BUPA INSURANCE COMPANY

Statutory Financial Statements
and Supplemental Schedules

December 31, 2020 and 2019

(With Independent Auditors' Report Thereon)

BUPA INSURANCE COMPANY

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KPMG LLP
Brickell City Center, Suite 1200
78 SW 7 Street
Miami, FL 33130

Independent Auditors' Report

The Board of Directors
BUPA Insurance Company:

We have audited the accompanying financial statements of BUPA Insurance Company, which comprise the statutory statements of admitted assets, liabilities, and capital and surplus as of December 31, 2020 and 2019, and the related statutory statements of income and changes in capital and surplus, and cash flow for the years then ended, and the related notes to the statutory 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 statutory accounting practices prescribed or permitted by the Florida Department of Financial Services, Office of Insurance Regulation. Management is also responsible for 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 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 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 opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1(b) to the financial statements, the financial statements are prepared by BUPA Insurance Company using statutory accounting practices prescribed or permitted by the Florida Department of Financial Services, Office of Insurance Regulation, which is a basis of accounting other than U.S. generally accepted accounting principles. Accordingly, the financial statements are not intended to be presented in accordance with U.S. generally accepted accounting principles.

The effects on the financial statements of the variances between the statutory accounting practices described in Note 1(b) and U.S. generally accepted accounting principles, 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 variances between statutory accounting practices and U.S. generally accepted accounting principles discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with U.S. generally accepted accounting principles, the financial position of BUPA Insurance 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 Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus of BUPA Insurance Company as of December 31, 2020 and 2019, and the results of its operations and its cash flow for the years then ended, in accordance with statutory accounting practices prescribed or permitted by the Florida Department of Financial Services, Office of Insurance Regulation described in Note 1(b).

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in the supplemental schedule of investment risk interrogatories and summary investment schedule is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Florida Department of Financial Services, Office of Insurance Regulation. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

Miami, Florida
June 1, 2021

BUPA INSURANCE COMPANY

Statutory Statements of Admitted Assets, Liabilities, and Capital and Surplus

December 31, 2020 and 2019

Admitted Assets		2020	2019
Bonds	$	135,955,193	133,015,267
Common stocks		9,500,772	10,538,134
Cash, cash equivalents, and short-term investments (including short-term bonds in the amount of $102,028,915 and $58,436,879 as of December 31, 2020 and 2019, respectively)		148,228,907	125,303,766
Contract loans		233,959	263,619
Total cash, cash equivalents, and invested assets		293,918,831	269,120,786
Investment income due and accrued		1,808,402	1,536,109
Premiums due and unpaid		2,368,824	1,765,011
Amounts recoverable from reinsurers		72,341	936,113
Other amounts receivable under reinsurance contracts		27,775,657	27,492,476
Federal and foreign tax receivable		314,610	—
Receivable from subsidiaries and affiliates		560,306	1,754,065
Loan receivable from subsidiaries and affiliates		13,294,133	13,294,133
Other assets		8,219	3,579
Total	$	340,121,323	315,902,272
Liabilities and Capital and Surplus			
Claims unpaid (including life claims liability of $19,470 at December 31, 2020 and 2019)	$	48,971,234	40,973,932
Aggregate life policy reserves		1,387,809	1,600,885
Unearned health premium reserves		121,050,738	123,969,066
Premiums received in advance		1,814,444	1,695,656
General expenses due and accrued		4,401,728	4,520,561
Ceded reinsurance premiums payable		507,031	521,429
Remittances and items not allocated		1,320,521	1,065,854
Federal and foreign income tax payable		—	65,315
Payable to subsidiaries and affiliates		2,014,535	3,350,040
Reinsurance commissions payable		18,510,556	19,122,348
Other liabilities and accruals		88,467	109,459
Total liabilities		200,067,063	196,994,545
Common capital stock, par value of $1.25. Authorized, 10,000,000 shares at December 31, 2020 and 2019; issued and outstanding, 8,414,181 at December 31, 2020 and 2019		10,517,727	10,517,727
Gross paid-in and contributed surplus		127,984,490	127,984,490
Unassigned surplus (deficit)		1,552,043	(19,594,490)
Total capital and surplus		140,054,260	118,907,727
Total	$	340,121,323	315,902,272

See accompanying notes to statutory financial statements.

BUPA INSURANCE COMPANY

Statutory Statements of Income

Years ended December 31, 2020 and 2019

	2020	2019
Revenue:		
Net premium income	$ 318,174,175	322,537,304
Change in unearned premium reserves and reserve for rate credits	2,918,330	(10,146,511)
Aggregate write-ins for other healthcare-related revenue	1,217,627	1,336,864
Total	322,310,132	313,727,657
Deductions:		
Hospital and medical benefits	56,240,627	73,125,978
Net insurance recoverable	133,373,359	142,380,507
Nonhealth claims	(163,615)	24,267
General administrative expenses (including commissions of $107,881,844 and $107,428,924 for the years ended December 31, 2020 and 2019, respectively)	115,534,940	112,410,740
Total	304,985,311	327,941,492
Net underwriting gain (loss)	17,324,821	(14,213,835)
Other income (expense):		
Net realized capital (losses) gains	(24,207)	831,779
Net investment income	4,757,376	6,492,677
Net income (loss) from operations before income taxes	22,057,990	(6,889,379)
Federal and foreign income tax expense	1,973,765	984,279
Net income (loss)	$ 20,084,225	(7,873,658)

See accompanying notes to statutory financial statements.

BUPA INSURANCE COMPANY

Statutory Statements of Changes in Capital and Surplus

Years ended December 31, 2020 and 2019

	Common capital stock	Gross paid-in and contributed surplus	Unassigned surplus (deficit)	Total
Balance – December 31, 2018	10,517,727	127,984,490	25,773	138,527,990
Change in net deferred tax asset	—	—	(10,464,578)	(10,464,578)
Change in nonadmitted assets	—	—	878,392	878,392
Change in net unrealized capital loss	—	—	(2,160,419)	(2,160,419)
Net loss	—	—	(7,873,658)	(7,873,658)
Balance – December 31, 2019	10,517,727	127,984,490	(19,594,490)	118,907,727
Change in nonadmitted assets	—	—	2,099,670	2,099,670
Change in net unrealized capital loss	—	—	(1,037,362)	(1,037,362)
Net income	—	—	20,084,225	20,084,225
Balance – December 31, 2020	$ 10,517,727	127,984,490	1,552,043	140,054,260

See accompanying notes to statutory financial statements.

BUPA INSURANCE COMPANY

Statutory Statements of Cash Flow

Years ended December 31, 2020 and 2019

	2020	2019
Cash flow from operations:		
Premiums collected, net of reinsurance	$ 317,443,408	291,157,616
Net investment income	4,641,061	6,561,553
Other income	1,217,627	1,336,864
Benefits and loss-related payments	(183,420,506)	(191,491,562)
Commissions, expenses paid, and aggregate write-ins	(111,312,799)	(99,423,800)
Federal and foreign income taxes (paid) received	(1,740,087)	1,483,701
Net cash provided by operations	26,828,704	9,624,372
Cash flow from investments:		
Proceeds from investments sold, matured, or repaid:		
Bonds	101,180,050	112,662,078
Total investment proceeds	101,180,050	112,662,078
Cost of investments acquired:		
Bonds	(105,113,273)	(52,462,502)
Total investments acquired	(105,113,273)	(52,462,502)
Net increase (decrease) in contract loans	29,660	(20,871)
Net cash (used in) provided by investments	(3,903,563)	60,178,705
Cash flow from financing and miscellaneous sources:		
Loan to subsidiaries and affiliates	—	(8,500,000)
Net cash used in financing and miscellaneous sources	—	(8,500,000)
Net change in cash, cash equivalents, and short-term investments	22,925,141	61,303,077
Cash, cash equivalents, and short-term investments, beginning of year	125,303,766	64,000,689
Cash, cash equivalents, and short-term investments, end of year	$ 148,228,907	125,303,766

See accompanying notes to statutory financial statements.

(1) Organization and Significant Accounting Policies

(a) Organization

BUPA Insurance Company (the Company) is a health insurance company that files its annual report with the Florida Department of Financial Services, Office of Insurance Regulation (Florida OIR). The Company was incorporated in 1973 and obtained a license to write specific coverage in the state of Florida in July 1973. The Company was acquired on September 9, 2005 by Grupo BUPA Sanitas (GBS), a subsidiary of the British United Provident Association (BUPA), a corporation domiciled in England. In October 2013, Bupa Investment Overseas Limited (BIOL), a subsidiary of BUPA, acquired a 33.19% interest in the Company. During 2014, BIOL increased its ownership interest to 59.28%. In December 2015, Bupa Investments Holdings Limited acquired all shares owned by both GBS and BIOL, becoming the Company’s sole shareholder. During 2016, Bupa Investments Holdings Limited changed its name to Bupa Global Holdings Limited.

The Company provides accident and health and life insurance primarily to individuals in Latin America and the Caribbean. The Company owns a 99.9% interest in Bupa Mexico, Compañía de Seguros, S.A. de C.V. y Reaseguros (Bupa Mexico).

(b) Basis of Presentation

The accompanying statutory financial statements of the Company have been prepared in conformity with accounting practices prescribed or permitted by the National Association of Insurance Commissioners’ (NAIC) *Accounting Practices and Procedures Manual* and the Florida OIR, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP). Prescribed statutory accounting practices include a variety of publications of the NAIC, as well as state laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. As of December 31, 2020 and 2019, the Company did not utilize any statutory accounting principles (SAP), which were not prescribed by insurance regulators.

SAP differ from GAAP in several respects, which cause differences in reported assets, liabilities, stockholders’ equity (statutory capital and surplus), net income, and cash flows. The primary differences between SAP and GAAP include the following:

- Investments in bonds are carried at admitted value, which is generally cost or amortized cost; under GAAP, investments in bonds, other than those classified as held to maturity, are carried at fair value.
- Certain assets (principally, prepaid expenses, deposits, fixed assets, and receivables that are outstanding for more than 90 days from the due date) have been designated as nonadmitted assets and excluded from assets by a charge to statutory surplus. Under GAAP, such amounts are carried at cost less amortization or net realizable value.
- Aggregate reserves for life and annuity contracts are based on statutory mortality and interest requirements without consideration for anticipated withdrawals. Morbidity assumptions are based on the Company’s experience. Under GAAP, the reserves are based on either (i) the present value of future benefits less the present value of future net premiums based on mortality, morbidity, and

other assumptions, which were appropriate at the time the policies were issued or acquired, or (ii) the account value for certain contracts without significant life contingencies.

- Deferred income taxes are recognized for both SAP and GAAP; however, the amount permitted to be recognized is generally more restrictive under SAP. Changes in deferred tax assets and liabilities are charged or credited directly to unassigned surplus under SAP. Under GAAP, these changes generally are included in net income. Admittance testing may result in a charge to surplus for nonadmitted portions of deferred tax assets.
- Policy acquisition costs are expensed as incurred, while under GAAP, these costs are deferred and recognized over either (i) the expected premium paying period or (ii) the estimated term of the contract. Under GAAP, assumed reinsurance commission allowances are also deferred as an offset to deferred policy acquisition costs and recognized in proportion to the related policy acquisition costs.
- Reserves are reported as liabilities, net of ceded reinsurance; under GAAP, reserves relating to business in which the Company is not legally relieved of its liability are reported gross with an offsetting reinsurance recoverable presented as an asset.
- Premiums on annuity contracts are recognized as revenue when the contracts are issued. Accident and health premiums are earned on a pro rata basis over the term of the contracts. Under GAAP, premiums on annuity contracts are not recognized as revenue but as deposits, including those held in separate accounts, and reported as a liability.
- Revenue for universal life policies consists of the entire premium received and benefits represent the death benefits paid and the change in policy reserves. Under GAAP, premiums received in excess of policy charges are not recognized as premium revenue but rather as deposit liabilities. Policy charges are deferred and amortized into earnings in proportion to future expected gross profits. Benefits represent the excess of benefits paid over the policy account values and interest credited to the account values.
- The statutory statements of cash flow differ in certain respects from the presentation required by GAAP, including the presentation of the changes in cash and short-term investments instead of cash and cash equivalents. Savings accounts and certificates of deposit in banks or other financial institutions with maturities within one year or less from the acquisition date are classified as cash for financial statement purposes. Short-term investments include securities with maturities, at the time of acquisition, of 90 days or less. For statutory purposes, there is no reconciliation between net income and cash from operations.
- Statutory financial statements do not include reporting and display of comprehensive income as specified under GAAP.
- Corrections of errors in previously issued financial statements are reported as adjustments to unassigned surplus in the period an error is detected unless otherwise directed by the domiciliary insurance department. Under GAAP, corrections of errors are reported, when material, as prior period adjustments with adjustment to the prior year income and equity.

(Continued)

(c) *Use of Estimates*

The preparation of the statutory financial statements requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the statutory financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of unearned health premium reserves, premium deficiency reserves, liabilities for unpaid claims, aggregate life policy reserves, valuation allowances for receivables, and valuation allowances for deferred income taxes. Actual results could differ from those estimates, and such differences could be significant.

(d) *Cash, Cash Equivalents, and Invested Assets*

In accordance with the requirements of the NAIC SAP, bonds, certain preferred stock, and short-term investments are typically stated at amortized cost or the valuations promulgated by the NAIC. Investments in bonds not backed by other loans are generally carried at amortized cost, except where the NAIC designation indicates that a bond be carried at the fair value. Changes in prepayment assumptions are accounted for prospectively. Discount or premium on bonds is recorded for the difference between the purchase price and the principal amount, amortized using the effective-interest method. Investments in common stock and certain preferred stock are stated in accordance with the requirements of the NAIC SAP, which approximates fair value. Interest revenue is recognized when earned. Realized gains or losses on sales of investments are determined on the basis of specific identified cost and recognized in net income. Short-term investments are stated at cost, which approximates fair value. For the purpose of the statutory statements of cash flow and the statutory statements of admitted assets, liabilities, and capital and surplus, short-term investments include investments that have a maturity of 90 days or less as of the date of acquisition and cash includes negotiable certificates of deposit that have a maturity date of one year or less at the date of acquisition.

Unrealized gains or losses on bonds and stocks, including the common stock of the Company’s unconsolidated subsidiary, are excluded from income and credited or charged directly to unassigned surplus. If any unrealized losses on bonds or stocks are deemed other than temporary, such unrealized losses are recognized as realized losses. The Company has not recognized other-than-temporary losses on securities during 2020 or 2019.

Contract loans are stated at their unpaid principal balance, less an allowance for loan losses, if any. As of and for the years ended December 31, 2020 or 2019, the Company had no impaired contract loans.

The Company has provided deposits with a face value of $49,032 and $45,029 to Scotiabank Anguilla Limited as required by Anguilla Financial Services Commission, $306,995 and 251,030 to First Caribbean International Bank as required by Centrale Bank Van Aruba, and $250,000 to BVI Financial Services Commission as required by British Virgin Islands Financial Services Commission for the years ended December 31, 2020 and 2019, respectively. These amounts have been reported as components of cash, cash equivalents, and short-term investments in the accompanying statutory statements of admitted assets, liabilities, capital and surplus.

(e) Investment in Mexican Subsidiary

During 2003, the Company established Bupa Mexico, Compañía de Seguros, S.A. de C.V., a 99.99% owned subsidiary, which was incorporated on July 31, 2003 in Mexico. The investment in this entity is recorded based on the underlying audited GAAP equity of Bupa Mexico adjusted to a statutory basis of accounting as required by Statements of Statutory Accounting Principles (SSAP) No. 97, *Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 88*. The value of this investment is $9,500,772 and $10,538,134 at December 31, 2020 and 2019, respectively, and is included in common stocks. Dividends from unconsolidated affiliates are recognized as investment income to the extent they are not in excess of the undistributed accumulated earnings attributable to the affiliate. Dividends in excess of such amount reduce the carrying amount of the investment. No dividends have been paid by Bupa Mexico since inception. There were no capital injections made in 2020 and 2019.

(f) Premium and Annuity Considerations Recognition and Acquisition Costs

Accident and health insurance premiums are recognized as revenue ratably over the time period to which premiums relate. The liability for unearned premiums for accident and health contracts represents the unexpired portion of the premiums in force and is reported on the statutory statements of admitted assets, liabilities, and capital and surplus as unearned health premium reserves.

Life and annuity premiums are recorded as income when due from policyholders under the terms of the insurance contract. Recognition of life premium income is consistent with the assumptions made in calculating the related policy reserve.

Costs of acquiring and renewing business are expensed as incurred.

(g) Aggregate Reserve for Life Contracts

The aggregate reserve for life policies and contracts is actuarially computed in accordance with state statutes and administrative regulations. The aggregate reserve for life contracts has been calculated principally using the net single premium method and CRVM and is reported in the statutory statements of admitted assets, liabilities, and capital and surplus as aggregate life policy reserves. The mortality and interest assumptions used for life contracts were derived from the 1958 and 1980 Commissioners Standard Ordinary Mortality Tables assuming interest of 3.0% to 5.5%.

The aggregate reserve for life contracts includes reserves for reported claims in the process of settlement, valued in accordance with the terms of the related contracts, as well as reserves for claims incurred and unreported based on prior experience of the Company.

The Company previously offered various life insurance products including interest sensitive whole life, term annuities, participating whole life, and group life; all new policy sales ceased in 2012. The amount maintained in the reserves for deposit-type contracts as of December 31, 2020 and 2019 includes annuity reserves.

The Company waives deductions of deferred fractional premiums upon death of the insured and returns any portion of the final premium beyond the month of death. Surrender values are not guaranteed in excess of the legally computed reserves. Reserves for substandard policies are computed by applying the appropriate table rating or flat extra to the tabular mortality cost. As of December 31, 2020 and 2019, the Company had $1,500,000 and $1,700,000, respectively, of direct insurance in force for which the gross premiums are less than the net premium according to the standard valuation laws of the State of Florida. Tabular interest has been determined by formula as described in the instructions for the analysis of increase in reserves. The tabular less actual reserve released has been determined by a formula as described in the instructions for analysis of increase in reserves. The tabular cost has been determined by formula as described in the instructions for analysis of increase of reserves. The tabular interest on funds not involving life contingencies is the actual amount credited. For the annuity reserves and deposit liabilities, $127,455 and $120,890 is available to the contract holders at book value with minimal or no surrender charge at December 31, 2020 and 2019, respectively.

(h) Claims Unpaid

The liability for unpaid accident and health contract claims, represents the amounts estimated to fund claims that have been reported but not settled and claims incurred but not reported. The liability for unpaid claims is estimated based on the Company's historical experience and other actuarial assumptions that consider the effects of current developments, anticipated trends, risk management programs, and renewal actions. Many factors affect actuarial calculations of claim liability, including, but not limited, to current and anticipated incidence rates and economic and societal conditions. Management periodically performs a review of estimates and assumptions. If management determines assumptions need to be updated, any resulting adjustment to liabilities is reflected in the current year results. Given that insurance products contain inherent risks and uncertainties, the ultimate liability may be more or less than such estimates indicate.

(i) Premium Deficiency Reserve

A premium deficiency reserve is recognized by recording an additional liability for the deficiency, which results when anticipated future losses, loss adjustment expenses, commissions, other acquisition costs, and maintenance costs exceed the recorded unearned premium reserve, any future installment premiums on existing policies, and anticipated investment income..

The Company considered two investment income scenarios in the premium deficiency calculation in accordance with SSAP No. 54, *Individual and Group Accident and Health Contracts*. The base scenario contemplated an initial return of 1.55% that graded into the long-term average of the 90-day T-Bill rate linearly over 10 years. A level-yield scenario based on the assumed initial return of 1.55% was also considered.

The change in this reserve is recorded as a component of other underwriting deductions. It was determined that no premium deficiency reserve was needed as of December 31, 2020 or 2019.

(j) Income Taxes

The Company determines income tax balances and related disclosures in accordance with SSAP No. 101, *Income Taxes, a Replacement of SSAP No. 10R and SSAP No. 10*.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in surplus in the period that includes the enactment date.

The Company classifies net interest expense related to tax matters and any applicable penalties as a component of general and administrative expense.

The admissibility of the Company's gross deferred tax assets is based on the provisions in paragraph 11 of SSAP No. 101.

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law in March 2020. The CARES Act lifts certain deduction limitations originally imposed by the Tax Cuts and Jobs Act of 2017 ("2017 Tax Act"). Corporate taxpayers may carryback net operating losses ("NOL's") originating during 2018 through 2020 for up to five years, which was not previously allowed under the 2017 Tax Act. The CARES Act also eliminates the 80% of taxable income limitations by allowing corporate entities to fully utilize NOL carryforwards to offset taxable income in 2018, 2019 or 2020.

The enactment of the CARES Act did not result in any material adjustments to the Company's income tax provision for the year ended December 31, 2020, or to its net deferred tax assets as of December 31, 2020.

(k) Reinsurance

Premiums written are ceded on a treaty basis. Health-per-risk excess reinsurance contracts are maintained to protect against losses over specified amounts arising from any one occurrence or event. Premiums ceded to other companies have been reported as a reduction of premium income. The insurer is not relieved of its primary obligations to the policyholder in a reinsurance transaction.

In 2020 and 2019, the Company entered into an excess of loss (XOL) treaty with Sirius International Insurance Corporation (Sirius) covering its health risks. The amount retained by the Company is up to $400,000 per claimant and $600,000 for claims classified as Maternity Complication Losses. The full risk per claimant in excess of $400,000 is then transferred to Sirius after meeting an aggregate deductible on the sum of all such claims. This transfer of risk is contracted as a fixed premium per member explicitly stated in the contract. The contract was bid out to market participants resulting in a competitive premium for the risk transferred.

The Company has both coinsurance and yearly renewable term treaties on its small block of life risks. These treaties were also placed in the open market with full transfer of risk for the amounts specified in the treaties.

The Company assumes health risks from affiliates. The Company has treaties with Bupa Mexico, Bupa Guatemala Compañía de Seguros S.A. (Bupa Guatemala) and Bupa Dominicana S.A. (Bupa DR), companies under common ownership, which have both coinsurance and XOL elements. Bupa Panama S.A. (Bupa Panama) and Bupa Ecuador S.A., Compañía de Seguros y Reaseguros (Bupa Ecuador), Bupa Insurance Bolivia SA (Bupa Bolivia) only have an XOL treaty with the Company. Bupa Insurance Limited (BINS) has a coinsurance treaty with the Company.

The coinsurance treaty with Bupa Compañía Seguros de Vida S.A. of Chile, (Bupa Chile) was terminated in 2019, and the Company entered a retrocession reinsurance contract with Axis Re Se, a European public limited company, where the Company reinsured 100% of both premiums and losses written by Bupa Chile. The coinsurance treaty with Axis Re Se was terminated on January 31, 2020. The Company entered into a new retrocession contract with Sirius International Corporation (Sirius) on February 1, 2020, a European public limited company, where the Company reinsured 100% of both premiums and losses written by Bupa Chile. This retrocession contract was terminated on January 1, 2021.

The Company has a reinsurance contract with Lloyds Syndicate #2001, managed by Amlin Underwriting Limited, covering 85% of both premiums and losses underwritten by Amlin.

BIC has a reinsurance contract with Compañía de Seguros Bolivar S. A. (Seguros Bolivar), a company incorporated in Colombia, where the Company reinsures 95% of both premiums and losses written by Seguros Bolivar.

Assumed reinsurance premiums, commissions, expense reimbursements, and reserves related to reinsured business are accounted for on the basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts.

All of these treaties have full transfer of risk for the amounts specified in the treaty. There are no additional premiums, allowances, or loss adjustments based on the portfolio experience that would limit the risk to the Company or return risk to the ceding companies. Based on these points, these contracts meet the requirements for reinsurance accounting.

(Continued)

(l) Nonadmitted Assets

Certain assets, such as work in progress, deferred tax assets, deposits, prepaid expenses, electronic data processing equipment, furniture and equipment, receivables 90 days past due, and nonadmitted portion of loan to related party have been designated as nonadmitted assets by a charge to statutory surplus. Changes in these assets are presented as changes in unassigned surplus.

	2020	2019	Increase (decrease) in surplus for 2020
Receivables from subsidiaries and affiliates	$ 4,886	—	(4,886)
Electronic data processing equipment	204	2,115	1,911
Furniture and equipment	619,592	2,107,634	1,488,042
Loan receivable – related party	20,405,867	20,405,867	—
State income tax recoverable	—	1,000	1,000
Federal income tax recoverable	—	613,603	613,603
Total nonadmitted assets	$ 21,030,549	23,130,219	2,099,670

In 2020, the Company elected to make changes to the estimated useful lives of certain leasehold improvements due to under-utilization. The amount of impairment expense recorded for 2020 was $998,481. This amount has been included within general administrative expenses within the statutory statement of income and has been accounted for in accordance with SSAP No. 3 – *Accounting Changes and Corrections of Errors*.

(m) Fair Value Measurement

The fair value of financial instruments represents estimates of fair values at a specific point in time determined by the Company using available market information and appropriate valuation methodologies. These estimates are subjective in nature and involve uncertainties and significant judgment in the interpretation of current market data

SSAP No. 100, *Fair Value Measurements*, specifies a fair value hierarchy based on whether the inputs to valuation techniques used to measure fair value are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company’s assumptions about market participants’ assumptions based on the best information available in the circumstances. In accordance with SSAP No. 100, the fair value hierarchy prioritizes model inputs into three broad levels:

Level 1: Quoted prices for identical instruments in active markets that the Company has the ability to access;

Level 2: Quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments that are not in active markets, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and

Level 3: Model-driven valuations in which one or more significant inputs or significant value drivers are unobservable.

As of December 31, 2020 or 2019, there were no significant financial assets and liabilities that are measured at fair value on a recurring basis. However, the Company discloses the fair value of bonds held to maturity, which are reported at amortized cost on the statutory statements of admitted assets, liabilities, and capital and surplus as further discussed in notes 2 and 3.

(n) Derivative Instruments and Hedging Activities

Bupa Investments Limited (BIL), an affiliated entity, enters into nondeliverable forward contracts on behalf of the Company in order to limit its exposure to fluctuations in foreign currency exchange rates. These contracts were entered into to fixed U.S. dollar (USD) amounts for a portion of the anticipated net cash flow related to policyholders' premiums and claims. The Company does not use derivative instruments for speculative purposes. Fair value of derivatives is estimated using available market information and appropriate valuation methodologies. The derivatives derive their value primarily based on changes in currency exchange.

All derivatives are recorded at fair value by BIL, and the changes in fair value are charged to the Company and included in earnings. The Company reported cash outflows of $39,150 related to realized losses on hedging transactions during 2020. The Company reported cash outflows of $718,651 related to realized losses on hedging transactions during 2019. The unrealized gain of the outstanding contracts BIL held on behalf of the Company as of December 31, 2020 was $396,922. The unrealized loss of the outstanding contracts BIL held on behalf of the Company as of December 31, 2019 was $416,190. The notional principal amount related to these contracts was approximately $6.6 million and $17.1 million as of December 31, 2020 and 2019, respectively. These unrealized gains and losses did not qualify for hedge accounting, and, thus, are reported as losses in the statutory statements of income for the years ended December 31, 2020 and 2019. The contracts are settled net; the unrealized gains or losses are recorded as an intercompany receivable (payable) with BIL, which has a corresponding asset (liability) with the respective banking institutions.

(o) Reclassifications

Certain prior year amounts have been reclassified to conform with current period presentation, the effects of which are immaterial.

(2) Investments

The amortized cost, gross unrealized gains and losses, and fair value of investment securities as of December 31, 2020 are as follows:

		Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Bonds:					
U.S. Treasury securities and obligations of U.S. government agencies, states, and political subdivisions	$	781,903	95,832	—	877,735
Industrial and miscellaneous		135,173,290	255,366	(10,523)	135,418,133
Total bonds	$	135,955,193	351,198	(10,523)	136,295,868

The industrial and miscellaneous bonds comprise $135.2 million of corporate bonds.

The amortized cost, gross unrealized gains and losses, and fair value of investment securities as of December 31, 2019 are as follows:

		Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Bonds:					
U.S. Treasury securities and obligations of U.S. government agencies, states, and political subdivisions	$	775,857	48,432	—	824,289
Industrial and miscellaneous		132,239,410	322,242	(5,005)	132,556,647
Total bonds	$	133,015,267	370,674	(5,005)	133,380,936

The industrial and miscellaneous bonds comprise $127.2 million of corporate bonds and one certificate of deposit issued by a financial institution for $5.0 million.

The amortized cost, gross unrealized gains and losses, and fair value of short-term investments as of December 31, 2020 are as follows:

		Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Bonds:					
U.S. Treasury securities and obligations of U.S. government agencies, states, and political subdivisions	$	39,064,142	—	(6,422)	39,057,720
Industrial and miscellaneous		62,964,773	3,876	(12,094)	62,956,555
Total bonds	$	102,028,915	3,876	(18,516)	102,014,275

The industrial and miscellaneous bonds comprise $63 million of corporate bonds.

The amortized cost, gross unrealized gains and losses, and fair value of short-term investments as of December 31, 2019 are as follows:

		Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Bonds:					
U.S. Treasury securities and obligations of U.S. government agencies, states, and political subdivisions	$	38,972,409	9,651	—	38,982,060
Industrial and miscellaneous		19,464,470	8,146	(2,122)	19,470,494
Total bonds	$	58,436,879	17,797	(2,122)	58,452,554

The industrial and miscellaneous bonds comprise $19.5 million of corporate bonds.

Gross unrealized holding losses on investment securities for which other-than-temporary impairments have not been recognized and the fair values of those securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of December 31, 2020 and 2019, and were as follows:

	2020					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross unrealized losses	Fair Value	Gross unrealized losses	Fair Value	Gross unrealized losses
Bonds:						
Industrial and miscellaneous	$ 14,161,330	(10,523)	—	—	14,161,330	(10,523)
Total bonds	$ 14,161,330	(10,523)	—	—	14,161,330	(10,523)

	2019					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross unrealized losses	Fair Value	Gross unrealized losses	Fair Value	Gross unrealized losses
Bonds:						
Industrial and miscellaneous	$ 5,181,686	(559)	5,015,800	(4,446)	10,197,486	(5,005)
Total bonds	$ 5,181,686	(559)	5,015,800	(4,446)	10,197,486	(5,005)

At December 31, 2020 and 2019, all of the Company’s securities in an unrealized loss position are investment-grade fixed-income securities. Each of these investments is current on interest and principal payments. The unrealized loss position is due to the changes in the interest rate environment, and the Company has the intent and ability to hold these securities until they mature or recover in value.

Management considered several factors in determining that securities carried at an unrealized loss position were not other-than-temporarily impaired, including the nature of the investments, the severity and duration of the impairment, industry analyst reports, the volatility of the securities market price, and other relevant information at the time the statutory financial statements were prepared. During 2020 and 2019, the Company recognized no other-than-temporary impairment losses on fixed-income securities.

(Continued)

The carrying values and fair value of bonds at December 31, 2020, by contractual maturity, are shown below:

	2020		2019	
	Amortized cost	Fair value	Amortized cost	Fair value
Due in 1 year or less	$ 69,293,667	69,423,630	86,691,931	86,892,709
Due after 1 year through 5 years	65,977,849	66,110,495	45,645,096	45,780,106
Due after 5 year through 10 years	683,677	761,743	678,240	708,121
	$ 135,955,193	136,295,868	133,015,267	133,380,936

There were no bonds with maturities due after 10 years at December 31, 2020.

There were sales of investment securities during 2020, which resulted in a gross realized capital loss of $32,673 and gross realized capital gain of $8,466. There were sales of investment securities during 2019, which resulted in a gross realized capital gain of $831,779.

The credit quality of the bond portfolio at December 31, 2020, is identified in the table below. The quality ratings represent NAIC designations.

	2020		2019	
	Amortized cost	Percentage	Amortized cost	Percentage
NAIC 1 (highest quality)	$ 135,955,193	100.0 %	133,015,267	100.0 %
	$ 135,955,193	100.0 %	133,015,267	100.0 %

Bonds with ratings ranging from AAA/Aaa to BBB/Baa3, as assigned by a rating service such as Standard and Poor's Corporation or Moody's Investment Services, are generally regarded as investment-grade securities. Those securities issued or guaranteed by the U.S. government or an agency thereof are not rated, but are considered to be investment-grade securities. The NAIC regards the U.S. government and agency securities and all A ratings as Class 1 (highest quality), BBB/Baa ratings as Class 2 (high quality), BB/Ba ratings as Class 3 (medium quality), B ratings as Class 4 (low quality), all C ratings as Class 5 (lower quality), and D ratings as Class 6 (in or near default).

Bonds include U.S. Treasury securities with a carrying value of $293,562 and $291,400 at December 31, 2020 and 2019, respectively, on deposit with the Florida OIR, as required by state insurance regulations. Bonds were also on deposit with the government of the U.S. Virgin Islands, with a carrying value of $488,341 and $484,457 at December 31, 2020 and 2019, respectively.

Net investment income for the years ended December 31, 2020 and 2019 comprises the following:

		2020	2019
Bonds	$	2,749,807	5,385,254
Related party loans		523,973	832,506
Commercial deposits		703,890	1,098,478
Other		27,890	99,321
Derivative instruments		773,962	(896,701)
Investment income		4,779,522	6,518,858
Investment expense		22,146	26,181
Net investment income	$	4,757,376	6,492,677

(3) Fair Value Measurements

The following table represents fair value of securities recorded or disclosed at fair value by SSAP No. 100 hierarchy levels as of December 31, 2020 and 2019:

		2020					
		Admitted assets	Aggregate fair value	Level 1	Level 2	Level 3	Not practicable to estimate fair value (carrying value)
Financial assets:							
Bonds:							
U.S. Treasury securities and obligations of U.S. Government agencies, states, and political subdivisions	$	39,846,045	39,935,455	39,935,455	—	—	—
Industrial and miscellaneous		198,138,063	198,374,688	—	198,374,688	—	—
Common stock		9,500,772	9,500,772	—	—	—	9,500,772
	$	247,484,880	247,810,915	39,935,455	198,374,688	—	9,500,772

		2019				
	Admitted assets	Aggregate fair value	Level 1	Level 2	Level 3	Not practicable to estimate fair value (carrying value)
Financial assets:						
Bonds:						
U.S. Treasury securities and obligations of U.S. Government agencies, states, and political subdivisions	$ 39,748,266	39,806,349	39,806,349	—	—	—
Industrial and miscellaneous	151,703,880	152,027,141	—	152,027,141	—	—
Common stock	10,538,134	10,538,134	—	—	—	10,538,134
	$ 201,990,280	202,371,624	39,806,349	152,027,141	—	10,538,134

Investments not practicable to estimate fair value
December 31, 2020

Type of financial instrument	Carrying value	Effective interest rate	Maturity date	Explanation
Common stock	$ 9,500,772	N/A	N/A	Amounts reported are book/adjusted carrying values of affiliates for which no resale market is readily available.

Investments not practicable to estimate fair value
December 31, 2019

Type of financial instrument	Carrying value	Effective interest rate	Maturity date	Explanation
Common stock	$ 10,538,134	N/A	N/A	Amounts reported are book/adjusted carrying values of affiliates for which no resale market is readily available.

The fair value estimates presented herein are based on quotations of national securities exchanges or pertinent information available to the Company as of December 31, 2020 and 2019. Although the Company is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been revalued for purposes of these statutory financial statements since that date; current estimates of fair value may differ significantly from the amounts presented herein.

The admitted value of common stock is calculated under SSAP No. 97. The Company has not determined the fair value of investment in affiliated common stock.

The carrying value of cash, cash equivalents, and short-term investments, contract loans, fees and other receivables, and accrued expenses approximates fair value due to short maturity or short duration of these instruments.

(4) Accident and Health Contract Claims

Activity in the liability for accident and health contract claims, net of reinsurance ended for the years ended December 31, 2020 and 2019 is summarized as follows:

		2020	2019
Claim reserves at January 1, net of amounts ceded	$	40,954,462	36,546,457
Incurred related to:			
Current year		193,472,954	219,306,200
Prior years		(3,858,968)	(3,799,715)
Total incurred		189,613,986	215,506,485
Paid related to:			
Current year	$	146,697,920	180,048,833
Prior years		34,918,764	31,049,647
Total paid		181,616,684	211,098,480
Claim reserves at December 31, net of amounts ceded	$	48,951,764	40,954,462

The above table shows the components of changes in claim liabilities. Claim liabilities include claims in process as well as provisions for the estimate of incurred but not reported claims and provisions for disputed claim obligations. Such estimates are computed using actuarial principles and assumptions that consider, among other things, contractual requirements, historical utilization trends and payment patterns, benefit changes, medical inflation, seasonality, membership, and other relevant factors.

Because claim liabilities include various actuarially developed estimates, the Company's actual medical costs and claims expense may be more or less than the Company's previously developed estimates. As a result of changes in estimates of insured events, the incurred claims for prior period insured events during 2020 and 2019 were lower than anticipated and this is attributed to lower-than-expected cost per service and development. Management believes the amount of claims liabilities is reasonable and adequate to cover the Company's liability for unpaid claims and for claims incurred but not yet reported as of December 31, 2020, and 2019.

(Continued)

(5) Premium Deficiency

The Company evaluates its healthcare contracts to determine if it is probable that a loss will be incurred. A premium deficiency loss is recognized when it is probable that expected future paid claims, administrative expenses, and reserves will exceed existing reserves plus anticipated future premiums on existing contracts. Anticipated investment income and overhead expenses are also considered in the calculation of premium deficiencies. In 2020 and 2019, it was determined that no premium deficiency reserve was necessary due to the actual results being closer to the expected scenario than the moderately adverse scenarios that were the basis for the reserve in previous years.

(6) Federal Income Taxes

The current provisions for incurred taxes on earnings for the years ended December 31 are as follows:

		2020	2019
Federal	$	937,259	452,889
Foreign		1,036,506	531,390
Federal and foreign income taxes provisions	$	1,973,765	984,279

A reconciliation of the federal income tax provision (other than capital gains) to the amount computed using the statutory federal income tax rate of 21% in 2020 and 21% in 2019 is as follows:

		2020	2019
Federal income taxes computed at the statutory rate	$	4,632,178	(1,446,770)
Change in nonadmitted assets		440,931	(1,228,772)
Change in valuation allowance		(3,075,624)	13,258,508
Other		(23,720)	865,891
Federal and foreign income taxes provisions	$	1,973,765	11,448,857
Federal income tax provisions (benefit)	$	1,973,765	984,279
Change in net deferred income taxes		—	10,464,578
Total statutory income taxes provisions	$	1,973,765	11,448,857

The components of net deferred tax assets and deferred tax liabilities recognized in the Company's statutory statements of admitted assets, liabilities, and capital and surplus at December 31, 2020 and 2019 are as follows:

		2020	2019
Total gross deferred tax assets	$	10,596,828	13,650,404
Adjusted gross deferred tax assets		10,596,828	13,650,404
Total deferred tax liabilities		(413,944)	(391,896)
Net deferred tax assets		10,182,884	13,258,508
Less: valuation allowance		(10,182,884)	(13,258,508)
Net admitted deferred tax assets	$	—	—
Increase (decrease) in admitted deferred tax assets	$	—	(3,735,889)

Deferred tax assets can only be admitted in an amount calculated under SSAP No. 101. The amount admitted is equal to the sum of (a) federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the third subsequent calendar year plus, (b) the amount of adjusted deferred tax assets that are expected to be realized within three years of the balance sheet date after reduction by amounts that can be recovered through carrybacks and limited to 21% of adjusted statutory capital and surplus at December 31, 2020, and (c) the amount of adjusted gross deferred tax assets after application of (a) and (b) that can offset existing gross deferred tax liabilities.

The amount of admitted adjusted gross deferred tax assets admitted under each component of SSAP No. 101 as of December 31, 2020 and 2019 is as follows:

		2020	2019	Change
a. Federal income taxes paid in prior years recoverable through loss carryback	$	—	—	—
b. Adjusted gross deferred tax assets expected to be realized after application of threshold limitation		—	—	—
c. Adjusted gross deferred tax assets offset by deferred tax liabilities		413,944	391,896	22,048
	$	413,944	391,896	22,048

There are no temporary differences for which deferred tax liabilities are not recognized.

There are no tax planning strategies as of December 31, 2020 or 2019.

The amounts used in determination of admitted deferred tax assets in accordance with SSAP No. 101 are as follows:

Total adjusted capital (excluding DTA)	$	140,054,260
Authorized control level		14,597,571
Risk-based capital percentage		959.44 %

The valuation allowance for deferred tax assets as of December 31, 2020 and 2019 was $10,182,884 and $13,258,508, respectively. The net change in the total valuation allowance was a decrease of $3,075,624 in 2020 and an increase of $13,258,508 in 2019. The valuation allowance at December 31, 2020 was primarily related to unearned premium reserves. At December 31, 2020 the Company had used all federal NOLs available. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the effect of available carryback and carryforward periods), projected future taxable income, and tax-planning strategies in making this assessment. Book income (loss) before taxes for the years ended December 31, 2020 and 2019 was $ 22,057,990 and $(6,889,379), respectively. Based upon the level of historical losses and projections for future losses over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will not realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2020.

The net deferred tax asset at December 31, 2020 and 2019 and the change in deferred taxes comprise the following:

		December 31		
		2020	**2019**	**Change**
Total deferred tax assets net of valuation allowance	$	413,944	391,896	22,048
Total deferred tax liabilities		(413,944)	(391,896)	(22,048)
Net deferred tax asset	$	—	—	—

Deferred income taxes reflect the net tax effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes and (b) operating loss and tax credit carryforwards. The tax effects of significant items comprising the

Company's net deferred tax asset (all of which are operating in nature) as of December 31, 2020 and 2019 are as follows:

		2020	2019
Deferred tax assets:			
Unearned premium reserves	$	5,363,535	5,582,454
Interest-sensitive life reserves		21,341	24,832
Deferred policy acquisition costs and other		563	875
Unpaid losses		144,617	124,654
Allowance for doubtful accounts		99,676	27,760
Accrued expenses and other		301,454	209,140
Unearned lease income		238,568	310,138
Unrealized loss from hedging instruments		—	87,400
Net operating tax credit carryfoward		—	933,326
Foreign tax credit carryforward		—	1,481,821
Nonadmitted assets		4,416,416	4,857,346
Capital loss carryfoward		10,658	10,658
Total deferred tax asset		10,596,828	13,650,404
Less: valuation allowance		(10,182,884)	(13,258,508)
Deferred tax liability:			
Property and equipment		(413,944)	(391,896)
Net deferred tax asset nonadmitted	$	—	—

As of December 31, 2020 and 2019, the Company had no unrecognized tax benefits. The statutory statements of admitted assets, liabilities, and capital and surplus as of December 31, 2020 and 2019 included no amounts for interest or penalties related to unrecognized tax benefits, and no such amounts were recognized as components of general and administrative expense.

The Company files a federal and Florida income tax return. The Company is no longer subject to U.S. federal income tax examinations for years prior to 2017. Potential state of Florida tax examinations for those years are generally restricted to results that are based on closed U.S. federal income tax examinations.

(7) Reinsurance

The effects of reinsurance as of and for the year ended December 31, 2020 were as follows:

		Accident and health contract/ life claims liability	Unearned health premium reserves	Premiums and annuity considerations written	Premiums and annuity considerations earned	Disability benefits and benefits under accident and health/ life contracts
Direct	$	12,891,063	40,746,617	104,680,670	104,676,295	56,077,012
Assumed		36,070,554	80,304,121	219,425,567	222,348,272	134,207,150
Ceded		9,617	—	(5,932,062)	(5,932,062)	(833,791)
Total	$	48,971,234	121,050,738	318,174,175	321,092,505	189,450,371

The effects of reinsurance as of and for the year ended December 31, 2019 were as follows:

		Accident and health contract/ life claims liability	Unearned health premium reserves	Premiums and annuity considerations written	Premiums and annuity considerations earned	Disability benefits and benefits under accident and health/ life contracts
Direct	$	13,255,872	40,742,240	105,081,631	104,982,437	73,150,245
Assumed		29,943,040	83,226,826	233,748,211	213,700,894	143,338,918
Ceded		(2,224,980)	—	(6,292,538)	(6,292,538)	(958,411)
Total	$	40,973,932	123,969,066	332,537,304	312,390,793	215,530,752

The Company has a proportional reinsurance agreement with Bupa Mexico, where the Company assumes 90% of the premiums and claims with an excess of loss coverage of 100% on claims above $25,000, with the exception of Banamex products, which are reinsured at 100%. The Company also has a reinsurance agreement with Bupa DR, where the Company assumes 45% of the premiums and claims with an excess of loss coverage of 100% on claims above $30,000. Excess of loss premium paid to the Company by Bupa Mexico and Bupa DR equals 0.5% of retained premiums. The Company pays a reinsurance commission of 37% on all of the premiums ceded, for reimbursement of expenses to Bupa Mexico and Bupa DR.

The Company also has a reinsurance agreement with Bupa Guatemala, where the Company assumes 90.0% of the premiums and claims with an excess of loss coverage of 100% on claims above $80,000. Reinsurance commission paid to Bupa Guatemala is 40% of ceded premiums. Excess of loss premium paid to the Company equals 0.5% of retained premiums.

The Company has an excess of loss reinsurance agreement with Bupa Panama, to cover any losses greater than $100,000. Bupa Panama pays the Company $20 per member per month.

Additionally, the Company entered into a reinsurance agreement with BINS, a company under common ownership. Under this agreement, BINS cedes 100% of claims and premiums net of commissions related to their Latin America portfolio to the Company. In exchange, the Company reimburses 100% of the operating expenses BINS incurs related to this portfolio.

Effective January 1, 2020 the Company has an excess of loss reinsurance agreement with Bupa Ecuador to cover any losses over $50,000. Bupa Ecuador pays the Company $62.50 per member per month. For 2019, the agreement covered losses over $400,000 for which the Company paid $4.15 per member per month.

Effective January 1, 2019, the Company has an excess of loss reinsurance agreement with Bupa Bolivia, to cover any losses greater than $150,000. Bupa Bolivia pays the Company $5,000 per year, within 60 days following year-end. This agreement was also in effect for the year ended December 31, 2020.

The Company had a retrocession reinsurance agreement with Axis Re Se, a European public limited company, which was terminated on January 1, 2020, where the Company assumed 100% of premiums, net of applicable taxes and commissions, written by Cruz Blanca and ceded to Axis Re Se. The terms were consistent with those described in the following paragraph.

On February 1, 2020, the Company entered a new retrocession reinsurance agreement with Sirius International Insurance Corporation (Sirius), a European public limited company, where the Company assumes 100% of premiums, net of applicable taxes and commissions, written by Cruz Blanca and ceded to Sirius. The Company will reimburse Sirius 100% of all claims paid. The Company will pay Sirius an annual ceding commission of $25,000. This contract was terminated effective January 1, 2021

The Company has a reinsurance agreement with Lloyd's Syndicate 2001, managed by Amlin Underwriting Limited (Amlin), where the Company assumes 85% of premiums, net of any commissions and fees paid by Amlin to Bupa Worldwide Corporation and to U.S.A. Medical Services Corporation, companies related through common ownership. The Company is liable for 85% of all losses. BIC pays a reinsurance commission of 4% on the net reinsurance premium.

The Company has a reinsurance agreement with Compañía de Seguros Bolivar S. A. (Seguros Bolivar), a company incorporated in Colombia, where the Company assumes 95% of premiums net of applicable tax and commissions. Under Colombian law, Seguros Bolivar must retain 20% of the ceded premium and may release it after a calendar year. Seguros Bolivar will recognize an interest rate of 1.5% over such deposit, subject to withholding tax of 15%. The Company will reimburse Seguros Bolivar 95% of all claims paid. Reinsurance commission paid by BIC on the joint venture agreement is 20% of the reinsurance premiums for individual business and 18% for Group business and 29% for the legacy agreement or $2,275,536 for 2020, and $3,277,322 for 2019.

The Company has an excess loss reinsurance agreement with Sirius, in which the Company cedes claims in excess of $400,000 and in excess of $600,000 for claims classified as Maternity Complication Losses to the reinsurer. In the event that the reinsuring company is unable to meet its obligations under existing reinsurance agreements, the Company would be liable for such defaulted amounts; this contract was terminated effective January 1, 2021. The Company reinsures all individual life coverages in excess of $50,000 on any one life, with various reinsurers.

(8) Retirement Plan

The Company has a voluntary defined-contribution 401(k) profit-sharing plan (the Plan) in which eligible employees may participate. Employees are eligible to participate in the Plan upon the attainment of age 21 and completion of six months of service. Participants may elect to contribute up to $19,500 and $19,000 of their annual compensation, not to exceed amounts prescribed by statutory guidelines, for the years ended December 31, 2020 and 2019, respectively. The Company's matching contribution is 7% of employee's salary. Contributions to the Plan were $43,505 and $45,005 for the years ended December 31, 2020 and 2019, respectively.

(9) Managing General Agent

Bupa Worldwide Corporation (BW) has the exclusive contract to serve as managing general agent to the Company. It is located at 18001 Old Cutler Road, Palmetto Bay, FL, 33157, with FEIN# 59-2729914. BW provides marketing, agent administration, and policy administration services. The type of authority granted by the Florida Office of Insurance Regulation is B (Binding Authority) and P (Premium Collection). Approximately $104.7 million and $105.1 million of direct premiums were written through BW, including accident and health, ordinary life, and term life, for the year ended December 31, 2020 and 2019, respectively. The Company paid BW commissions of $19,641,370 and $15,298,534 for these services in 2020 and 2019, respectively. Per the terms of the managing general agent agreement, BW must be paid for the administrative fee due on a monthly basis. BW may offset any existing or future indebtedness of the Company to BW against any future claims for compensation payable to the Company by BW.

(10) Transactions with Related Parties

The Company is party to a third-party administration agreement with U.S.A. Medical Services Corporation (USAMS) and U.S.A. Medical Services DR (USADR) under which USAMS and USADR provide claims administration and medical referral services to the Company for a fee. The Company paid USAMS and USADR fees for these services of $5,159,758 and $4,570,458 in 2020 and 2019, respectively. These fees are recorded as hospital and medical benefits expense in the accompanying statutory statements of income.

In 2016, the Company provided an unsecured loan to Bupa Investments Overseas Limited (BIOL), a company under common ownership, in the amount of $30,000,000, maturing on December 23, 2017. On December 1, 2017, the original $30,000,000 was repaid. The loan agreement was amended to extend the maturity date to November 21, 2019, and $15,000,000 was funded on December 15, 2017. An additional $6,200,000 was funded on June 21, 2018. An additional loan amendment was executed October 14, 2019 increasing the loan amount to $35,000,000. An additional loan amendment was executed October 27, 2020 extending the maturity date to November 19, 2021 and increasing the interest rate. During 2019, the amount of the loan was funded by an additional $8,500,000. The loan in 2019 bears interest, payable quarterly in arrears on the last business day of each calendar quarter, at 35 basis points above the three-month USD LIBOR per annum. The loan in 2020 bears interest, payable quarterly in arrears on the last business day of each calendar quarter, at 204 basis points above the three-month USD LIBOR per annum. Interest income for the year ended December 31, 2020 amounted to $403,673 compared to $712,206 in 2019. According to Florida Administrative Code Rule 69O-143-047(4)(a)2., the admissibility of this loan involving the Company and a member of its holding company system is limited to 3% of its total admitted assets of the preceding year, therefore, $20,405,867 is in excess of this limitation and must be included as a nonadmitted asset as December 31, 2020. The amount included as a nonadmitted asset as of December 31, 2019 was $20,405,867.

Effective January 1, 2020, an intercompany expense allocation agreement was placed in effect among the Company, Bupa Investment Corporation, Inc., Bupa Worldwide Corporation, Bupa U.S. Holdings, Inc., U.S.A. Medical Services Corporation (USAMS), Bupa Insurance Limited, Bupa Insurance Services, Ltd, Bupa Denmark Services A/S, Bupa Dominicana, S.A., Bupa Insurance (Bolivia) S.A., Bupa Panama, S.A., Bupa Guatemala Compania De Seguros, S.A., Bupa Mexico Compania De Seguros S.A. DE C.V., Bupa Servicios de Evaluacion Medica, s. de R.L. de C.V., Bupa Ecuador S.A., Compania De Seguros Y Reaseguros, Care Plus Medicina Assistencial Ltda., Amedex Insurance Company (Bermuda) LTD, Integramedica Peru S.A.C, MediPeru S.A., Anglolab S.A., and Amedex Services LTD. The agreement states that each paying party is authorized to pay for direct costs on behalf of one or more of the other party or parties in exchange for reimbursement for such payments from the respective purchasing party or parties. Payments shall be in the exact amount, including all applicable incurred taxes. A similar agreement was effective in 2019. The total payable included within payable to subsidiaries and affiliates at December 31, 2020 was $44,657 and $283,974 at December 31, 2019.

In November 2013, the Company signed sublease agreements with BW and USAMS to allocate the cost of a 10-year lease in an office building located in Palmetto Bay, Florida. The Company charges BW and USAMS for the portion of the space used. Total rental income is included as an offset to general administrative expenses and amounted to $2,002,455 in 2020 and $1,998,888 in 2019. The total of minimum sublease rentals to be received in the future under these leases is $6,684,102.

On February 13, 2013, the Company provided an unsecured loan to USAMS in the amount of $4,000,000, maturing on February 23, 2023. The loan bears interest, payable quarterly in arrears on the last business day of each calendar quarter, at a 3% rate per annum. Interest income for the years ended December 31, 2020 and 2019 amounted to $120,300 per year.

Additionally, the Company has an investment in Bupa Mexico, Compañía de Seguros, S.A. de C.V y Reaseguros, as discussed in note 1(e).

(11) Regulatory Matters

The Company is subject to regulation by the Florida OIR. Florida insurance regulations require the Company to maintain not less than the greater of unimpaired paid-in surplus of $40.0 million, or 4%, of total liabilities, plus 6% of liabilities relative to health insurance. The Company is restricted by Florida insurance statutes as to the amount of dividends which can be paid. Dividends can only be paid out of available and accumulated surplus funds, which are derived from realized net operating profits and net realized capital gains. The maximum amount of dividend paid must be the lower of 10% of capital and surplus or 100% of the net operating profits and realized net capital gains derived during the immediate preceding calendar year. During 2020 and 2019, no dividends were declared or paid. The Company is limited to distribute $1.6 million in dividends in 2020 without prior approval from the Florida OIR.

The Company is required to comply with NAIC risk-based capital (RBC) requirements. RBC is a method of measuring the amount of capital appropriate for an insurance company to support its overall business operations in light of its size and risk profile. NAIC RBC standards are used by regulators to determine appropriate regulatory actions relating to insurers who show signs of weak or deteriorating conditions. As of December 31, 2020 and 2019, based on calculations using appropriate NAIC formulas, the Company's total adjusted capital was in excess of ratios that would require any form of regulatory action.

(12) Concentration of Premiums

The distribution by country of accident and health premiums written by the Company is as follows for the years ended December 31, 2020 and 2019:

	2020	2019
Mexico	49 %	51 %
Guatemala	6	6
Colombia	6	7
Venezuela	6	6
Ecuador	4	2
Others	29	28
Total	100 %	100 %

(13) Commitments and Contingencies

The Company is a party to various claims, legal actions, and complaints arising in the ordinary course of business. While any proceeding or litigation has an element of uncertainty, management believes that the disposition of these matters will not have a material impact on the statutory financial position, liquidity, or results of operations of the Company.

(14) Leases

In November 2013, the Company signed a lease agreement for a 10-year lease in an office building located in Palmetto Bay, Florida. The Company is also a party to two leases for equipment with terms ranging from three to five years.

Rental expense for these operating leases was $1,855,462 in 2020 and $1,856,549 in 2019.

(Continued)

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2020 are:

		Minimum lease payments
Year ending December 31:		
2021	$	2,134,669
2022		2,184,870
2023		2,238,961
2024		539,977
Total minimum lease payments	$	7,098,477

In November 2013, the Company signed sublease agreements with BW and USAMS to allocate the cost of a 10-year lease in an office building located in Palmetto Bay, Florida, as stated in note 10 above.

Future minimum sublease receipts in the future under these leases as of December 31, 2020 are:

		BW minimum sublease receipts	USAMS minimum sublease receipts
Year ending December 31:			
2021	$	1,606,401	396,826
2022		1,649,970	407,588
2023		1,694,893	418,685
2024		408,763	100,976
Total minimum sublease receipts	$	5,360,027	1,324,075

(15) Reconciliation of Financial Statements with the Annual Statement

The net deferred tax asset as of December 31, 2020, reported in the accompanying statutory financial statements differs with the amount reported in the Company's annual statement filed with the Florida Department of Financial Services, Office of Insurance Regulation as follows:

		Net deferred tax asset
As reported in the annual statement	$	10,182,884
Effect of valuation allowance		(10,182,884)
As reported in the accompanying statutory financial statements	$	—

In addition to the above reconciling item, there is a reconciling difference between total assets and total liabilities of $61,734 due to financial statement presentation of current federal and foreign income tax payable and interest. There were no differences between the net income as reported in the December 31, 2020 audited statutory financial statements and the annual statement filed with the Florida Department of Financial Services, Office of Insurance Regulation.

(16) Risks and Uncertainties

On March 11, 2020, the World Health Organization declared Coronavirus COVID-19 a pandemic, due to its rapid spread throughout the world. Most governments took restrictive measures to contain the spread and the situation significantly affected the global economy, due to the interruption or slowdown of supply chains and the significant increase in economic uncertainty, evidenced by an increase in the volatility of asset prices, exchange rates and a decrease in long-term interest rates.

Despite of the pandemic, its severity and duration, which in turn depend on highly uncertain factors such as the nature and extent of containment efforts and the timing and efficacy of vaccines; the Board of Directors indicates that as of the approval date of these financial statements there is no material negative impact on the financial statements as a result of COVID-19 and there has been no significant interruption in the Company's business. Bupa has successfully implemented work from home to ensure the continuity of operations with our customers and suppliers. The Board of Directors continues to monitor the business for possible impacts and managing the associated risks.

(17) Subsequent Events

The Company has evaluated subsequent events through June 1, 2021, the date at which the financial statements were available to be issued. The Company has determined that there are no items to disclose.

SUPPLEMENTAL SCHEDULES

BUPA INSURANCE COMPANY

Schedule of Investment Risks Interrogatories

December 31, 2020

1. The Company's total admitted assets as reported in the statutory statement of admitted assets, liabilities, and capital and surplus at December 31, 2020 were: $ 340,121,323

2. The largest exposures to a single issue/borrower/investment, by investment category, excluding: (i) U.S. government, U.S. government agency securities, and those U.S. government money market funds listed in the Appendix to the *SVO Purposes and Procedures Manual* as exempt, (ii) property occupied by the Company, and (iii) policy loans at December 31, 2020 are as follows:

Issuer	Description of exposure	Amount	Percentage of total admitted assets
United States Treasury NTS	Bonds	$ 39,846,045	12 %
Standard Chartered Bank	Cash	30,000,000	9
Mizuho Fianacial Group Inc.	Bonds	20,729,667	6
Wells Fargo	Cash/Bonds	20,564,072	6
UBS	Bonds	19,672,674	6
JP Morgan Chase and Co.	Bonds	15,609,162	5
Mitsubishi UFJ Financial Group Inc.	Bonds	15,084,730	4
Toronto Dominion Bank	Bonds	14,802,901	4
Skandinaviska Enskilda Banken AB	Bonds	11,391,954	3
Credit Suisse AG	Bonds	10,322,308	3

3. The amount and percentage of the Company's total admitted assets held in bonds by NAIC rating are as follows:

Bonds	Amount	Percentage
NAIC-1	$ 237,984,108	70 %

4. The largest exposures to foreign investments are as follows:

Issuer	Investment category	Amount	Percentage of total admitted assets
BUPA Mexico, Compañía de Seguros, S.A.	Common stock	$ 9,500,772	3 %

5. Aggregate foreign investment exposure by NAIC sovereign designation:

NAIC Designation	Amount	Percentage
Countries designated NAIC – 1	$ —	— %
Countries designated NAIC – 2	—	—
Countries designated NAIC – 3 or below	9,500,772	3

6. The largest foreign investment by country, categorized by country's NAIC sovereign designation:

Country Designated NAIC – 2			
Country	Mexico	$ 9,500,772	3 %

7. N/A

8. N/A

9. N/A

10. N/A

11. There were no assets held in Canadian investments that exceeded 2.5% of total admitted assets.

12. There were no assets held in investments with contractual sales restrictions.

BUPA INSURANCE COMPANY

Schedule of Investment Risks Interrogatories

December 31, 2020

13. The largest exposure to equity interests is as follows:

Issuer		Amount	Percentage of total admitted assets
BUPA Mexico, Compañía de Seguros, S.A.	$	9,500,772	3 %

14. There were no privately placed equities.
15. There were no assets held in general partnership interests.
16. There were no assets held in mortgage loans that exceeded 2.5% of total admitted assets.
17. N/A
18. There were no assets held in real estate.
19. There were no admitted assets held in mezzanine real estate loans.
20. There were no admitted assets subject to securities lending, repurchase, reserve repurchase, dollar repurchase, or dollar reserve repurchase.
21. There were no warrants.
22. There was no exposure for collars, swaps, or forwards.
23. There was no exposure for future contracts.
24. There were no write-ins for invested assets category included on the summary investment schedule in the annual statement.

Refer to Section 2 of Appendix A-001 to the NAIC *Accounting Practices and Procedures Manual.*

See accompanying independent auditors' report.

Schedule II

BUPA INSURANCE COMPANY

Supplemental Summary Investment Schedule

December 31, 2020

	Gross investment holdings	Percentage	Admitted assets	Percentage
Bonds:				
U.S. Treasury securities	$ 781,903	0.2 %	$ 781,903	0.3 %
U.S. government agency and corporate obligations (excluding mortgage-backed securities (MBS))	—	— %	—	— %
Securities issued by states, territories, and possessions and political subdivisions in the United States:				
States, territories, and possessions general obligations	—	— %	—	— %
Political subdivision of states, territories, and possessions and political subdivisions general obligations	—	— %	—	— %
Collateralized mortgage obligation and real estate mortgage investment conduits:				
Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC	—	— %	—	— %
Other debt and other fixed-income securities (excluding short term)	135,173,290	41.3 %	135,173,290	44.0 %
Equity interests:				
Investment in mutual funds	—	— %	—	— %
Preferred stocks:				
Unaffiliated	—	— %	—	— %
Publicly traded equity securities (excluding preferred stocks):				
Unaffiliated	—	— %	—	— %
Other equity securities:				
Affiliated	9,500,772	2.9 %	9,500,772	3.1 %
Contract loans	233,959	0.1 %	233,959	0.1 %
Receivables for securities	—	— %	—	— %
Cash, cash equivalents, and short-term investments	148,228,907	45.2 %	148,228,907	48.2 %
Other invested assets	33,700,000	10.3 %	13,294,133	4.3 %
Total invested assets	$ 327,618,831	100 %	$ 307,212,964	100 %

See accompanying independent auditors’ report.