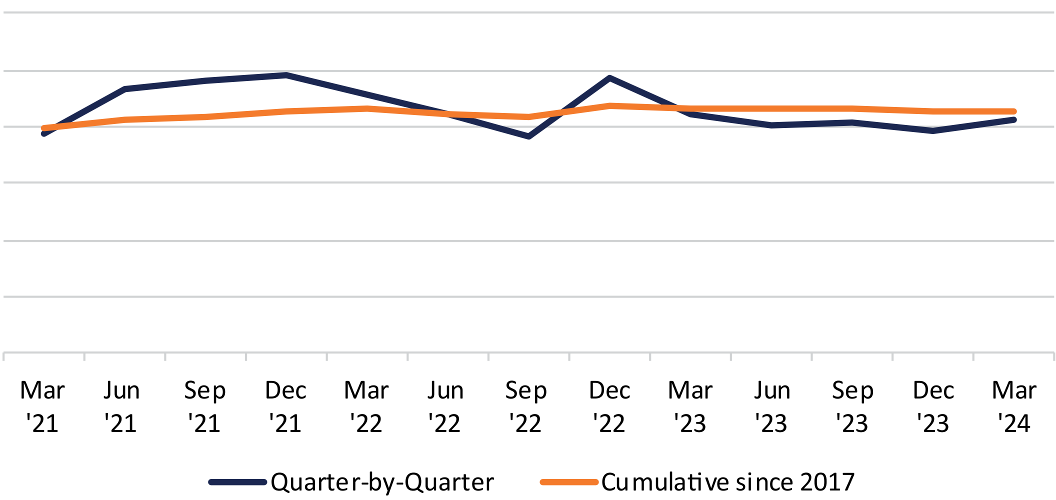


LOSS RATIO AND CUMULATIVE LOSS RATIO

The graph titled "Quarterly Loss Ratios" shows both (incremental and cumulative) data lines in this important area.

The company is maintaining a consistent and low pattern of claims paid divided by premiums collected.

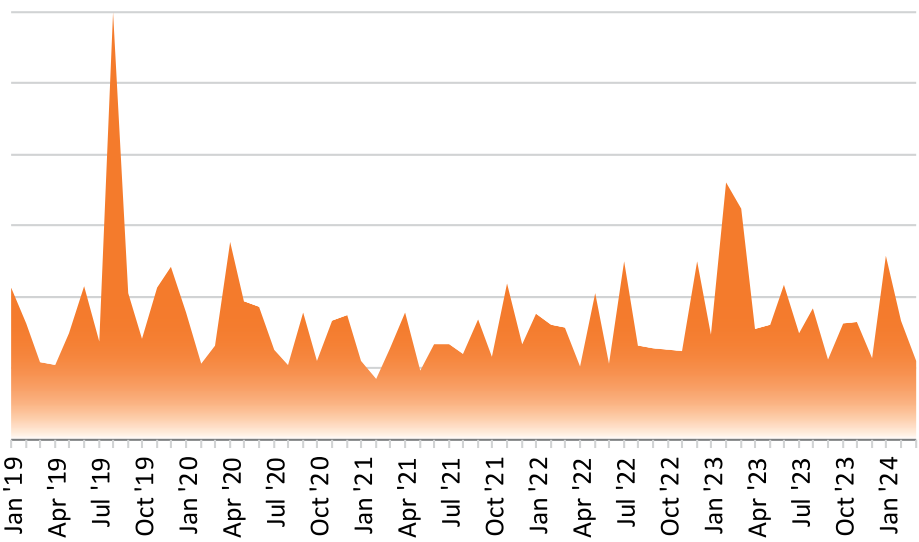
QUARTERLY LOSS RATIOS:



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. But the time from hospitalization 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 steadily through 2022. A modest jump occurred during the early months of 2023 but this was due to temporary factors. As of today (end March 2024), we have returned to the excellent results previously seen.

AVERAGE DAYS FROM HOSPITALISATION TO SUBMISSION OF CLAIM:



DIRECTORS' COMMENTS & OUTLOOK FOR THE FUTURE

Stephen Coughlin
Director

Regency Assurance

The past 24 months have been marked by stability and growth for Regency. The stabilization of insurance premiums at high levels and the consistent, low quarterly loss ratios highlight our effective risk management and operational efficiency. The COVID-19 pandemic underscored the importance of health insurance, positioning us well to meet increased demand.

Our new RFS line of business, focusing on Guaranteed Investment Contracts, has shown significant promise. This strategic move is set for further growth as we transition to more strategic asset deployment.

Claims data reveal controlled growth, with a return to normal levels post-COVID-19. The consistency in claims approved and paid, along with stable patterns in claims by issue year, underscores our operational robustness.

Despite a slight downtrend in RFE premium income in 2022, the rebound in 2023 and stability in 2024 are encouraging. While our persistency rate reflects the transient nature of our ex-patriot customer base, we see opportunities for improvement.

Looking ahead, Regency is poised for continued success. The stable health insurance premiums and consistent loss ratios provide a strong foundation for sustainable growth. We will continue to adapt our offerings to meet evolving customer needs.

The RFS line of business is expected to drive significant growth. As we deploy assets more strategically, we anticipate enhanced returns and increased market penetration. Ensuring data accuracy, particularly with crediting rates, will be crucial to maintaining trust.

In claims processing, maintaining our efficiency and responsiveness will be a priority. We will enhance our systems to ensure timely and accurate claim payments, reinforcing customer trust.

As part of our strategic growth, we have implemented targeted marketing strategies and product adjustments to attract and retain customers. Improving persistency rates will be an area of focus, with initiatives aimed at enhancing customer experience and encouraging policy renewals.

Overall, Regency's outlook is bright. We are committed to leveraging our strengths, addressing our weaknesses, and exploring new opportunities to drive growth and deliver value to our stakeholders. Our strategic initiatives in the coming quarters will ensure continued and long-term success.

Stephen Coughlin
Director

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