

**BUPA INSURANCE COMPANY**

Statutory Financial Statements  
and Supplemental Schedules

December 31, 2022 and 2021

## **BUPA INSURANCE COMPANY**

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## **Report of Independent Auditors**

To the Board of Directors of BUPA Insurance Company,

### ***Opinions***

We have audited the accompanying statutory financial statements of BUPA Insurance Company (the “Company”), which comprise the statutory statements of admitted assets, liabilities, and capital and surplus as of December 31, 2022 and 2021, and the related statutory statements of income and of changes in capital and surplus, and of cash flows for the years then ended, including the related notes (collectively referred to as the “financial statements”).

#### ***Unmodified Opinion on Statutory Basis of Accounting***

In our opinion, the accompanying financial statements present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the Florida Office of Insurance Regulation described in Note 1.

#### ***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 section of our report, the accompanying financial statements 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, 2022 and 2021, or the results of its operations or its cash flows for the years then ended.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 to the financial statements, the financial statements are prepared by the Company on the basis of the accounting practices prescribed or permitted by the Florida Office of Insurance Regulation, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the statutory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the Florida 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplemental Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Investment Risks Interrogatories and Supplemental Summary Investment Schedule (collectively referred to as the “supplemental schedules”) of the Company as of December 31, 2022 and for the year then ended are presented to comply with the National Association of Insurance Commissioners’ Annual Statement Instructions and Accounting Practices and Procedures Manual and for purposes of additional analysis and are not a required part of the financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audit 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 supplemental schedules are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*PricewaterhouseCoopers LLP*

Hallandale Beach, Florida  
May 25, 2023

# BUPA INSURANCE COMPANY

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

December 31, 2022 and 2021

<b>Admitted Assets</b>	<b>2022</b>	<b>2021</b>
Bonds	\$ 91,648,950	85,204,823
Common stocks	24,185,536	14,099,632
Cash, cash equivalents, and short-term investments (including short-term bonds in the amount of \$34,552,161 and \$21,867,520 as of December 31, 2022 and 2021, respectively)	112,136,754	142,698,721
Contract loans	247,409	253,910
Total Cash, Cash Equivalents, and Invested Assets	228,218,649	242,257,086
Investment income due and accrued	1,851,044	864,842
Premiums due and unpaid	3,219,022	2,707,633
Other amounts receivable under reinsurance contracts	8,936,903	650,663
Federal and foreign tax receivable	32,871	462,764
Net Deferred Tax Asset	3,929,930	8,108,020
Receivable from subsidiaries and affiliates	8,718,276	6,299,663
Loan receivable from subsidiaries and affiliates	4,000,000	13,294,133
Other assets	6,387	15,894
Total Admitted Assets	\$ 258,913,082	274,660,698
<b>Liabilities and Capital and Surplus</b>		
<b>Liabilities</b>		
Claims unpaid (including life claims liability of \$19,470 at December 31, 2022 and 2021)	\$ 26,847,340	30,801,406
Aggregate life policy reserves	912,551	1,350,077
Unearned health premium reserves	72,584,841	71,722,394
Premiums received in advance	2,421,855	2,215,026
General expenses due and accrued	3,821,130	3,991,689
Remittances and items not allocated	1,754,662	1,474,322
Federal and foreign income tax payable	61,908	—
Payable to subsidiaries and affiliates	526,260	3,249,489
Reinsurance commissions payable	3,848,455	3,701,856
Other liabilities and accruals	49,778	83,203
Total Liabilities	112,828,780	118,589,462
<b>Capital and Surplus</b>		
Common capital stock, par value of \$1.25. Authorized, 10,000,000 shares at December 31, 2022 and 2021; issued and outstanding, 8,414,181 at December 31, 2022 and 2021	10,517,727	10,517,727
Gross paid-in and contributed surplus	127,984,490	127,984,490
Unassigned surplus	7,582,085	17,569,019
Total Capital and Surplus	146,084,302	156,071,236
Total Liabilities and Capital and Surplus	\$ 258,913,082	274,660,698

The accompanying notes are an integral part of these statutory financial statements.

**BUPA INSURANCE COMPANY**  
Statutory Statements of Income  
Years ended December 31, 2021 and 2020

	<u>2022</u>	<u>2021</u>
Revenue:		
Net premium income	\$ 201,197,939	254,014,517
Change in unearned premium reserves and reserve for rate credits	(862,447)	48,909,084
Aggregate write-ins for other healthcare-related revenue	<u>1,009,235</u>	<u>1,110,596</u>
Total Revenue	<u>201,344,727</u>	<u>304,034,197</u>
Deductions:		
Hospital and medical benefits	72,099,534	63,231,645
Net insurance recoverable	69,709,188	133,083,871
Nonhealth claims	(398,647)	(35,052)
General administrative expenses (including commissions of \$51,549,497 and \$98,666,673 for the years ended December 31, 2022 and 2021, respectively)	<u>57,391,926</u>	<u>103,781,681</u>
Total Deductions	<u>198,802,001</u>	<u>300,062,145</u>
Net underwriting gain	2,542,726	3,972,052
Other income (expense):		
Gain on extinguishment of reinsurance treaty	—	16,535,969
Net realized capital losses	(10,036)	(50,201)
Net investment income	<u>3,418,947</u>	<u>1,628,789</u>
Net income from operations before income taxes	5,951,637	22,086,609
Federal and foreign income tax expense	<u>2,746,797</u>	<u>3,541,226</u>
Net income	<u>\$ 3,204,840</u>	<u>18,545,383</u>

The accompanying notes are an integral part of these statutory financial statements.

**BUPA INSURANCE COMPANY**

Statutory Statements of Changes in Capital and Surplus

Years ended December 31, 2022 and 2021

	<b>Common capital stock</b>	<b>Gross paid-in and contributed surplus</b>	<b>Unassigned surplus (deficit)</b>	<b>Total</b>
Balance – December 31, 2020	10,517,727	127,984,490	1,552,043	140,054,260
Change in net deferred tax asset	—	—	8,108,021	8,108,021
Change in nonadmitted assets	—	—	211,695	211,695
Change in net unrealized capital loss	—	—	(10,848,123)	(10,848,123)
Net income	—	—	18,545,383	18,545,383
Balance – December 31, 2021	10,517,727	127,984,490	17,569,019	156,071,236
Change in net deferred tax asset	—	—	(4,178,090)	(4,178,090)
Change in nonadmitted assets	—	—	20,600,413	20,600,413
Change in net unrealized capital loss	—	—	10,085,903	10,085,903
Dividends paid to Group	—	—	(39,700,000)	(39,700,000)
Net income	—	—	3,204,840	3,204,840
Balance – December 31, 2022	<u>\$ 10,517,727</u>	<u>127,984,490</u>	<u>7,582,085</u>	<u>146,084,302</u>

The accompanying notes are an integral part of these statutory financial statements.



# BUPA INSURANCE COMPANY

## Statutory Statements of Cash Flow

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flow from operations:		
Premiums collected, net of reinsurance	\$ 200,272,058	285,298,904
Net investment income	2,525,932	4,944,130
Other income	1,009,235	1,110,596
Benefits and loss-related payments	(155,876,981)	(222,229,289)
Commissions, expenses paid, and aggregate write-ins	(59,419,326)	(104,262,933)
Federal and foreign income taxes paid	(2,254,996)	(3,689,380)
Net cash (used in) provided by operations	<u>(13,744,078)</u>	<u>(38,827,972)</u>
Cash flow from investments:		
Proceeds from investments sold, matured, or repaid:		
Bonds	<u>80,566,000</u>	<u>90,071,816</u>
Total investment proceeds	<u>80,566,000</u>	<u>90,071,816</u>
Cost of investments acquired:		
Bonds	(87,390,390)	(41,307,096)
Common stocks	<u>—</u>	<u>(15,446,983)</u>
Total investments acquired	(87,390,390)	(56,754,079)
Net increase (decrease) in contract loans	<u>6,501</u>	<u>(19,951)</u>
Net cash (used in) provided by investments	<u>(6,817,889)</u>	<u>33,297,786</u>
Cash flow from financing and miscellaneous sources:		
Loan to subsidiaries and affiliates	29,700,000	—
Dividends paid to parent	<u>(39,700,000)</u>	<u>—</u>
Net cash used in financing and miscellaneous sources	<u>(10,000,000)</u>	<u>—</u>
Net change in cash, cash equivalents, and short-term investments	(30,561,967)	(5,530,186)
Cash, cash equivalents, and short-term investments, beginning of year	<u>142,698,721</u>	<u>148,228,907</u>
Cash, cash equivalents, and short-term investments, end of year	<u>\$ 112,136,754</u>	<u>142,698,721</u>

The accompanying notes are an integral part of these statutory financial statements.

## BUPA INSURANCE COMPANY

### Notes to Statutory Financial Statements

December 31, 2022 and 2021

#### (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 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. As of December 31, 2022 and 2021, 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, stockholder's 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 based on NAIC designation. NAIC 1-2 are amortized at cost, 3-6 are lesser of cost or fair value. 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.
- 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

## BUPA INSURANCE COMPANY

### Notes to Statutory Financial Statements

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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.
- 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 under SAP. 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.

#### (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, doubtful accounts 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 under 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 the Company's unconsolidated subsidiary are excluded from income and credited or charged directly to unassigned surplus. If any unrealized losses are deemed other than temporary, such unrealized losses are recognized as realized losses in the Statutory Statement of Income. The Company has not recognized other-than-temporary losses on securities during 2022 or 2021.

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### Notes to Statutory Financial Statements

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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, 2022 or 2021, the Company had no impaired contract loans.

The Company has provided deposits with a face value of \$49,859 and \$49,183 to Republic Bank (Anguilla) Limited as required by Anguilla Financial Services Commission, \$356,895 and \$306,391 to Arubabank as required by Centrale Bank Van Aruba, and \$250,000 to BVI Financial Services Commission as required by British Virgin Islands Financial Services Commission as of December 31, 2022 and 2021, 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, 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 \$24,185,536 and \$14,099,632 at December 31, 2022 and 2021, 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 would reduce the carrying amount of the investment. No dividends have been paid by Bupa Mexico since inception. On September 7, 2021 the Company made a capital injection of \$15,446,983 to its subsidiary Bupa Mexico, S.A. de C.V. (Bupa Mexico). The additional number of shares issued were 355,157 bringing the total shares owned by the Company to 757,391. There were no capital injections made in 2022.

(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) ***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

## **BUPA INSURANCE COMPANY**

### **Notes to Statutory Financial Statements**

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results. Given that insurance products contain inherent risks and uncertainties, the ultimate liability may be more or less than such estimates indicate.

#### **(h) Premium Deficiency Reserve**

The Company evaluates its health care 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 claims, claims adjustment expenses and appropriate administrative costs will exceed anticipated future premiums on existing contracts, with consideration of investment income. For purposes of determining if a premium deficiency loss exists, contracts are grouped in a manner consistent with the Company's method of acquiring, servicing and measuring the profitability of such contracts.

There were no premium deficiency reserves established as of December 31, 2022 and 2021

#### **(i) 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.

#### **(j) Reinsurance**

The Company assumes health risks from affiliates. The Company had treaties with Bupa Mexico which had both coinsurance and XOL elements. On October 1, 2021, this treaty was replaced with only an XOL element. The Company has treaties with 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 Company has a reinsurance contract with Lloyds Syndicate #2001, managed by Amlin Underwriting Limited, covering 85% of both premiums and losses underwritten by Amlin.

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

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.

#### (k) **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.

	<u>2022</u>	<u>2021</u>	<u>Increase in suplus for 2022</u>
Furniture and equipment	\$ 218,441	412,987	194,546
Receivable-related party	—	20,405,867	20,405,867
Total nonadmitted assets	<u>\$ 218,441</u>	<u>20,818,854</u>	<u>20,600,413</u>

#### (l) **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

## **BUPA INSURANCE COMPANY**

### **Notes to Statutory Financial Statements**

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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, 2022 or 2021, 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 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.

#### **(m) *Derivative Instruments and Hedging Activities***

Bupa Investments Limited (BIL) and Bupa Finance Limited (Bupa Finance), affiliated entities, enters into non deliverable 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 in order to fix 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 or Bupa Finance, and the changes in fair value are charged to the Company and included in earnings. The Company reported cash inflows of \$464,630 related to realized gains on hedging transactions during 2022. The Company reported cash inflows of \$325,575 related to realized gain on hedging transactions during 2021. The unrealized gain of the outstanding contracts BIL and Bupa Finance held on behalf of the Company as of December 31, 2022 was \$237,631. The unrealized loss of the outstanding contracts BIL held on behalf of the Company as of December 31, 2021 was \$39,410. The notional principal amount related to these contracts was approximately \$4.9 million and \$5.7 million as of December 31, 2022 and 2021, 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, 2022 and 2021. The contracts are settled net; the unrealized gains or losses are recorded as an intercompany receivable (payable) with BIL or Bupa Finance, which has a corresponding asset (liability) with the respective banking institutions.

# BUPA INSURANCE COMPANY

## Notes to Statutory Financial Statements

December 31, 2022 and 2021

### (2) Investments

The amortized cost, gross unrealized gains and losses, and fair value of investment securities as of December 31, 2022 are as follows:

	<u>Amortized cost</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Fair value</u>
Bonds:				
U.S. Treasury securities and obligations of U.S. government agencies, states, and political subdivisions	\$ 788,532	1,308	(41,411)	748,429
Industrial and miscellaneous	<u>90,860,418</u>	<u>—</u>	<u>(1,033,057)</u>	<u>89,827,361</u>
Total bonds	<u>\$ 91,648,950</u>	<u>1,308</u>	<u>(1,074,468)</u>	<u>90,575,790</u>

The industrial and miscellaneous bonds comprise \$60.9 million of corporate bonds and three certificates of deposit issued by a financial institution for \$30.0 million.

The amortized cost, gross unrealized gains and losses, and fair value of investment securities as of December 31, 2021 are as follows:

	<u>Amortized cost</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Fair value</u>
Bonds:				
U.S. Treasury securities and obligations of U.S. government agencies, states, and political subdivisions	\$ 785,162	48,392	—	833,554
Industrial and miscellaneous	<u>84,419,661</u>	<u>—</u>	<u>(53,910)</u>	<u>84,365,751</u>
Total bonds	<u>\$ 85,204,823</u>	<u>48,392</u>	<u>(53,910)</u>	<u>85,199,305</u>

The industrial and miscellaneous bonds comprise \$64.4 million of corporate bonds and two certificates of deposit issued by a financial institution for \$20.0 million.



# **BUPA INSURANCE COMPANY**

## Notes to Statutory Financial Statements

December 31, 2022 and 2021

The amortized cost, gross unrealized gains and losses, and fair value of short-term investments as of December 31, 2022 are as follows:

	<u>Amortized cost</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Fair value</u>
Bonds:				
Industrial and miscellaneous	\$ 34,552,161	—	(271,455)	34,280,706
Total bonds	<u>\$ 34,552,161</u>	<u>—</u>	<u>(271,455)</u>	<u>34,280,706</u>

The industrial and miscellaneous bonds comprise \$34.6 million of corporate bonds.

The amortized cost, gross unrealized gains and losses, and fair value of short-term investments as of December 31, 2021 are as follows:

	<u>Amortized cost</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Fair value</u>
Bonds:				
Industrial and miscellaneous	\$ 21,867,520	—	(21,404)	21,846,116
Total bonds	<u>\$ 21,867,520</u>	<u>—</u>	<u>(21,404)</u>	<u>21,846,116</u>

The industrial and miscellaneous bonds comprise \$21.9 million of corporate bonds

Gross unrealized holding gains and losses on investment securities for which other-than-temporary impairments have not been recognized and the fair values of those securities, aggregated by investment

# BUPA INSURANCE COMPANY

## Notes to Statutory Financial Statements

December 31, 2022 and 2021

category and length of time that individual securities have been in a continuous unrealized loss position, as of December 31, 2022 and 2021, and were as follows:

2022					
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:					
U.S. Treasury securities and obligations of U.S. government agencies states, and political subdivisions		688,982	(41,411)	688,982	(41,411)
Industrial and miscellaneous	66,106,869	(802,562)	23,720,492	(230,495)	89,827,361
					(1,033,057)
\$	66,106,869	(802,562)	24,409,474	(271,906)	90,516,343
					(1,074,468)

  

2021					
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	80,802,889	(45,372)	3,562,862	(8,538)	84,365,751
					(53,910)
Total bonds	\$ 80,802,889	(45,372)	3,562,862	(8,538)	84,365,751
					(53,910)

At December 31, 2022 and 2021, all of the Company's securities are investment-grade fixed-income securities. Each of these investments is current on interest and principal payments. Unrealized losses were primarily due to interest rate fluctuations and market movements during the year and are not considered to be other-than-temporarily impaired as 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 no 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 2022 and 2021, the Company recognized no other-than-temporary impairment losses on fixed-income securities.

# BUPA INSURANCE COMPANY

## Notes to Statutory Financial Statements

December 31, 2022 and 2021

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

	2022		2021	
	Amortized cost	Fair value	Amortized cost	Fair value
Due in 1 year or less	\$ 67,008,981	66,207,728	80,848,261	80,802,889
Due after 1 year through 5 years	24,639,969	24,368,063	4,356,562	4,396,416
	<u>\$ 91,648,950</u>	<u>90,575,791</u>	<u>85,204,823</u>	<u>85,199,305</u>

There were sales of investment securities during 2022, which resulted in a gross realized capital loss of \$10,036. There were sales of investment securities during 2021, which resulted in a gross realized capital loss of \$50,201. The credit quality of the bond portfolio at December 31 is identified in the table below. The quality ratings represent NAIC designations.

	2022		2021	
	Amortized cost	Percentage	Amortized cost	Percentage
NAIC 1 (highest quality)	\$ 91,648,950	100.0 %	85,204,823	100.0 %
	<u>\$ 91,648,950</u>	<u>100.0 %</u>	<u>85,204,823</u>	<u>100.0 %</u>

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 \$296,402 and \$294,950 at December 31, 2022 and 2021, 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 \$492,130 and \$490,212 at December 31, 2022 and 2021, respectively.

# BUPA INSURANCE COMPANY

## Notes to Statutory Financial Statements

December 31, 2022 and 2021

Net investment income for the years ended December 31, 2022 and 2021 comprises the following:

	<b>2022</b>	<b>2021</b>
Bonds	\$ 1,605,469	750,253
Related party loans	192,471	726,183
Commercial deposits	873,823	265,121
Other	23,212	20,001
Derivative instruments	741,672	(110,757)
Investment income	3,436,647	1,650,801
Investment expense	17,700	22,012
Net investment income	\$ 3,418,947	1,628,789

### (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, 2022 and 2021:

<b>2022</b>					
	<b>Admitted assets</b>	<b>Aggregate fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial assets:					
Bonds:					
U.S. Treasury securities and obligations of U.S. Government agencies, states, and political subdivisions	\$ 788,532	748,429	748,429	—	—
Industrial and miscellaneous	125,412,579	124,108,068	—	124,108,068	—
	\$ 126,201,111	124,856,497	748,429	124,108,068	—

# BUPA INSURANCE COMPANY

## Notes to Statutory Financial Statements

December 31, 2022 and 2021

2021					
	Admitted assets	Aggregate fair value	Level 1	Level 2	Level 3
Financial assets:					
Bonds:					
U.S. Treasury securities and obligations of U.S. Government agencies, states, and political subdivisions	\$ 785,162	833,554	833,554	—	—
Industrial and miscellaneous	106,287,182	106,211,867	—	106,211,867	—
	<u>\$ 107,072,344</u>	<u>107,045,421</u>	<u>833,554</u>	<u>106,211,867</u>	<u>—</u>

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, 2022 and 2021. 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 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, 2022 and 2021 is summarized as follows:

	2022	2021
Claim reserves at January 1, net of amounts ceded	\$ 30,781,936	48,951,764
Incurred related to:		
Current year	141,760,493	213,476,646
Prior years	48,231	(17,161,130)
Total incurred	<u>141,808,724</u>	<u>196,315,516</u>

# BUPA INSURANCE COMPANY

## Notes to Statutory Financial Statements

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Paid related to:		
Current year	\$ 117,704,668	183,884,116
Prior years	<u>28,058,122</u>	<u>30,601,228</u>
Total paid	<u>145,762,790</u>	<u>214,485,344</u>
Claim reserves at December 31, net of amounts ceded	<u>\$ 26,827,870</u>	<u>30,781,936</u>

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, the incurred claims for prior period insured events during 2022 and 2021 were on par with anticipated 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, 2022, and 2021.

### (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 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
Federal	\$ 1,381,302	2,082,908
Foreign	<u>1,365,495</u>	<u>1,458,318</u>
Federal and foreign income tax provisions	<u>\$ 2,746,797</u>	<u>3,541,226</u>

# **BUPA INSURANCE COMPANY**

## **Notes to Statutory Financial Statements**

December 31, 2022 and 2021

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 2022 and 21% in 2021 is as follows:

	<b>2022</b>	<b>2021</b>
Federal income taxes computed at the statutory rate	\$ 1,249,844	4,638,188
Change in nonadmitted assets	4,326,087	44,456
Change in valuation allowance	(246,931)	(9,980,410)
Foreign tax withholdings	1,078,741	
GILTI	521,895	
Other	(4,749)	612,347
Transfer pricing adjustment	—	118,625
	<u>6,924,887</u>	<u>(4,566,794)</u>
Federal and foreign income taxes provisions	\$ 6,924,887	(4,566,794)
Federal income tax provisions (benefit)	\$ 2,746,797	3,541,226
Change in net deferred income taxes	<u>4,178,090</u>	<u>(8,108,020)</u>
Total statutory income taxes provisions	\$ <u>6,924,887</u>	<u>(4,566,794)</u>

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, 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Total gross deferred tax assets	\$ <u>4,035,040</u>	<u>8,446,380</u>
Adjusted gross deferred tax assets	4,035,040	8,446,380
Total deferred tax liabilities	<u>(105,110)</u>	<u>(91,429)</u>
Net deferred tax assets	3,929,930	8,354,951
Less: valuation allowance	<u>—</u>	<u>(246,931)</u>
Net admitted deferred tax assets	\$ <u>3,929,930</u>	<u>8,108,020</u>
Increase (decrease) in admitted gross deferred tax assets	\$ 3,929,930	7,785,505

# **BUPA INSURANCE COMPANY**

## **Notes to Statutory Financial Statements**

December 31, 2022 and 2021

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, 2022, 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, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>	<u>Change</u>
a. Federal income taxes paid in prior years recoverable through loss carryback	\$ 4,035,040	3,020,167	1,014,873
b. Adjusted gross deferred tax assets expected to be realized after application of threshold limitation	—	5,087,853	(5,087,853)
c. Adjusted gross deferred tax assets offset by deferred tax liabilities	—	91,429	(91,429)
	<u>\$ 4,035,040</u>	<u>8,199,449</u>	<u>(4,164,409)</u>

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

There are no tax planning strategies as of December 31, 2022 or 2021.

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

Total adjusted capital (excluding DTA)	\$ 142,154,372
Authorized control level	19,687,185
Risk-based capital percentage	722.07%

The valuation allowance recorded for deferred tax assets was \$0 and \$246,931 as of December 31, 2022 and 2021, respectively. 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 assets, projected future taxable income, and tax planning strategies in making this assessment.



# BUPA INSURANCE COMPANY

## Notes to Statutory Financial Statements

December 31, 2022 and 2021

The net deferred tax asset at December 31, 2022 and 2021 and the change in deferred taxes comprise the following:

	<b>December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>Change</b>
Total deferred tax assets net of valuation allowance	\$ 4,035,040	8,199,449	(4,164,409)
Total deferred tax liabilities	(105,110)	(91,429)	(13,681)
Net deferred tax asset	<u>\$ 3,929,930</u>	<u>8,108,020</u>	<u>(4,178,090)</u>

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, 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Deferred tax assets:		
Unearned premium reserves	\$ 3,284,595	3,247,611
Interest-sensitive life reserves	13,779	20,430
Deferred policy acquisition costs and other	330	504
Unpaid losses	76,063	98,098
Allowance for doubtful accounts	79,081	160,982
Accrued expenses and other	378,969	308,599
Fixed Assets	32,532	47,183
Unearned lease income	95,427	166,998
Unrealized loss from hedging instruments	—	8,276
Nonadmitted assets	45,873	4,371,959
Capital loss carryforward	28,391	15,740
Total deferred tax asset	4,035,040	8,446,380
Less: valuation allowance	—	(246,931)
Deferred tax liability:		
Property and equipment	(105,110)	(91,429)
Net deferred tax asset	<u>\$ 3,929,930</u>	<u>8,108,020</u>

The amount of federal income tax incurred that is available for recoupment in the event of future net losses for December 31, 2022 and 2021 is \$1,390,368 and \$2,738,268 respectively.

# BUPA INSURANCE COMPANY

## Notes to Statutory Financial Statements

December 31, 2022 and 2021

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 2018. 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, 2022 were as follows:

	<b>Accident and health contract/ life claims liability</b>	<b>Unearned health premium reserves</b>	<b>Premiums and annuity considerations written</b>	<b>Premiums and annuity considerations earned</b>	<b>Disability benefits and benefits under accident and health/ life contracts</b>
Direct	\$ 13,524,978	41,731,576	106,284,195	105,730,265	71,700,887
Assumed	13,322,362	30,853,265	94,918,426	94,609,909	70,101,684
Ceded	—	—	(4,682)	(4,682)	(392,496)
Total	<u>\$ 26,847,340</u>	<u>72,584,841</u>	<u>201,197,939</u>	<u>200,335,492</u>	<u>141,410,075</u>

The effects of reinsurance as of and for the year ended December 31, 2021 were as follows:

	<b>Accident and health contract/ life claims liability</b>	<b>Unearned health premium reserves</b>	<b>Premiums and annuity considerations written</b>	<b>Premiums and annuity considerations earned</b>	<b>Disability benefits and benefits under accident and health/ life contracts</b>
Direct	\$ 11,312,183	41,177,646	104,874,978	104,443,949	63,196,593
Assumed	19,489,222	30,544,748	149,142,462	198,482,575	132,988,863
Ceded	1	—	(2,923)	(2,923)	95,008
Total	<u>\$ 30,801,406</u>	<u>71,722,394</u>	<u>254,014,517</u>	<u>302,923,601</u>	<u>196,280,464</u>

## **BUPA INSURANCE COMPANY**

### **Notes to Statutory Financial Statements**

**December 31, 2022 and 2021**

The Company had a proportional reinsurance agreement with Bupa Mexico, where the Company assumed 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%. Excess of loss premium paid to the Company by Bupa Mexico equaled 0.5% of retained premiums. The Company paid a reinsurance commission of 37% on all of the premiums ceded, for reimbursement of expenses to Bupa Mexico. These contracts were terminated on October 1, 2021, and a gain of \$16,535,969 was recognized in the Statutory Statements of Income. The Company entered into a new contract with Bupa Mexico effective October 1, 2021, where the company has an excess of loss coverage of 100% on claims above \$200,000. The Excess of loss premium paid to the Company is \$13.43 per member per month. The Company entered into a new contract with Bupa Mexico effective October 1, 2022, where the company has an excess of loss coverage of 70% on claims above \$200,000. The Excess of loss premium paid to the Company is \$15 per member per month.

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 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 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, 2022 the Company has an excess of loss reinsurance agreement with Bupa Ecuador to cover any losses over \$40,000 for individual policies and \$200,000 for corporate policies. Bupa Ecuador pays the Company \$82 per member per month on individual policies and \$4.70 per member per month for corporate policies. Effective January 1, 2021 the Company has an excess of loss reinsurance agreement with Bupa Ecuador to cover any losses over \$40,000.

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.

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.

## **BUPA INSURANCE COMPANY**

### **Notes to Statutory Financial Statements**

December 31, 2022 and 2021

The Company has a reinsurance agreement with Compañía de Seguros Bolívar S. A. (Seguros Bolívar), a company incorporated in Colombia, where the Company assumes 95% of premiums net of applicable tax and commissions. Under Colombian law, Seguros Bolívar must retain 20% of the ceded premium and may release it after a calendar year. Seguros Bolívar will recognize an interest rate of 1.5% over such deposit, subject to withholding tax of 15%. The Company will reimburse Seguros Bolívar 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.

The Company has a reinsurance agreement with Alltrust Insurance Company a company incorporated in China, where the Company assumes 10% of premiums. The Company will reimburse Alltrust Insurance Company 10% of all claims paid. Reinsurance commission paid by BIC is 15% of the reinsurance premiums.

#### **(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 \$20,500 of their annual compensation, not to exceed amounts prescribed by statutory guidelines, for the year ended December 31, 2022 and \$19,500 for the year ended December 31, 2021. The Company's matching contribution is 7% of employee's salary. Contributions to the Plan were \$40,615 and \$43,993 for the years ended December 31, 2022 and 2021, respectively.

#### **(9) Managing General Agent**

Bupa Worldwide Corporation (BW) has the exclusive contract to serve as managing general agent to the Company. The Company 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 \$106.3 million and \$104.9 million of direct premiums were written through BW, including accident and health, ordinary life, and term life, for the year ended December 31, 2022 and 2021, respectively. The Company paid BW commissions of \$13,679,548 and \$17,170,119 for these services in 2022 and 2021, 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 \$3,610,125 and \$3,975,896 in 2022 and 2021, 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, as of December 31, 2021 the outstanding amount was \$29,700,000. On October 14, 2021 an amendment was executed extending the maturity date to November 18, 2022 and decreasing the interest rate. The new loan amendment bears interest at a fixed rate per annum of 54/100 percent (0.54%). The full amount of the loan was paid off on June 15, 2022. Interest income for the year

## **BUPA INSURANCE COMPANY**

### **Notes to Statutory Financial Statements**

December 31, 2022 and 2021

ended December 31, 2022 amounted to \$72,171 compared to \$605,883 in 2021. 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 calendar year subsequent to contract amendment, therefore, \$20,405,867 is in excess of this limitation and was included as a nonadmitted asset as December 31, 2021.

Effective January 1, 2022, 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 Asistencial Ltda., Amedex Insurance Company (Bermuda) LTD, Integramedica Peru S.A.C, MediPeru S.A., Anglolab S.A., Amedex Services LTD. and Bupa Servicios Panama, S.A. 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. The total receivable included within receivable from subsidiaries and affiliates at December 31, 2022 was \$12,941. The total receivable included within receivable from subsidiaries and affiliates was \$157,133 at December 31, 2021.

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 \$2,009,943 in 2022 and \$2,006,140 in 2021. The total of minimum sublease rentals to be received in the future under these leases is \$2,623,317.

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, 2022 and 2021 amounted to \$120,300 respectively.

Additionally, the Company has an investment in Bupa Mexico, 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 2022 two dividends were declared, in the amount of \$10,000,00 paid on April 19, 2022 and \$29,700,000 paid on June 15, 2022. During 2021, no dividends were declared or paid. The Company is limited to distribute \$3.2 million in dividends in 2023 without prior approval from the Florida OIR.

## BUPA INSURANCE COMPANY

### Notes to Statutory Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Mexico	15 %	35 %
Guatemala	13	10
Colombia	10	7
Venezuela	8	7
Ecuador	7	5
Others	<u>47</u>	<u>36</u>
Total	<u>100 %</u>	<u>100 %</u>

#### (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 \$1,780,779 in 2022 and \$1,859,529 in 2021.

**BUPA INSURANCE COMPANY**

## Notes to Statutory Financial Statements

December 31, 2022 and 2021

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2022 are:

	<b>Minimum lease payments</b>
Year ending December 31:	
2023	2,238,961
2024	<u>539,977</u>
Total minimum lease payments	<u>\$ 2,778,938</u>

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, 2022 are:

	<b>BW minimum sublease receipts</b>	<b>USAMS minimum sublease receipts</b>
Year ending December 31:		
2023	1,694,893	418,686
2024	<u>408,763</u>	<u>100,976</u>
Total minimum sublease receipts	<u>\$ 2,103,656</u>	<u>519,662</u>

**(15) Subsequent Events**

On February 12, 2023 the unsecured loan to USAMS in the amount of \$4,000,000, matured and was pay-off. On February 27, 2023 the Company sold its 99.9% interest in Bupa Mexico for \$58,999,922 to Bupa Global Holdings Limited. The Board of Directors approved two dividend distributions totaling \$90 million to the parent, Bupa Global Holdings Limited, on February 22, 2023. Dividends were approved by the Florida OIR on April 20, 2023 and subsequently paid on April 28, 2023. The Company has evaluated subsequent events through May 25, 2023, the date at which the financial statements were available to be issued. The Company has determined that there are no other items to disclose.

## **SUPPLEMENTAL SCHEDULES**



## Schedule I

## BUPA INSURANCE COMPANY

## Schedule of Investment Risks Interrogatories

December 31, 2022

1. The Company's total admitted assets as reported in the statutory statement of admitted assets, liabilities, and capital and surplus at December 31, 2022 were: \$ 258,913,082

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, 2021 are as follows:

Issuer	Description of exposure	Amount	Percentage of total admitted assets
MUFG Bank Ltd.	Cash/Bonds	\$ 50,000,000	19
Standard Chartered Bank	Cash/Bonds	49,000,000	19 %
BUPA Mexico, Compañía de Seguros, S.A.	Common Stock	24,185,535	9
Credit Suisse AG	Bonds	16,899,140	7
Toronto-Dominion Bank	Bonds	14,562,914	6
Toyota Motor Credit Corp	Bonds	10,042,192	4
UBS Group	Bonds	9,867,181	4
John Deere Capital Corp	Bonds	9,792,811	4
Wells Fargo	Cash	7,928,837	3
Brystal-Myers Squibb Company	Bonds	7,869,547	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	\$ 126,201,111	49 %

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	\$ 24,185,535	9 %

5. Aggregate foreign investment exposure by NAIC sovereign designation:

NAIC Designation	Amount	Percentage
Countries designated NAIC – 1	\$ —	— %
Countries designated NAIC – 2	24,185,535	9 %
Countries designated NAIC – 3 or below	—	— %

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

Country Designated NAIC – 2	Country	Amount	Percentage
	Mexico	\$ 24,185,535	9 %

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, 2022

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

<b>Issuer</b>	<b>Amount</b>	<b>Percentage of total admitted assets</b>
BUPA Mexico, Compañía de Seguros, S.A.	\$ 24,185,535	9 %

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*.

## BUPA INSURANCE COMPANY

## Supplemental Summary Investment Schedule

December 31, 2022

	Gross investment holdings	Percentage	Admitted assets	Percentage
Bonds:				
U.S. Treasury securities	\$ 788,532	0.3 %	\$ 788,532	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)	60,860,418	26.2 %	60,860,418	26.2 %
Unaffiliated certificate of deposits	30,000,000	12.9 %	30,000,000	12.9 %
Equity interests:				
Investment in mutual funds	—	— %	—	— %
Preferred stocks:				
Unaffiliated	—	— %	—	— %
Publicly traded equity securities (excluding preferred stocks):				
Unaffiliated	—	— %	—	— %
Other equity securities:				
Affiliated	24,185,536	10.4 %	24,185,536	10.4 %
Contract loans	247,409	0.1 %	247,409	0.1 %
Receivables for securities	—	— %	—	— %
Cash, cash equivalents, and short-term investments	112,136,753	48.4 %	112,136,753	48.4 %
Other invested assets	4,000,000	1.7 %	4,000,000	1.7 %
Total invested assets	\$ 232,218,648	100 %	\$ 232,218,648	100 %