ION Insurance Company Inc.

Annual Report & Accounts

2022

Annual Report & Accounts

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2022 Audited Financial Statements — Pages

Financial Statements

ION INSURANCE COMPANY INC.

Report of the Directors for the Year ended 31st December 2022

1. The Directors present herewith their report and financial statements of the Company for the year ended 31st December 2022.

Business review and principal activities

2. ION Insurance Company Inc. was officially incorporated on February 2, 2016, following the issuance of its Certificate of Incorporation by the Government of American Samoa. On March 16, 2016, the Company further received a Certificate of Authority from the American Samoa Insurance Commissioner. This certificate enables ION Insurance Company Inc. to provide a comprehensive suite of insurance services within American Samoa.

   Moreover, the Company holds authorization to operate in the United States as a surplus line insurer in several states and territories, including Florida, South Carolina, Alabama, Georgia, Kentucky, and the US Virgin Islands. Additionally, ION Insurance Company Inc. maintains a registration with the National Association of Insurance Commissioners (NAIC), under the Company code 15936.

   To date, ION Insurance Company Inc. has successfully completed 7 years of uninterrupted operations. The Board of Directors expresses satisfaction with the Company's performance and progress achieved thus far. Consistently adhering to a policy of conservative underwriting, the Company is actively continuing to pursue strategic partnerships globally. This approach aims to broaden its operational footprint, reinforcing and underpinning its established presence in the insurance market.

3. ION Insurance Company Inc. has a long-standing reinsurance agreement with ION Insurance Group S.A., a recognized entity that boasts 19 years of sustained and prosperous operation. The Company also benefits from the robust support of its select global partners.

4. The Company has closely reviewed their accounts and decided to withdraw from less profitable classes of business. Therefore, revenue has reduced from USD 16,876,844 to USD 10,870,899. Simultaneously, total assets have reduced from USD 39,484,285 to USD 35,302,342 with the change in our Accounts receivable. This strategic planning demonstrates the Company's underwriting acumen in navigating complex market conditions and provides a better foundation for future growth.

5. The Company employs the Expected Loss Ratio (ELR) methodology to estimate projected claims in relation to earned premiums. Following a comprehensive analysis of the Company's loss history over the past 5 years, our appointed actuary has established an ELR of 40%.

   This ELR has been instrumental in calculating the IBNR reserve and the total reserve for the Company. The expected loss ratio, representing the proportion of ultimate losses to earned premiums, is utilized to ascertain these figures. Ultimate losses are deduced by applying the ELR to the earned premiums. The total reserve is determined by subtracting paid losses from these ultimate losses, while the IBNR reserve is derived by deducting the case reserve from the total reserve.

   The year 2022 has been noteworthy for the Company, the liabilities under its Contingent Loss Provisions (IBNR) has reduced markedly from USD 6,652,445 in 2021 to USD 4,820,338 in 2022. Additionally, there has been additional reductions in liabilities attributed to unearned premiums, from USD 7,501,180 in 2021 to USD 6,768,567 in 2022.

6. In recent years, ION Insurance Company Inc. has diligently concentrated on the expedient adjustment and settlement of claims, a practice that has been instrumental to the Company's success. A key factor contributing to this achievement is our commitment to the prompt resolution of claims. To ensure the highest standards of accuracy and fairness, the Company engages respected professional third-party loss adjusters for the thorough assessment of all claims. Upon receipt of these assessments, we prioritize reaching amicable settlements with our clients, ensuring that resolutions are delivered in a timely and efficient manner.

7. The Board of Directors has established, through enquiry that the Accounts Receivable is an accurate assessment of premiums due to the Company.

8. The Board of Directors have chosen to use the U.S. GAAS Audit which is an acceptable financial reporting framework.

9. The Company continues to make progress with its solvency rating discussions with KBRA and Demotech.

10. The Board of Directors are extremely satisfied with the performance made by the Company during the financial period under review.

Statement of Directors' responsibilities

The Directors bear full responsibility for the preparation, integrity, and the true and fair representation of the financial statements and other pertinent information included in this Report. This responsibility encompasses the formulation of financial statements in compliance with applicable laws and regulatory standards.

The Directors acknowledge their obligation to implement suitable internal controls as they consider necessary. These controls are crucial to the production of financial statements that are devoid of material misstatements, whether resulting from fraud or error.

Annually, the Directors are mandated to prepare financial statements. For the current financial year, the Directors have chosen to compile these statements in conformity with U.S. Generally Accepted Auditing Standards (GAAS). In endorsing these financial statements, the Directors must ascertain that they accurately and fairly reflect the Company's financial position and its profit or loss for the year.

In the preparation of these financial statements, the Directors are required to:

- Adopt appropriate accounting policies and apply them consistently.
- Make judgments and estimates that are reasonable and prudent.
- Assert compliance with applicable Accounting Standards, clearly disclosing and explaining any significant deviations in the financial statements.
- Prepare the financial statements on a going concern basis, except in circumstances where it is infeasible to presume the Company's ongoing operations.

Furthermore, the Directors are charged with maintaining adequate accounting records that sufficiently detail the Company's transactions and at any given time, accurately represent the Company's financial position. They are also tasked with protecting the Company's assets, thereby taking necessary measures for the prevention and detection of fraud and other irregularities.

The Directors confirm that, to the best of their knowledge:

- There is no significant audit information that the Company's Accounting Firm is unaware of.
- All necessary steps have been taken to make themselves aware of any relevant audit information and to ensure that the Accounting Firm is apprised of such information.

This statement is signed on behalf of the directors on 31st December 2022 by:

ION

Richard A. Whitney
President & C.E.O

Notes to the Accounts

31st December 2022

A. Accounting Policies

The accompanying balance sheet has been prepared by management in accordance with generally accepted accounting procedures.

B. Premiums

Gross written premium comprises the total premiums receivable for the whole period of cover for contracts entered into during the year, regardless of whether they relate in whole or in part due to a later accounting period. Premium includes adjustments arising in the accounting period to premiums written in prior accounting periods and also includes an estimate for ceded premiums. Ceded premiums are those which are due on business written but not yet declared. The Company generally estimates ceded premium based upon management's expertise and prior experience.

Premiums relating to the expired risk period are taken as earned and recognised as revenue for the period, while the premium relating to the unexpired risk period is treated as a provision for unearned premium. For proportional treaty business, the unearned premium provision is calculated on a treaty-by-treaty basis at the reporting date. For non-proportional and facultative business, the unearned premium provision is calculated on a pro-rata basis. For any cases where the underlying business and risk do not justify the above methods, the unearned premium provision is calculated on bases relevant to the risk profile of the insurance contract.

Surety risks are taken as fully earned when paid.

C. Claims

Outstanding claims comprises the provision for the Company's estimated ultimate cost of settling all claims incurred (and related claims handling costs) but unpaid at the reporting date, whether or not these had been reported. These are provided for at their face value. Provision is also made for claims incurred but not reported at the reporting date based upon the management's judgement and the Company's prior experience.

Claims are comprised of amounts payable to policyholders and related loss adjustment expenses, net of salvage and other recoveries and is charged to the statement of income as incurred. In addition, claims reflect the movements in the provision for outstanding claims, claims incurred but not reported (IBNR), claims incurred but not enough reserved (IBNR) and other claims reserves.

Ceded loss recoveries are accounted for in the same period as the related losses on the business written.

D. Acquisition Costs

Policy acquisition costs represent commissions paid to intermediaries and other direct costs incurred in relation to the acquisition and renewal of insurance contracts which are deferred and expensed over the terms of the insurance contracts as to which they relate as premiums are earned. Other fees include reinsurance commissions earned and fronting fees.

Any fees which relate to services provided in future periods, are deferred, and recognized in those future periods.

For the purposes of the accompanying balance sheet, all acquisition costs have been deducted at source and all figures presented are on a net basis.

E. Notes receivable

Notes receivable(s) are collateralized by Class "A" commercial real estate investments on behalf of the Company.

F. Outward reinsurance

Outward reinsurance premiums relating to earned premiums are recognized as expense in accordance with the insurance services provided. Unearned reinsurance premiums are those proportion of premiums written in a year that relate to periods of risk after the reporting date and are deferred over the term of the reinsurance contract.

G. Long Term Assets, Investments

Long term assets consist of Class "A" prime real estate mortgages in the USA.

H. Profits

The Company realized a profit of USD (375,049). for the year 2022.

I. Taxation

Registered US Company, taxes are filed with the American Samoa Government Treasury (ASGT) and the United States Internal Revenue Services (IRS).

J. Foreign Currencies

Transactions in foreign currencies are translated to United States Dollars at the rates ruling at the dates the transactions are made. Foreign currency monetary assets and liabilities are translated to United States Dollars at rates of exchange ruling at the end of the financial period.

K. Staff Costs and Directors Fees

In view of the fact that inwards business is managed by independent agents, the cost of staff is included in the commission allowed by the Company.

L. Dividends

Dividend income is included within investment income and is recognised when the right to receive the payment is established.

M. Insurance Risk

Loss reserve estimates are inherently uncertain. Reserves for unpaid losses are the largest single component of the liabilities of the Company. Actual losses that differ from the provisions, or revisions in the estimates, can have a material impact on future earnings and the statement of financial position.

The Company ensures that the provision is constantly reviewed and monitored in conjunction with the underwriting and claims teams, to ensure it is adjusted to reflect changes in exposure and loss experience.

The Company continues to develop its audit and risk management covering risk acceptance criteria, pricing, authority levels, and reinsurance protection amongst others. It guides the underwriters in their acceptances, on the principals of prudence and professionalism within the overall objective of diversifying the types of insurance risks accepted and within each of these categories, to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Priority is to ensure adherence to the criteria for risk selection by maintaining high levels of experience and expertise among the underwriting staff.

Insurance risk includes the risk of inappropriate underwriting, ineffective management of underwriting, inadequate controls over exposure management in relation to catastrophic events and insufficient reserves for claims incurred but not reported.

The risks faced by the Company and the way these are mitigated by management are summarised as follows:

In order to diversify risks and mitigate the risk of catastrophic loss, the Company, in the normal course of business, enters into contracts with other parties for reinsurance purposes. This allows the Company to control exposure to potential losses from large risks, provides for greater diversification of business and provides additional capacity for growth. Prior to renewing any annual reinsurance business, the Company carries out a detailed review of the financial stability of the reinsurer.

The Company ensures that reinsurance is placed only with financially secure and experienced companies in the industry.

N. Financial Risk

a) Credit risk

Reinsurance and fixed income investments are monitored for the occurrence of a downgrade or other changes that might cause them to fall below the Company's security standards. If this occurs, management takes appropriate action to mitigate any loss to the Company.

The Company's bank balances are maintained with a range of International and local banks in accordance with the limits set by the Board of Directors.

The Company does not enter into derivative contracts.

The Company's portfolio of fixed income investments is managed in accordance with prescribed credit rating and counterparty exposure guidelines.

Credit risk relating to unpaid insurance receivables is mitigated by the large number of cedants and their wide geographical dispersal. The Company is currently putting in place credit appraisal policies and procedures in respect of these receivables and will monitor them on a regular basis to restrict the Company's exposure to bad debts.

Credit terms are also strictly monitored to keep balances as current as possible.
The Company is exposed to credit risk primarily from unpaid insurance receivables and fixed income investments.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.
As a result of the financial instruments held by the Company, it is subject to various market risks including interest rate risk, foreign currency risk, credit risk, market price risk and liquidity risk.

The Company maintains detailed guidelines within their accounting and administrative procedures.

These provide the framework for the investing activities and set specific limits and benchmarks for the acceptable levels of counterparty exposure, concentration, credit risk, currency risk, liquidity risk and interest rate risk, among others. In the normal course of business, the Company uses primary financial instruments such as cash and cash equivalents, bonds, equities, and receivables.

b) Liquidity risk

The Company's investment guidelines prescribe minimum levels of financial assets to be held in cash and cash instruments. These are continually monitored to ensure that the Company can meet its liquidity requirements.

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with insurance contracts and other financial liabilities as and when they fall due.

c) Foreign currency risk

The Company holds both assets and liabilities in different currencies and therefore is exposed to the risk of exchange rate movements associated with assets and liabilities matching. Although the Company does not apply hedging techniques to mitigate its currency risk, it does ensure that the net exposure to this risk is mitigated by constantly monitoring the net exposure to this risk is within acceptable levels.

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

d) Interest rate risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The Company does not apply hedging techniques to minimize this risk but has in place investment guidelines on the limits of stocks, industry and sectors and actively monitors developments in the equity markets and the potential impact on the portfolio.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the Company's profit for the year, based on the floating rate financial assets and liabilities held on 31 December 2022.

Interest rate risk arises from the possibility that changes in interest rates will affect the future profitability or fair values of financial instruments.

O. Related Party Transactions

The RA Whitney Trusts holds the majority of the share capital (100%) and therefore controlling interest in the Company.

P. Contingent Liabilities

There are no material contingent liabilities in respect of pending litigations involving the Company for which no provision has been made in these financial statements.

Q. Post Balance Sheet Events

There have been no material events between 31 December 2022 and the date of this report which are required to be disclosed.

Independent Auditors' Report

PILTZ, WILLIAMS, LAROSA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
A Professional Association

Management
ION Insurance Company, Inc.
Pago Pago, American Samoa

Opinion

We have audited the accompanying financial statements of ION Insurance Company, Inc., which comprise the balance sheet as of December 31, 2022 and the related statements of income and retained earnings, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of ION Insurance Company, Inc., as of December 31, 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ION Insurance Company, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 ION Insurance Company, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 auditor's 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 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 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 ION Insurance Company, Inc.'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 ION Insurance Company, Inc.'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.

Piltz, Williams, LaRosa & Co

Certified Public Accountants

Biloxi, Mississippi
December 12, 2023

Balance Sheet

December 31, 2022

Assets

Current assets	$
Cash	979,530
Certificates of Deposit	52,713
Accounts receivable	6,198,731
Prepaid income tax	338,474
Total current assets	7,569,448
Other assets	
Commercial real estate mortgage receivable	18,544,847
Due from stockholder	7,872,459
Interest receivable	1,315,588
Total other assets	27,732,894
Total assets	35,302,342
Liabilities & Stockholder's Equity	
Current liabilities	
Contingent loss provision (IBNR)	4,820,338
Provision for claim losses	2,637,547
Unearned premiums	6,768,567
Due to affiliate	860,494
Total current liabilities	15,086,946
Stockholder's equity	
Common stock, $1 par, 7,600,000 shares issued and authorized	7,600,000
Retained earnings	12,615,396
Total stockholder's equity	20,215,396
Total liabilities and stockholder's equity	35,302,342

The accompanying notes are an integral part of the financial statements.

Statement of Income and Retained Earnings

Year Ended December 31, 2022

Revenues	$
Premium revenues	10,870,899
Change in provision for unearned premiums	732,613
Earned premiums, net of reinsurance	11,603,512
Operating expenses	
Bank charges	5,697
Claims paid	14,679,193
Commissions	1,214,599
IBNR claims expense	(1,832,107)
Licenses and taxes	7,555
Occupancy	1,850
Professional fees	25,147
Reinsurance	59,418
Change in net provision for claims	(2,182,791)
Total operating expenses	11,978,561
Net income from operations	(375,049)
Other income (expense)	
Interest income	397,417
Income tax penalties	(3,820)
Total other income	393,597
Net income before federal income taxes	18,548
Current provision for federal income taxes	(4,697)
Net income	13,851
Retained earnings, balance beginning of year	12,601,545
Net income	13,851
Retained earnings, ending	12,615,396

The accompanying notes are an integral part of the financial statements.

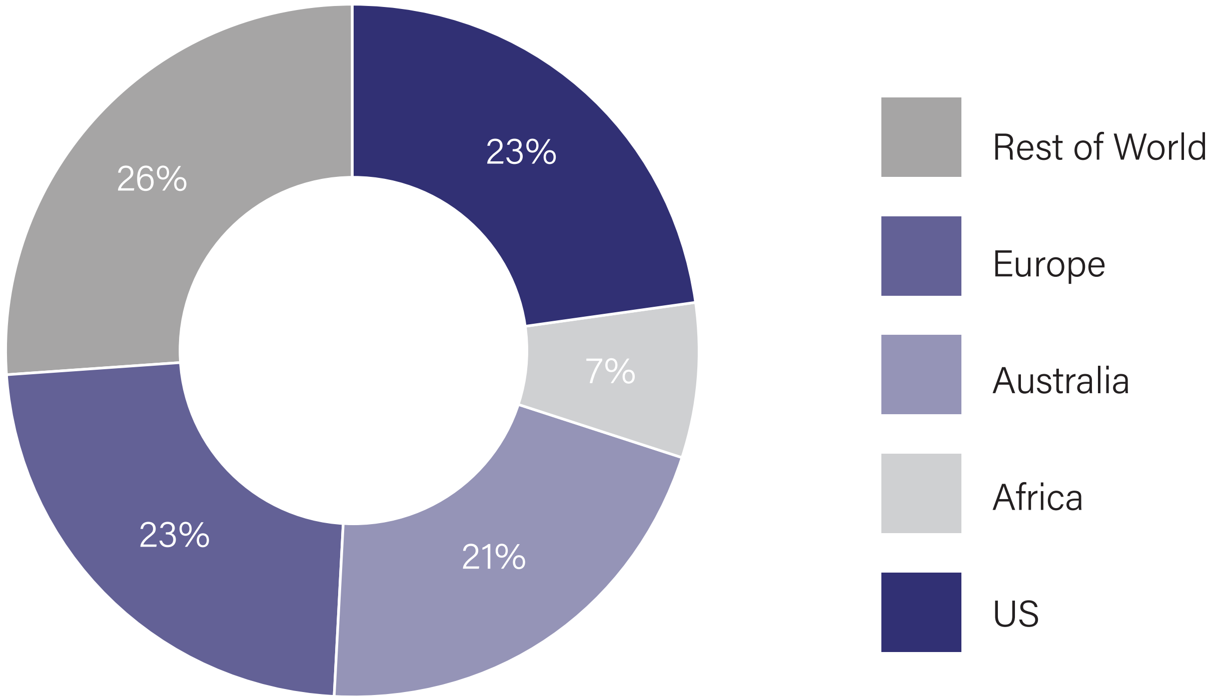
Statement of cash Flows
Year Ended December 31, 2022

Cash flows from operating activities	$
Net income	13,851
Adjustments to reconcile net income to	
net cash used in operating activities:	
Changes in assets and liabilities:	
Accounts receivable	4,048,072
Prepaid income tax	(647,251)
Commercial real estate mortgage	(1,600,000)
Interest receivable	(248,042)
Contingent loss provision (IBNR)	(1,832,107)
Provision for outstanding losses	(2,182,791)
Unearned premiums	(732,613)
Net cash used in operating activities	(3,180,881)
Cash flows from investing activities	
Reinvest / purchase certificate of deposits	249,635
Loans to affiliates	1,159,050
Loans to stockholders	352,118
Net cash provided by investing activities	1,760,803
Net decrease in cash	(1,420,078)
Cash, beginning of year	2,399,608
Cash, end of year	979,530
Supplemental disclosures of cash flows information	
Cash paid for income taxes	308,777

The accompanying notes are an integral part of the financial statements.

Financial Charts

Territorial Split of business



Global Partnerships

Visionary Insurance Company Limited

EdwardWilliam Marine Insurance Worldwide

AMWINS

LMIS London Marine Insurance Services Limited

AMI • Specialty

Ensurance

Protecting your world | Miller

Kay International plc Broker at Lloyd's

MNK Re

Crowstone Agencies Ltd

Tysers Est. 1820 200 Years of Insurance

CBC Partnership

Lonsdale Insurance Brokers Limited

Kensington USA Reinsurance Corp.

CJ Coleman Group 1973-2023

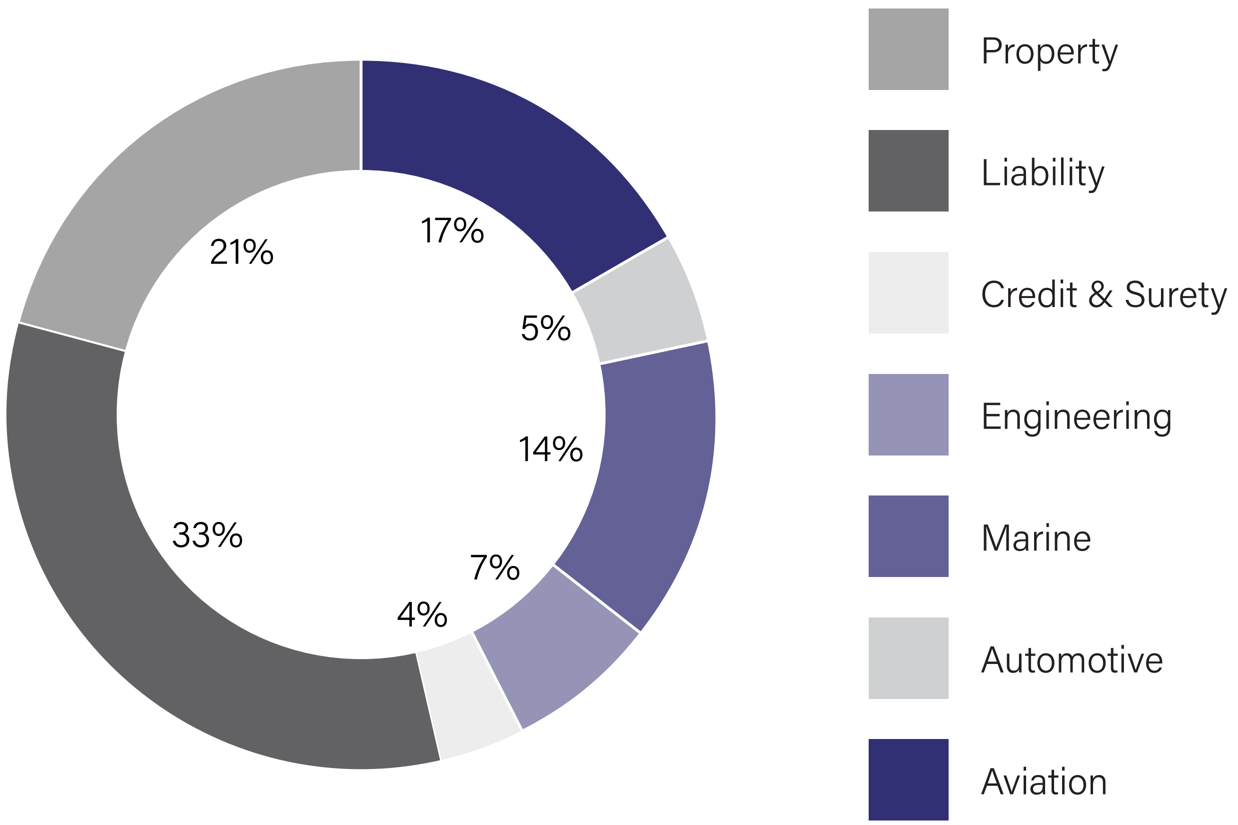
ORM Offshore Risk Management A World Company

Inver Re

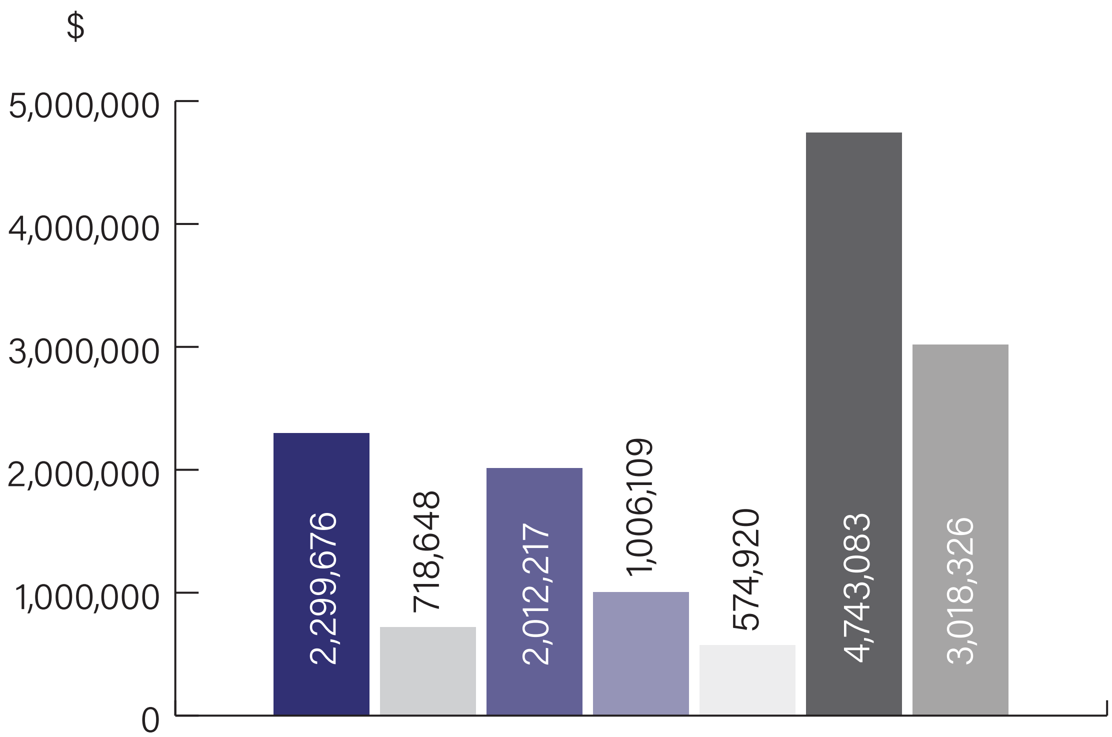
Watania Takaful Leading UAE Takaful Provider

Financial Charts

Classes of business written



GWP



TOTAL $14,372,978

Notes to Financial Statements

December 31, 2022

Note A – Summary of Significant Accounting Policies

Business activities

ION Insurance Company, Inc., (the Company) primarily provides business insurance of all kinds concentrating in marine hull, aviation, financial guarantees and bonds, facultative reinsurance and reinsurance treaty business.

The Company was formed on February 2, 2016 in the American Samoa and continues to be registered with the American Samoa Insurance Commissioner and the National Association of Insurance Commissioners.

Basis of accounting

The Company presents its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenue and the related assets are recognized when earned and expenses are recognized when obligations occur.

Cash

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Revenue recognition and receivables

Insurance premiums are recognized as revenue over the period of the contract period. Claims incurred consist of claims paid and change in reserves.

Mortgage loans on real estate

The commercial real estate mortgage is stated at the unpaid principal balance. Interest income earned is accrued on the principal amount of the loan based on the contractual interest rate. There is no recorded allowance of loan loss. In determining the Company's allowance, management considered past events and expected risks such as extensions, current economic conditions, and forecasts of future economic conditions.

Insurance specific liabilities

IBNR (incurred but not yet reported) – IBNR liabilities are estimated based on a variety of methods. For any given line of business, none of these methods are relied on exclusively. Multiple methods may be used for a line of business as a check for reasonableness of the reserve value. For most credit property and casualty products, IBNR liability is calculated as a percentage of pro rata unearned premium. The future reserve also uses historical statistical information, economic conditions, and trends in claim severity and frequency. Loss and premium data are aggregated by accident year. The initial expected loss ratio method calculates the estimate of ultimate losses by applying an estimated loss ratio to actual earned premium for each year. This method is appropriate for classes of businesses where the actual paid or reported loss experience is not yet mature enough to influence initial expectations of the ultimate loss ratios. Management of the Company decided it would not be prudent to use the pegged frequency and severity, chain ladder, or the Bornhuetter-Ferguson methods for IBNR calculations.

Provision for loan losses – Reserves for reported losses are determined on a formula basis based the timing and facts and circumstance of each claim as filed.

Unearned premiums – Reserves calculated for the time period remaining on the insurance policy.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Because of the inherent uncertainties in estimating IBNR reserves, it is at least reasonably possible that these estimates will be adjusted as more current information becomes available, and these adjustments could be significant.

Income taxes

The Company accounts for income taxes in accordance with income tax accounting guidance included in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Company adopted the accounting guidance related to accounting for uncertainty in income taxes, which sets out consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

The statute of limitations for examination of the Company's corporate federal income tax returns is generally 3 years from the due date of the tax return including extensions. The tax years open for assessment are years ending December 31, 2019 through December 31, 2022.

Fair value measurements - The FASB Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Note B – Concentrations of Credit Risk

The Company maintains cash balances in financial institutions which at times may exceed the federally insured limit of $250,000. At December 31, 2022, the Company's uninsured cash balance totaled $378,419.

Note C – Related Parties

The Company derives a significant portion of their revenue from retrocession business from ION Insurance Group, S.A. (Group). Business expenses are also shared with Group. The Company owes $860,494 to a company under common control. The amount is payable on demand.

Note D – Due from Stockholder

The amount due from the stockholder bears a fixed interest rate at the long term applicable federal rate (AFR) compounding monthly at 1.82%. The note is payable on demand. Due from stockholder for the year ended December 31, 2022 was $7,872,459.

Note E – Fair Value of Financial Instrument

The Company believes the carrying value of the commercial real estate mortgage approximates fair value and it is classified within Level 2 of the fair value hierarchy.

Note F – Commitments and Contingencies

The Company is involved in various legal matters arising during the normal course of business. Management, after consulting legal counsel, is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the financial condition of the Company.

Note G – Subsequent Events

Management has evaluated subsequent events through December 12, 2023 the date on which the financial statements were available to be issued.