

Golden Tree Reinsurance Limited.

Financial Condition Report

For the year ending 31 December 2022

Issued: 30 June 2023

Contents

Introduction	3
Business and Performance	3
Governance Structure	5
Risk Profile	9
Solvency Valuation	10
Capital Management	12
Significant Events	15
Declaration Statement	15

INTRODUCTION

Golden Tree Reinsurance Limited. (the “Company”) was incorporated under the laws of Bermuda on October 22, 2018 and registered effective January 1, 2019, as a Class 3A insurer under the Insurance Act, 1978, amendments thereto and related regulations (“The Act”) to write general insurance of property and casualty business. The Company’s registered office is in Crawford House, 50 Cedar Avenue, Hamilton HM 11, Bermuda.

Effective June 29, 2019, the Company, pursuant to the Asset Transfer Agreement, assumed the assets and liabilities of Independent Risk Solutions Ltd. (Acting in Respect of its Segregated Account ‘Golden Tree Insurance’).

Effective January 1, 2019, the Company entered into a novation agreement with certain reinsurers Independent Risk Solutions Ltd. in respect of its segregated account Golden Tree Insurance, Ocean International Reinsurance Company Ltd. and IRB Resseguros S.A., whereby the segregated account Golden Tree Insurance transferred all its rights and obligations under the reinsurance agreements commencing October 1, 2018. The rights and obligations were related to the Commercial Credit Insurance assumed by the segregated account Golden Tree Insurance.

This document is the Financial Condition Report for the Company for the year ending 31 December 2022.

The financial results are taken from the Economic Balance Sheet schedules that are reported as part of the Capital and Solvency Return for the year ending 31 December 2022.

i) BUSINESS AND PERFORMANCE

a) Name of Insurer
Golden Tree Reinsurance Limited.

b) Supervisors
Insurance Supervisor
Name Bermuda Monetary Authority
Jurisdiction Bermuda
Email RiskAnalytics@bma.bm
Phone: +1 441 295 5278

Group Supervisor
Not applicable

c) Approved Auditor
Organisation KPMG
Name Turner Bron
Jurisdiction Bermuda
Email bronturner@kpmg.bm
Phone +1 441-295-5063

d) Ownership Details
The Company is a wholly owned subsidiary of Iris Financial Services Limited (“Parent Company”), a company incorporated under the laws of Bermuda.

e) Ownership Structure

The Company is a wholly owned subsidiary of Iris Financial Services Limited (“Iris”), a Company incorporated under the laws of the Islands of Bermuda

f) Insurance Business written by line of business and geographical region

The Company writes commercial credit risk and commercial life risks in Colombia. The risk emanates from ExcelCredit S.A.S. (Excel) and Financiera Dann Regional (Dann) operations. Excel and Dann are part of Iris’ Group of Companies.

Premium written by product line for the year ending 2022

	<u>2022</u>	<u>2021</u>
Balance deferred at 1 January	\$ -	\$ -
Premiums written Commercial Credit	1,067,197	2,145,334
Premiums written Credit Life	11,653,588	14,068,912
Premiums written Kanguro	178,804	-
Premiums earned through the income statement	<u>(10,594,982)</u>	<u>(9,057,544)</u>
Balance deferred at 31 December	<u>\$ 2,304,607</u>	<u>\$ 7,156,702</u>

Gross Premium written by geographical location for the year ending 2022

	<u>2022</u>	<u>2021</u>
Colombia	\$ 12,720,785	\$ 16,214,246
United States	\$ 178,804	\$ -
Total	<u>\$ 12,899,589</u>	<u>\$ 16,214,246</u>

g) Performance of Investments and Income and Expenses for year ending 2022

The company maintained its entire available surplus in cash. During the period ending December 31, 2022, the Company had \$ 13,800,000 in intercompany loans with a related accrued in interest balance of \$ 125,238.

The Company’s main source of income was premiums written on commercial credit risk, commercial life risks and Kanguro risks products. The major expenses relate to underwriting and claim payments written for those same products.

	<u>2022</u>	<u>2021</u>
Balance deferred at 1 January	\$ -	\$ -
Premiums written Commercial Credit	1,067,197	2,145,334
Premiums written Credit Life	11,653,588	14,068,912
Premiums written Kanguro	178,804	-
Balance deferred at 31 December	<u>(10,594,982)</u>	<u>(7,156,702)</u>
Total income	<u>\$ 2,304,607</u>	<u>\$ 9,057,544</u>
Expenses		
Losses – Commercial Credit	14,007	539,324
Losses - Credit Life	1,621,222	2,411,784
Losses - Kanguro	18,014	-
Commission and other	1,054,633	902,352
Operating expenses	<u>446,429</u>	<u>349,460</u>
Total expenses	<u>\$ 3,154,305</u>	<u>\$ 4,202,920</u>

h) Any Other Material Information

Please refer to section vi) Subsequent Events below.

ii) **GOVERNANCE STRUCTURE**

a) Board and Senior Executive

i) *Directors and Officers, and responsibilities*

The directors and officers of the Company are detailed in the table below:

<u>Directors</u>	<u>Position</u>
Alberto Mishaan	Director and President
Neil Horner	Director
Giles Carmichael	Director
Luis Portillo	Director
Roger Gillett	Director (Independent)
<u>Officers</u>	
Alberto Mishaan	Chief Executive Officer
Valery Brosntein	Treasurer
Andres Mishaan	Vice President
Moris Mishaan	Vice President
Compass Administration Services Ltd. ("CASL")	Secretary

The ultimate responsibility for sound and prudent management of the Company rests with the Board of Directors (the "Board"). The Board is responsible for ensuring that corporate governance policies and practices are developed and applied in an appropriate manner. The Board has delegated its authority (under its oversight) to the following committees to assist it in discharging its responsibilities:

- Underwriting and Claims Committee – includes the oversight of risk management, including but not limited to monitor of existing insurance programme, review and approve renewals, and assess new risks and business opportunities.
- Investment Committee – includes the oversight of investment activity and strategy.

ii) Description of Remuneration Policy

The Independent Directors are paid a fixed retainer for their Board services, which includes attendance at Board meetings. The rest of the board members serves without remuneration.

The company does not have employees and it outsources the management of the Company to Marsh Management Services (Bermuda) Ltd.

iii) Supplementary Pension or Early Retirement Schemes for Members, Board and Senior Employees

Not applicable.

iv) Details of any material transactions with Shareholder Controllers, Persons who exercise significant influence, the Board and Senior Executive

Not applicable.

b) Fitness and Propriety Requirements

i) Fit and Proper Process in assessing the Board and Senior Executives

The Company appoints members of the Board based on the individual's expertise and work experience as well as professional judgment and recommendations from third party recruiting agencies.

ii) Professional Qualifications, Skills and Expertise of the Board and Senior Executives

Board members and seasonal professionals that have appropriate academic and professional qualifications and significant industry experience, and are generally considered to be experts in their fields.

Their qualifications and work experience are detailed below:

Alberto Mishaan career spans over 35 years in the insurance industry, he is currently the Chairman and CEO of Seguros Mundial S.A., a Colombian based insurer. He is a co-founder on several business ventures in real estate and financial products. Mr. Alberto holds a finance degree from the University of Colorado.

Roger C. Gillett is a seasoned insurance and reinsurance executive. Mr Gillett spent 20 years with Johnson & Higgins (Bermuda) Ltd., where he developed the brokerage's global captive management operations, and went on to become president of Ace Risk Management International before retiring in 2007. He also held various leadership roles with Bermuda-based insurance trade groups.

Neil Horner is the Head of Corporate for Bermuda law firm aswlaw. Neil joined the firm in March 2003. Prior to joining ASW, he worked in leading firms in London, New York and Frankfurt. He is qualified in Bermuda, England and New York. He has extensive experience working on large commercial and corporate finance transactions with particular emphasis on the (re)insurance and financial services sectors. Neil ranks in Band 1 in Chambers Global 2019.

Luis Portillo is currently a Vice President of Underwriting for Marsh Management Services (Bermuda) Ltd. Luis is responsible for all the insurance technical matters for its portfolio of clients, including analysing the risk from a technical perspective, establishing retention levels, analysing pricing on premiums, claims management and review and issue appropriate underwriting documentation. Luis is a Chartered Property & Casualty Underwriter (CPCU), Associate in Reinsurance (ARe), Associate in Commercial Underwriting (AU) and Associate in General Insurance (AINS). Luis achieved an honours degree at U.N.E.D. in Spain.

Giles Carmichael is the founder attorney at New York based Carmichael Law P.C. and a partner at Chancery Chambers, Bridgetown, Barbados. With over 14 years of experience, Giles worked in law firms in Trinidad, New York, and Barbados. He is qualified in Barbados and New York, USA.

Giles has and International MBA from IE Business School, Madrid, Spain, Masters in Law) (Hons) from Suffolk University Law School, Boston, Massachusetts LLM, Common Law Degree (Hons) from the University of Durham, Durham, United Kingdom LLB.

c) Risk Management and Solvency Self-Assessment

i) Risk Management Process and Procedures to Identify, Measure, Manage and Report on Risk Exposures

Due to the product simplicity and short tail liability associated with the business written by the Company the expected premium and asset levels should not cause the Board to require complex or extremely sophisticated risk management oversight or strategies.

The Company's insurance manager performs the operational accounting, financial reporting and regulatory compliance functions with PwC serving as the company's loss reserving specialist and authoring the actuarial opinion, including the premium and loss provisions, and risk margin calculation on the Economic Balance Sheet.

The Board will be supported by an Underwriting and Claims Committee and an Investment Committee. Each committee reports its activities to the Board with principal responsibilities including:

Underwriting and Claims Committee

The Underwriting and Claims Committee will be responsible for the review and implementation of the Company's insurance programme placements under the guidelines as determined by the Board. The Underwriting and Claims Committee will review the business assumed by the Company on a regular basis and provide guidance on the terms and conditions of the reinsurance contracts to ensure that the risks assumed are acceptable and appropriate to the Company. It will also review and approve submissions from appointed insurance brokers responsible for placing the insurance programme with a review of all supporting actuarial analyses and other relevant information. The committee will also advise on the placement and relevant security of reinsurance of risks to the commercial market where applicable.

The Underwriting and Claims Committee will also review reported claims on a regular basis and advise on the validity and subsequent payment under the terms of the reinsurance contract. The Underwriting and Claims Committee will provide detailed analysis of frequency, severity and trends of reported claims to ensure the Company's programme remains consistent with the overall objectives of the Company. It will also review supporting actuarial analyses and advise on the appropriate level of reserves in respect of the Company's insurance programme.

Investment Committee

The Investment Committee will provide guidance and oversight of the Company's investment guidelines where appropriate and liaise with third party investment managers to ensure implementation of appropriate investment strategies and adequate information and analysis is received by the Company.

ii) Risk Management and Solvency Self-Assessment Systems Implementation

The Company's risk management framework is implemented and integrated into its operations through processes, procedures, and controls developed by management proportionately applied cognizant of the Company's current risk profile, nature, scale and complexity of its operation.

iii) Relationship between Solvency Self-Assessment, Solvency Needs and Capital, and Risk Management Systems

The Company's Risk Management and Solvency Self-Assessment are key drivers for the projections of assets, liabilities and solvency requirements. These projections are produced at least once a year and on an ad hoc basis, depending on business opportunities. Income statements, balance sheets and distributions are projected, along with an analysis of change.

iv) Solvency Self-Assessment Approval Process

The Solvency Self-Assessment is part of the Company's risk management processes and reviewed by the Company's Senior Management team, with the Board providing oversight.

d) Internal Controls

i) Internal Control System

Whilst responsibility for the Company's internal controls rests with the Board, the Board delegates its authority to various committees of the Board. Additionally, the Company has appointed an Insurance manager to manage the Company and places reliance on the Insurance managers' internal controls.

ii) Compliance Function

The Company currently utilizes the Compliance expertise of the appointed management company.

e) Internal Audit

Marsh Management Services (Bermuda) Ltd. as Insurance Manager and Principal Representative provides the internal audit functions. Additionally, Excel also provides the Internal Audit function to the Company.

f) Actuarial Function

For statutory purposes, the Company outsources its loss reserve specialist to PwC's Damian Sealy. The Company's loss reserve specialist is responsible for setting and adjusting technical provisions both premium and loss and loss expenses best estimates, and the risk margin.

Excel's also provide analytical support to the Company thru its Credit Department. Excel's Credits Department includes approximately 12 professionals with designations on Mathematics, Magister in Finance, Professional Statistics and Economists. This team is in charge of the pricing of both the commercial credit and credit life.

g) Outsourcing

i) Outsourcing Policy and Key Functions that have been outsourced

The Company outsources the accounting, legal, corporate administration and actuarial reporting to 3rd parties as follows:

- Principal Representative / Insurance Manager: Marsh Management Services (Bermuda) Ltd.
- Attorneys: ASW Law Limited
- Corporate administrators: Compass Administration Services Ltd., an affiliate of ASW Law Limited.
- Auditors: KPMG.
- Actuary: Damian Sealy, PwC.

h) Other Material Information

There is no other material information.

iii) RISK PROFILE

a) Material Risks that the Insurer was exposed to during the Reporting Period

The Company's has identified various risk categories to which it is exposed. The listing of the main risks covering strategic, underwriting, reputational, reserve, financial reporting, credit, market/investment (including concentration), liquidity, operational, legal and regulatory aspects of the business.:

- Strategic risk - The risk that the Company's strategy is ineffective, not efficiently implemented or results in an inability to access quality business.
- Underwriting risk - See further details below.
- Reputational risk - The risk that business processes, service, associations and growth/performance result in adverse perception of the Company by customers, counterparties, shareholders, investors or regulators.
- Reserve risk - The risk that booked reserves are inadequate, leading to reserve deterioration.
- Financial reporting risk - The risk of intentional and unintentional acts and resultant inaccurate, inadequate, untimely recording, payments and reporting.
- Credit risk - The risk of external payments or recoveries from third parties not being collected due to the default by such counterparties or their unwillingness to pay such sums due, leading to a deterioration in the financial position.
- Market/investment risk - See further details below, section (d).
- Liquidity risk - The risk of not being able to meet the Company's obligations as they fall due, which could negatively affect the ability to implement the Company's strategy and carry out its business processes (such as the payment of claims as and when they arise).
- Operational risk - The risk of not being able to satisfy the Company's obligations or implement its strategy because of inadequate staffing, inadequate information technology infrastructure, inadequate information security, and inappropriate data-collection and management-reporting processes.

- Legal/regulatory risk – The risk of losses, fines or other penalties arising from day-to-day actions, non-compliance with applicable regulatory and licensing requirements and inappropriate product design.

The Company's material risk exposures is mainly underwriting risk.

Underwriting Risk

The Company is in the business of writing commercial credit risk and commercial life risks insurance and reinsurance, and is exposed to the risk of losses under its policies.

Underwriting risk can be broken down into inappropriate risk selection, inadequate premium, adverse terms conditions, inadequate exposure management, and/or modelling as follows.

The Company via Excel uses a combination of analytical and mathematical techniques and models to evaluate those risks.

b) Risk Mitigation in the Organisation

The Company relies on Excel's Credit Risk Committee (CRC) to assess risks related to its insurance programme. The CRC meets on a monthly basis to run through the current book of business, the new loans provided to borrowers, the administration of the loans, accounts receivables, issues with any loans, errors in the process, and issues with the documentation provided by borrowers. In general, the CRC analyses all the risks arising from the operation and clients and allocates duties and responsibilities as needed.

c) Material Risk Concentrations

The most material insurance risk concentration is geographic concentration risk as the underlying insured are Colombian based. Management believes this concentration risk does not represent detriment to the financial position of the Company.

d) Investment in Assets in Accordance with the Prudent Person Principles of the Code of Conduct

Currently the Company maintains its entire surplus in Cash and Mutual Fund, Aqua Money Fund.

The investment strategy of GT is channelled with IRIS through Aqua Money Fund, essentially an investment vehicle managed by the Mishaan Group of companies.

The investment objectives of the Fund are to generate attractive returns over a 12-to-24-month time horizon and thereby increase investors' wealth; to preserve capital over that same time horizon, regardless of what transpires in the global financial markets and to target low volatility in order to control the risk of capital loss.

Shareholders may redeem some or all of its shares, annually on the first calendar after expiry the lock-up period and then annually thereafter, on six (6) month's prior written notice. At the end of December 2022, Golden Tree does not have any unfunded commitment with the fund.

This investment is a direct participation on a fund which Net assets Value is calculated and reported to the investor on a monthly basis based on the performance of their underlying's investment. The investors have the right to redeem their participation any time using the measurement value of the most recent quarter.

Market risk is the risk that changes in market prices such as interest rates and foreign exchange rates will affect the value of the Company's assets, the amount of its liabilities and or the Company's income.

Investment at Fair value were held of \$19,255,469 (2021: \$13,452,540). Investment asset allocation is determined by Aqua Money Fund's management who manages the distribution of the assets to achieve the Company's investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Company's Board of Directors.

At the end of December 2022 and 2021, the Company currently has no significant exposure to market risk given the structured of Aqua Money Fund.

e) Stress Testing and Sensitivity Analysis to assess material risks

The Company performs regular stress and scenario testing to ensure it complies with regulatory capital requirements. The Company uses a combination of simple deterministic analysis and more complex stochastic techniques to model its key risks.

f) Any other material information

There is no other material information.

iv) **SOLVENCY VALUATION**

a) Valuation bases, assumptions and methods used to derive the value of each asset class

The Company has used the valuation principles outlined by the Bermuda Monetary Authority's "Guidance note for Statutory Reporting Regime" for the reporting period's regulatory filing. The economic valuation principles are to measure assets and liabilities on a fair value basis. The fair value principles used for the assets are as follows:

- Cash and cash equivalents – the fair value of these holdings is determined using a mark to market valuation.
- Premium receivable – recorded at fair value.

b) Valuation bases, assumptions and methods used to derive the value of technical provisions

Insurance technical provisions for the Company is valued based on best-estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure. In addition, there is a risk margin to reflect the uncertainty inherent in the underlying cash flows, which is calculated using a risk-free discount rate term structure as prescribed by the Authority.

The "best estimate for loss and loss expense provision" is calculated by using the International Financial Reporting Standards (IFRS) reserves as a starting point. The IFRS reserves represent the Company's best estimate of loss and loss expense reserves on an undiscounted basis. The discounted reserve is then calculated using expected payout patterns and the risk-free yield curves published by the Authority.

The “best estimate for premium provision” is calculated using the unearned premium reserve on IFRS basis, adjusting for bound but not incepted business as of December 31, 2022, and applying expected loss and expense ratios and appropriate claims payout patterns to derive cash flows, which are then discounted using a risk-free discount rate term structure as prescribed by the Authority.

The “calculation for risk margin” uses a “cost-of-capital” approach and assumes a “risk-free” portfolio. Capital requirements are derived for the full period needed to run-off the insurance liabilities, and are discounted using a risk-free discount rate term structure as prescribed by the Authority, using the risk-free discount curve propagated by the Authority.

As of December 31, 2022, the balance of the total technical provisions were as follow:

Golden Tree Reinsurance Limited				
Summary of Total General Business Insurance Technical Provisions				
As of 12/31/22				
BSCR Line of business	Golden Tree	PwC Low	PwC Central	PwC High
<i>Claims Provisions - Economic Basis</i>				
Discounted	976,074	930,018	976,074	1,075,280
<i>Premium Provisions - Economic Basis</i>				
Discounted Future Premiums	(10,265,632)	(10,265,632)	(10,265,632)	(10,265,632)
Discounted Expected claims and Expenses	4,383,519	4,164,343	4,383,519	4,821,871
Subtotal: EBS Premium Provision	(5,882,113)	(6,101,289)	(5,882,113)	(5,443,761)
Risk Margin	1,184,547	1,125,320	1,184,547	1,303,002
Grand Total: EBS Technical Provisions	(3,721,492)	(4,045,951)	(3,721,492)	(3,065,479)

c) Description of recoverable(s) from reinsurance contracts

The Company does not use reinsurance or any other risk transfer mechanisms.

d) Valuation bases, assumptions and methods used to derive the value of other liabilities

Other liabilities are valued using International Financial Reporting Standards.

e) Any other material information

There is no other material information.

v) **CAPITAL MANAGEMENT**

a) Eligible Capital

i) *Capital management policy and process for capital needs*

The primary capital management objective of the Company are to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. It strives for an appropriate capital structure that efficiently allocates the risk to the capital.

To maintain a strong capital base, the Company identifies, assesses, manages and monitors the various risk sources it faces in the course of business both currently and as anticipated over a year

planning horizon. This process culminates in an assessment of the capital necessary to maintain solvency at the threshold targeted by management given the firm's risk profile..

ii) Eligible Capital categorised by tiers in accordance with the eligible capital rules

The Company's Eligible Capital was categorised as Tier 1 for the years ending 2022:

iii) Eligible Capital by tiers, used to meet ECR and MSM requirements

At the end of the reporting period, the Company's Eligible Capital for its Minimum Margin of Solvency (MSM) and Enhanced Capital Requirement (ECR) was categorised as follows:

In 000's	<u>Applied to MSM</u>	<u>Applied to ECR</u>
Tier 1 Capital	\$ 48,474	\$ 48,474
Tier 2 Capital	-	-
Tier 3 Capital	-	-
 Total Capital	 <u>\$ 48,474</u>	 <u>\$ 48,474</u>

iv) Confirmation of Eligible Capital that is subject to transitional arrangements

Not Applicable.

v) Identification of any factors affecting encumbrances on the availability and transferability of capital to meet the ECR

The Company has entered into contracts with ceding reinsurers that do not require the Company to, in part or in full, collateralise estimates of its obligations.

vi) Identification of Ancillary Capital Instruments that have been approved by the Authority

The Company has no Ancillary Capital Instruments.

vii) Identification of differences in Shareholder's Equity as stated in the financial statements versus the available statutory capital and surplus

The major differences between the shareholder's equity in the accounts and the statutory capital and surplus relate to differences in the accounting approach. The financial statements are prepared using IFRS accounting rules, whereas the statutory capital and surplus is prepared using the BMA's Economic Balance Sheet rules. The major differences relate to the following items:

- Employing statutory-based technical provision valuation techniques for both premiums and losses as noted on section iv) (b) above 'b) Valuation bases, assumptions and methods used to derive the value of technical provisions',
- Reduction in available statutory capital for prepaid expenses.

b) Regulatory Capital Requirements

i) *ECR and MSM requirements at the end of the reporting period*

For the year ending 2022, the Company's regulatory capital requirements were as follows:

	31 December 2022	
	Amount in USD 000's	Coverage Ratio
Minimum Margin of Solvency	3,191	380%
Enhanced Capital Requirement	12,763	380%

ii) *Identification of any non-compliance with the MSM and the ECR*

The Company was compliant with the MSM and the ECR during the year ending 31 December 2022.

iii) *Description of the amount and circumstances surrounding the non-compliance, the remedial measures taken and their effectiveness*

Not applicable

iv) *Where the non-compliance has not been resolved, description of the amount of non-compliance at the end of the reporting period*

Not applicable

c) Approved Internal Capital Model

i) *Description of the purpose and scope of the business and risk areas where the Internal Model is used*

Not applicable

ii) *Where a Partial Internal Model is used, description of the integration with the BSCR Model*

Not applicable

iii) *Description of the methods used in the Internal Model to calculate the ECR*

Not applicable

iv) *Description of the aggregation methodologies and diversification effects*

Not applicable

v) Description of the main differences in the methods and assumptions used for the risk areas in the Internal Model versus the BSCR Model

Not applicable

vi) Description of the nature and suitability of the data used in the Internal Model

Not applicable

vii) Any other material information

There is no other material information.

vi) SIGNIFICANT EVENTS

There is no other material information.

To the best of our knowledge and belief, the financial condition report fairly represents the financial condition of the Company in all material respects.



Luis Portillo
Director

30 Jun 2023



Andres Carmona
Principal Representative

30 Jun 2023