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## **INDEPENDENT AUDITOR'S REPORT**

### **To the Board of Directors of 4 Ever Life International Limited**

We have audited the accompanying condensed financial statements of 4 Ever Life International Limited (the "Company"), which comprise the condensed balance sheets and condensed statements of capital and surplus as of December 31, 2020 and 2019, and the related condensed statements of income for the years then ended, and the related notes to the condensed financial statements.

### **Management's responsibility for the condensed financial statements**

Management is responsible for the preparation and fair presentation of the condensed financial statements in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial statements (the "Legislation"). Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of condensed financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the condensed financial statements based on our audits. We conducted our audits 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 condensed financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the condensed financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the condensed 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 Company'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 condensed financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Basis for adverse opinion on U.S. generally accepted accounting principles**

As described in Note 3 of the condensed financial statements, the condensed financial statements are prepared by the Company on the basis of the financial reporting provisions of the Legislation, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the condensed financial statements of the variances between the regulatory basis of accounting described in Note 3 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.



### **Adverse opinion on U.S. generally accepted accounting principles**

In our opinion, because of the significance of the matter discussed in the “Basis for adverse opinion on U.S. generally accepted accounting principles” paragraph, the condensed financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2020 and 2019, or the results of its operations or its cash flows for the years then ended.

### **Opinion on regulatory basis of accounting**

In our opinion, the condensed financial statements referred to above present fairly, in all material respects, the financial position of 4 Ever Life International Limited as of December 31, 2020 and 2019, and the results of its operations for the years then ended in accordance with the financial reporting provisions of the Legislation described in Note 3.

*KPMG Audit Limited*

Chartered Professional Accountants  
Hamilton Bermuda  
April 26, 2021

**CONDENSED BALANCE SHEET**

4 Ever Life International Limited

As at **December 31, 2020**

expressed in ['000s]

**United States Dollars**

LINE No.		2020	2019
1.	CASH AND CASH EQUIVALENTS	4,628	4,185
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other		
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other quoted investments		
(f)	Total quoted investments	-	-
3.	UNQUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other		
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other unquoted investments		
(f)	Total unquoted investments	-	-
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES		
(a)	Unregulated entities that conduct ancillary services		
(b)	Unregulated non-financial operating entities		
(c)	Unregulated financial operating entities		
(d)	Regulated non-insurance financial operating entities		
(e)	Regulated insurance financial operating entities		
(f)	Total investments in affiliates	-	-
(g)	Advances to affiliates		
(h)	Total investments in and advances to affiliates	-	-
5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a)	First liens		
(b)	Other than first liens		
(c)	Total investments in mortgage loans on real estate	-	-
6.	POLICY LOANS		
7.	REAL ESTATE:		
(a)	Occupied by the company (less encumbrances)		
(b)	Other properties (less encumbrances)		
(c)	Total real estate	-	-
8.	COLLATERAL LOANS		
9.	INVESTMENT INCOME DUE AND ACCRUED		
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	20,876	21,592
(b)	Deferred - not yet due		
(c)	Receivables from retrocessional contracts		
(d)	Total accounts and premiums receivable	20,876	21,592
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates	6,340	6,268
(b)	Domestic affiliates		
(c)	Pools & associations		
(d)	All other insurers		
(e)	Total reinsurance balance receivable	6,340	6,268
12.	FUNDS HELD BY CEDING REINSURERS		

**CONDENSED BALANCE SHEET**

4 Ever Life International Limited

As at **December 31, 2020**

expressed in ['000s]

**United States Dollars**

LINE No.		2020	2019
13.	SUNDRY ASSETS:		
(a)	Derivative instruments		
(b)	Segregated accounts companies - long-term business - variable annuities		
(c)	Segregated accounts companies - long-term business - other		
(d)	Segregated accounts companies - general business		
(e)	Deposit assets		
(f)	Deferred acquisition costs	6,689	6,636
(g)	Net receivables for investments sold		
(h)	Prepaid Expenses	37	36
(i)	Other Sundry Assets (Specify)		
(j)	Other Sundry Assets (Specify)		
(k)	Total sundry assets	6,726	6,672
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit		
(b)	Guarantees		
(c)	Other instruments		
(e)	Total letters of credit, guarantees and other instruments	-	-
15.	TOTAL	38,570	38,717
	<b>TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS</b>		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	22,314	23,266
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates	22,314	23,266
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other insurers		
(c)	Total ceded unearned premium reserve	22,314	23,266
(d)	Net unearned premium reserve	-	-
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	5,487	6,751
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates	5,487	6,751
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other reinsurers		
(c)	Total reinsurance recoverable balance	5,487	6,751
(d)	Net loss and loss expense provisions	-	-
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES		
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	-	-
	<b>LONG-TERM BUSINESS INSURANCE RESERVES</b>		
20.	RESERVE FOR REPORTED CLAIMS		
21.	RESERVE FOR UNREPORTED CLAIMS		
22.	POLICY RESERVES - LIFE		
23.	POLICY RESERVES - ACCIDENT AND HEALTH		
24.	POLICYHOLDERS' FUNDS ON DEPOSIT		
25.	LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS		
26.	OTHER LONG-TERM BUSINESS INSURANCE RESERVES		
27.	TOTAL LONG-TERM BUSINESS INSURANCE RESERVES		
(a)	Total Gross Long-Term Business Insurance Reserves	-	-
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign Affiliates		
	(ii) Domestic Affiliates		
	(iii) Pools and Associations		
	(iv) All Other Insurers		
(c)	Total Reinsurance Recoverable Balance	-	-
(d)	<b>Total Net Long-Term Business Insurance Reserves</b>	-	-

**CONDENSED BALANCE SHEET**

4 Ever Life International Limited

As at **December 31, 2020**

expressed in ['000s]

**United States Dollars**

LINE No.		2020	2019
	<b>OTHER LIABILITIES</b>		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	29,002	29,242
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE		
30.	LOANS AND NOTES PAYABLE		
31.	(a) INCOME TAXES PAYABLE		
	(b) DEFERRED INCOME TAXES		
32.	AMOUNTS DUE TO AFFILIATES	59	68
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	97	117
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:		
35.	DIVIDENDS PAYABLE		
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments		
(b)	Segregated accounts companies		
(c)	Deposit liabilities		
(d)	Net payable for investments purchased		
(e)	Ceded Deferred Acquisition Costs	6,912	6,869
(f)	Other sundry liabilities (specify)		
(g)	Other sundry liabilities (specify)		
(h)	Total sundry liabilities	6,912	6,869
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS:		
(a)	Letters of credit		
(b)	Guarantees		
(c)	Other instruments		
(d)	Total letters of credit, guarantees and other instruments	-	-
38.	TOTAL OTHER LIABILITIES	36,070	36,296
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	36,070	36,296
	<b>CAPITAL AND SURPLUS</b>		
40.	TOTAL CAPITAL AND SURPLUS	2,500	2,421
41.	TOTAL	38,570	38,717
		<b>TRUE</b>	<b>TRUE</b>
		-	-

**CONDENSED STATEMENT OF INCOME**

4 Ever Life International Limited  
 As at December 31, 2020  
 expressed in ['000s] United States Dollars

LINE No.		2020	2019
	<b>GENERAL BUSINESS UNDERWRITING INCOME</b>		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written	60,576	81,266
	(b) Assumed gross premiums written		
	(c) Total gross premiums written	60,576	81,266
2.	REINSURANCE PREMIUMS CEDED	60,576	81,266
3.	NET PREMIUMS WRITTEN	-	-
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS		
5.	NET PREMIUMS EARNED	-	-
6.	OTHER INSURANCE INCOME	615	798
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	615	798
	<b>GENERAL BUSINESS UNDERWRITING EXPENSES</b>		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED		
9.	COMMISSIONS AND BROKERAGE		
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	-	-
11.	<b>NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS</b>	615	798
	<b>LONG-TERM BUSINESS INCOME</b>		
12.	GROSS PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Direct gross premiums and other considerations		
	(b) Assumed gross premiums and other considerations		
	(c) Total gross premiums and other considerations	-	-
13.	PREMIUMS CEDED		
14.	NET PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Life		
	(b) Annuities		
	(c) Accident and health		
	(d) Total net premiums and other considerations	-	-
15.	OTHER INSURANCE INCOME		
16.	TOTAL LONG-TERM BUSINESS INCOME	-	-
	<b>LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES</b>		
17.	CLAIMS - LIFE		
18.	POLICYHOLDERS' DIVIDENDS		
19.	SURRENDERS		
20.	MATURITIES		
21.	ANNUITIES		
22.	ACCIDENT AND HEALTH BENEFITS		
23.	COMMISSIONS		
24.	OTHER		
25.	TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES	-	-

**CONDENSED STATEMENT OF INCOME**

4 Ever Life International Limited  
 As at **December 31, 2020**  
 expressed in ['000s] **United States Dollars**

LINE No.		2020	2019
26.	INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES):		
	(a) Life		
	(b) Annuities		
	(c) Accident and health		
	(d) Total increase (decrease) in policy reserves	-	-
27.	TOTAL LONG-TERM BUSINESS EXPENSES	-	-
28.	<b>NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS</b>	-	-
29.	<b>COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS</b>	615	798
	<b>UNDERNOTED ITEMS</b>		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	547	744
	(b) Personnel cost		
	(c) Other		
	(d) Total combined operating expenses	547	744
31.	COMBINED INVESTMENT INCOME - NET	11	46
32.	COMBINED OTHER INCOME (DEDUCTIONS)		
33.	COMBINED INCOME BEFORE TAXES	79	100
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current		
	(b) Deferred		
	(c) Total	-	-
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	79	100
36.	COMBINED REALIZED GAINS (LOSSES)		
37.	COMBINED INTEREST CHARGES		
38.	<b>NET INCOME</b>	79	100

**CONDENSED STATEMENT OF CAPITAL AND SURPLUS**

4 Ever Life International Limited

As at **December 31, 2020**  
expressed in ['000s] **United States Dollars**

LINE No.		2020	2019
<b>1.</b>	<b>CAPITAL:</b>		
(a)	Capital Stock		
	(i) Common Shares	120	120
	authorized	120,000	
	value	\$ 1,000	
	fully paid	120,000	
		shares of par	
		each issued and	
		shares	
	(ii)		
	(A) Preferred shares:		
	authorized		
	value		
	fully paid		
		shares of par	
		each issued and	
		shares	
	aggregate liquidation value for –		
	2020		
	2019		
	(B) Preferred shares issued by a subsidiary:		
	authorized		
	value		
	fully paid		
		shares of par	
		each issued and	
		shares	
	aggregate liquidation value for –		
	2020		
	2019		
	(iii) Treasury Shares		
	repurchased		
	value		
		shares of par	
		each issued	
(b)	Contributed surplus	2,380	2,380
(c)	Any other fixed capital		
	(i) Hybrid capital instruments		
	(ii) Guarantees and others		
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	2,500	2,500
<b>2.</b>	<b>SURPLUS:</b>		
(a)	Surplus - Beginning of Year	(79)	(179)
(b)	Add: Income for the year	79	100
(c)	Less: Dividends paid and payable		
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments		
(e)	Add (Deduct) change in any other surplus		
(f)	Surplus - End of Year	-	(79)
<b>3.</b>	<b>MINORITY INTEREST</b>		
<b>4.</b>	<b>TOTAL CAPITAL AND SURPLUS</b>	2,500	2,421



## NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

### GENERAL

1. 4 Ever Life International Limited (the “Company” or “4ELI”) was incorporated on November 2, 2016 and registered effective December 30, 2016 as a Class 3A insurer under the Insurance Act 1978, as amended. The Company is wholly owned by BCS Financial Corporation (“BCSF”), a Delaware limited liability company formed in 1998. BCSF is owned by the 36 primary licensees of the Blue Cross and Blue Shield trademarks, who are the ultimate beneficial owners of the Company.
2. The Company provides non-employer expatriate/inpatriate travel medical policies which are 100% reinsured by 4 Ever Life Insurance Company (“4ELC”), an affiliated company which is rated A-Excellent by A.M Best.

The Company received an underwriting license from the Blue Cross Blue Shield Association (“BCBSA”) in 2017 and underwrites a suite of international medical products, branded as “GeoBlue”. The products provide private medical coverage to students, expatriate business travelers on extended assignments away from their country of residence. The coverage is organised in the US major medical/hospitalisation model. Cover includes reimbursement (or more commonly direct pay to medical providers) for outpatient treatment, inpatient hospitalisation and surgical treatments. The coverage also provides specialised services required by those outside their home countries, for example evacuation to home country for longer term treatment, repatriation of remains, expenses for a family member to travel to join an insured during extended or critical treatment.

The Company issues three principal types of health insurance policies:

- a) Short term individual travel medical coverage: These policies will provide medical coverage for terms of 15 days to six months. Coverage is provided for claims incurred in the US and abroad. Policy benefit limits between \$50K and \$1M may be chosen. The clients for this product are non-US travelers (other than Bermuda residents) journeying into the US and US travelers headed abroad for short to moderate terms. The products are available on a guaranteed issue basis to individuals meeting simple, non-discretionary eligibility criteria and are issued at standard rates that vary by exact benefits chosen, age of insured individual and term. This product is also offered as a “multi-trip”, bundled package where multiple coverage periods (corresponding to separate, discrete offshore trips) of a defined term can be purchased for use during a 12 month period.
- b) Long term individual medical coverage: These policies provide medical coverage for terms of 90 days to one year. Coverage is provided for claims incurred in the US and abroad. The clients for this product are non-US travelers (other than Bermuda residents) journeying into the US and US travelers headed abroad for generally longer terms than the short term cover

described above. Annual and lifetime policy benefit maximums are unlimited. Consumer-chosen options include a range of cost sharing features (deductible/coinsurance and out of pocket maximum) and riders varying pharmacy coverage. Policies covering only services in the destination country or services in both the destination and home country are offered as options. The policies are underwritten using both non-discretionary, demographic eligibility criteria and, in some cases, also underwritten using medical criteria based on health information obtained from applicants for coverage.

- c) International student medical insurance: These policies are sold on a group basis to colleges and universities whose students may have entered the US from outside the US to attend classes or US students engaged in a study abroad program of the school. Coverage for students includes coverage and benefit limits similar to those offered with long term individual health coverage (as described above). The college or university purchases a group policy under which its students may enroll for coverage according to the terms of the school program. Each school program is rated according to standard underwriting criteria which are non-discretionary. A standard rate adjustment is permitted to meet competitive and bargaining demands. Any additional adjustment sought must be reviewed by a qualified underwriter to ensure the Company's risk policies are not violated. Students enrolling for individual coverage under the school policy are issued coverage on a guaranteed issue basis, subject only to meeting objective eligibility criteria determined under the school policy.

3. The Company's condensed general purpose financial statements have been prepared in conformity with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to Condensed General Purpose Financial Statements (the "Legislation"). The condensed general purpose financial statements are based upon accounting principles generally accepted in the United States of America ("US GAAP") but are in accordance with the reporting requirements of the Legislation, which varies in certain respects from US GAAP. The more significant variances are as follows:

- A statement of cash flows is not included;
- A statement of comprehensive income is not included;
- The presentation and classification of financial statement line items is in accordance with Schedules IX and XI of the Insurance Account Rules 2016 and differ from the expected presentation and classification under US GAAP; and
- The notes included in the condensed general purpose financial statements have been prepared in accordance with Schedule X of the Insurance Account Rules 2016 and exclude certain information required under US GAAP.

#### 4. Significant accounting policies

##### (a) *Premiums*

Insurance and reinsurance premiums are recorded on the accruals basis and are included in income on a pro-rata basis over the terms of the related treaties, with the unearned portion deferred in the balance sheet. Unearned premiums represent the amounts of premiums applicable to the unexpired terms of the contract.

##### (b) *Incurred but not reported reserves, outstanding loss reserves and loss expenses*

The liability for losses and loss expenses includes an amount determined from loss reports and individual cases and an amount, based on past experiences, for losses incurred but not reported. These estimates are continually reviewed and are subject to the impact of future changes in such factors as claim severity and frequency. While management believes that the amount is adequate, the ultimate liability may be materially in excess of, or less than, the amounts provided and any adjustment will be reflected in the periods in which they become known.

##### (c) *Cash and Cash Equivalents*

Cash and time deposits include cash and time deposits with maturities of three months or less from the date of purchase.

##### (d) *Income Taxes*

Under current Bermuda law the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being imposed the Company will be exempted from taxation until the year 2035.

The Company has made an irrevocable election under Section 953(d) of the Internal Revenue Code of 1986, as amended, to treat the Company as a domestic insurance company for United States Federal income tax purposes. As a result of the “domestic election”, the Company is subject to U.S. taxation on its worldwide income as if it were a U.S. corporation.

An electing corporation, as a domestic corporation for United States tax purposes, is not subject to the provisions of Subpart F of the Internal Revenue Code. In addition, premiums paid or ceded to the Company will not be subject to United States federal excise tax. The Company will be included in the consolidated United States federal income tax return of the Parent.

Net deferred tax assets reflect the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting and tax purposes. The Company has provided a full valuation against any deferred tax asset for 2020 and 2019 in the amount of \$126k and \$188k respectively.

(e) *Related Party Transactions*

The Company entered into a reinsurance agreement on January 1, 2017 with 4ELC, both wholly owned subsidiaries of BCS Financial Corporation. The Company underwrites insurance policies which are 100% ceded to 4ELC. 4ELI receives a 1% fronting fee of gross written premiums. For the year ended December 31, 2020, 4ELI recorded a fronting fee of \$606k (\$813k in 2019). 4ELI also recorded a reinsurance balance a receivable from 4ELC totaling \$6,340k (\$6,268k in 2019) as of December 31, 2020. During the year ended December 31, 2020 the Company ceded premium of \$60,576k (\$81,266k in 2019). As at December 31, 2020, ceded unearned premium was in the amount of \$22,314k (\$23,266k in 2019). The Company had ceded deferred acquisition cost of \$6,912k (\$6,869k in 2019). The Company had a balance of \$20,876k (\$21,592k in 2019) of ceded premium due and unpaid in the course of collection. As at December 31, 2020 the Company had loss and loss expenses recoverable of \$5,487k (\$6,751k in 2019).

5. The basis for recognition of premium income is as noted in 4(a) above. The basis for recognition of commission income is pro-rata over the policy periods. Investment income is recorded on the accruals basis.
- 6-14. Not Applicable
15. Refer to note 4(e) above.
16. Not Applicable.
17. On March 11, 2020, the World Health Organization declared COVID 19, a pandemic ("COVID-19" or "the pandemic"). The pandemic and the associated governmental responses had a widespread impact on the United States economy, beginning in the final weeks of March 2020. While that impact continued throughout the year, economic activity increased as activity restrictions, intended to reduce or slow the spread of COVID19, relaxed to a degree. However, the continuation of elevated COVID-19 infection rates illustrates the persistent nature of the pandemic and the likelihood that it will continue to have a significant economic impact in future periods until widespread vaccinations occur.

As the economic uncertainties are on-going, the potential impact continues to vary and is unknown at the present time. The Company has implemented business continuity plans that were already in place prior to the pandemic, to ensure the availability of services for our customers, work-at-home capabilities for our employees, where appropriate, and other on-going risk management activities related to the current on-going economic market stress.

**NOTES TO THE CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS**

- 1(a). The Company has authorized and fully paid issued share capital of 120,000 shares of \$1 each.
- 1(b). Not applicable
- 2(c). Not applicable

## NOTES TO THE BALANCE SHEET

1–9. Not applicable

10. *Accounts and premiums receivable*

Accounts and premiums receivable represent the due and unpaid insurance balance as at December 31, 2020 from non-affiliated insured parties. Premiums receivable as at December 31, 2020 is \$20,876k (\$21,592k in 2019).

11. *Reinsurance balance receivable*

Please refer to Note 4 (e) above.

12. Not applicable

13. *Sundry Assets*

The balance of \$37k in sundry assets represents prepaid expenses as at December 31, 2020 (\$36k in 2019). These include the unearned portion of G&A expenditure in line with the accruals concept of US GAAP.

Deferred acquisition costs represent the portion of the costs of acquiring insurance business that will be expensed in the future. The costs of acquiring insurance business are expensed on a pro rata basis over the term of the policies to which they relate.

14-15. Not applicable

16. *Unearned premium reserve*

Unearned premiums represent the amounts of premiums applicable to the unexpired terms of the contract. Since all premiums written by the Company are reinsured by 4ELC as described in GENERAL Note 2, the net balance reported in line 16(d) is nil.

17. The provision for unpaid claims and claims expenses includes losses reported at the balance sheet date and an amount for losses incurred but not reported. Management believes that the provision for unpaid claims and claims expenses will be adequate to cover the ultimate net costs of losses incurred to the balance sheet date, but the provision is necessarily an estimate and may ultimately be settled for a greater or lesser amount. Any subsequent differences are recorded in the period in which they are determined. Since all losses incurred by the Company are reinsured by 4ELC as described in GENERAL Note 2, the net balance reported in line 17(d) is nil.

	2020 \$'000	2019 \$'000
Gross, loss and loss expense provisions at the beginning of the year	6,751	7,449
Less: Reinsurance recoverable at beginning of the year	<u>(6,751)</u>	<u>(7,449)</u>
Net loss and loss expense provisions at beginning of the year	–	–
<b>Net losses and loss expenses incurred related to:</b>		
Current year	–	–
Prior years	<u>–</u>	<u>–</u>
Total net losses and loss expenses incurred	–	–
<b>Net losses and loss expenses paid related to:</b>		
Current year	–	–
Prior years	<u>–</u>	<u>–</u>
Total net losses and loss expenses paid	–	–
Net loss and loss expense provisions at the end of the year	–	–
Add: Reinsurance recoverable at the end of the year	<u>5,487</u>	<u>6,751</u>
Gross loss and loss expense provisions at the end of the year	<u>5,487</u>	<u>6,751</u>

There are no restricted assets or unsecured policyholder obligations.

20-27. Not applicable

28. *Reinsurance balance payable*

4ELI also recorded a reinsurance balance payable to 4ELC totaling \$8,126k as of December 31, 2020 (\$7,650k in 2019). For all other related party transactions, please refer to Note 4.

29. Not applicable

30. Not applicable

31. Income taxes payable – Due to losses made since incorporation there is nil tax charge for 2020.

32. Amounts due to affiliates of \$59k is due to BCS Financial Corporation on December 31, 2020. This amount relates to expenses which BCSF have paid on behalf of 4ELI (\$68k in 2019).

33. Accounts and accrued liabilities balance as at December 31, 2020 includes the following:

	2020 \$'000	2019 \$'000
Management Fees	38	43
Audit Fees	57	58
Actuarial fees	–	11
Other accrued liabilities	<u>2</u>	<u>5</u>
Total	<u>97</u>	<u>117</u>

34-35. Not Applicable

36. *Sundry Liabilities*

The balance of \$6,912k in sundry liabilities represents ceded deferred acquisition costs as at December 31, 2020 (\$6,869k in 2019). The unearned ceding commissions as at December 31, 2020 were \$223k (\$233k in 2019).

37. Not applicable

#### **NOTES TO THE STATEMENT OF INCOME**

6. Not applicable

15. Not applicable

32. Not applicable

36. Not applicable