ION INSURANCE GROUP S.A.

2022 Financial Statements

ION INSURANCE GROUP S.A.

Report of the Directors for the year ended 31st December 2022.

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

Business review and principal activities

2. The Company was formed in Costa Rica 2004 and is registered with the Mercantile Register of Companies, Corporate I.D. number 3-101-367511. The Company has now completed its seventeenth year of continuous operation and the Board of Directors are extremely pleased with the advancements made to date.

   The Company continues to maintain its practice of conservative underwriting, whilst always seeking new strategic alliances around the World to expand its field of operations currently enjoyed.

3. The Company has achieved remarkable results for 2022. Premium revenues have increased from USD 15,341,518 to USD 22,189,781 with current assets up from USD 30,307,366 to USD 37,573,688. The Group now has total assets of USD 203,236,688.

4. Insurance companies are required to set aside a portion of the premiums they receive from their underwriting activities, to pay for claims that may be filed in the future. The amount of claims forecasted, along with the amount of claims that are actually paid, determine how much profit the insurer will publish in its financial documents.

   As was the case in previous years, the Board of Directors has chosen to establish adequate reserves for outstanding losses that may be incurred in the future (IBNR) and unearned premium reserves.

   The expected loss ratio (ELR) was used to determine the projected amount of claims, relative to earned premiums. After analysing and calculating the company's loss history for the past 10 years, has determined an expected loss ratio (ELR) of 40%.

   The 2022 year of account has been remarkable for ION as a Group. The liability of the Company's Contingent Loss Provisions (IBNR) has decreased from USD 5,369,894 in 2021 to USD 3,648,567 in 2022. Unearned premium has increased from USD 5,378,500 in 2021 to USD 9,401,485.

6. Over the past several years, the Company has focused on the swift adjustment and payment of claims. The major contributor to the Company's success is the quick resolution on claims. A (re)insurer is only as good as how effective they are in paying legitimate claims. The Company utilizes recognized professional third-party claims administrators to review all claims. Once received, the Company makes an amicable settlement in a timely fashion.

7. Long-term assets of the company are comprised of the stock and assets of the wholly owned subsidiary, ION Surety Company S.A. that specializes in Surety and Guarantees. ION Surety Company S.A. has performed well during 2022 in support for the Group.

8. A portion of our cash on hand is deposited with the R.A. Whitney Trust, an inter-related party through the common ownership of ION Insurance Group S.A. and the R.A. Whitney Trust. This cash balance may be called on by the Company giving thirty days' notice to R.A. Whitney Trust, collateralized by Class A commercial real estate investments.

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

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

Statement of Directors' responsibilities

The Directors are responsible for the preparation, integrity and true and fair presentation of its financial statements and other information contained within this Report.

The Directors accept responsibility for preparing the financial statements in accordance with applicable laws and regulations. They also accept responsibility for such internal controls as the Directors deem necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are required to prepare financial statements for each financial year. The Directors have elected to prepare the financial statements in accordance with a 'modified cash basis of accounting'. To determine that the 'modified cash basis of accounting' is an acceptable financial reporting framework, the Directors must not approve the financial statement unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.

- Make judgments and estimates that are reasonable and prudent.

- State whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- There is no relevant financial information of which the Company's accounting firm is unaware, and

- The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant financial information and to establish that the reader is aware of that information.

Signed on behalf of the Directors on 6th February 2024 by:

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 an accepted ‘modified cash basis accounting’ procedure.

B. Premiums.

Gross written premium comprises the total premiums receivable for the whole period of cover for contracts entered 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 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 is 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 recognised 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 are collateralized by Class "A" commercial real estate investments on behalf of the Company.

F. Long term assets, investments in subsidiary.

Listed investments are stated in the balance sheet at fair market value.

G. Outward reinsurance.

Outward reinsurance premiums relating to earned premiums are recognised 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.

H. Long term assets - Oil and Gas reserves.

Oil and gas interests in the Temple Hendricks production field located in Nowata County, Oklahoma. The property consists of 360 acres with 17 producing oil wells, 6 gas wells, and 7 injection wells drilled to the Bartlesville formation. Fair market value (FMV) was based on USD 50.00 per barrel of oil. Certified by PEMCO, a professional third-party licensed petroleum engineering company.

I. Profits.

The Company has declared a net profit of USD 3,037,554 for the 2022 year.

J. Taxation.

The Company is registered offshore in Costa Rica and therefore is not liable to taxation.

K. 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.

L. Staff Costs and Directors Fees.

Inwards business is managed by independent agents, the cost of staff is included in the commission allowed by the Company.

M. Dividends.

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

ION Insurance Group, S.A. declared an amount of USD 120,000.00 in stock dividends.

N. 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 is in the process of developing a detailed underwriting manual 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. The 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 below:

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

O. 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 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 minimise 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.

P. Related Party Transactions

The Chairman and President, Mr Richard Whitney (R.A. Whitney Trust), holds the majority of the share capital (100%) and, therefore, controlling interest in the Company.

Q. 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.

R. 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.

S. ION's Future Expectations

The Company has a clear focus on driving improved performance for 2023 and beyond as part of its five-year strategic plan, which the Board of Directors regularly reviews.

The Company will continue to evaluate potential opportunities to invest in supporting new (re)insurance opportunities in key markets.

The Company continues to review its product line to ensure continued support for brokers and producers going forward. Some modifications have been made to deal with the current global conditions, but all our lines of business continue to be available.

Financial Statements

Ion Insurance Group, S.A.
San Jose, Costa Rica

December 31, 2022, 2021 and 2020

PILTZ, WILLIAMS, LAROSA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
A Professional Association

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To Management
Ion Insurance Group, S.A.
San Jose, Costa Rica

Management is responsible for the accompanying financial statements of Ion Insurance Group, S.A. (a corporation), which comprise the statements of assets, liabilities, and stockholder's equity – modified cash basis as of December 31, 2022, 2021 and 2020, and the related statements of revenues, expenses, and retained earnings – modified cash basis for the years then ended, in accordance with the modified cash basis of accounting, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We draw attention to selected information disclosed on page 4 which describes the basis of investment in subsidiary. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Management has elected to omit substantially all the disclosures ordinarily included in financial statements prepared in accordance with the modified cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, equity, revenues, and expenses. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Piltz, Williams, LaRosa & Co

Certified Public Accountants

Biloxi, Mississippi
January 30, 2024

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Ion Insurance Group, S.A.
Statement of Assets, Liabilities and Stockholder's Equity - Modified Cash Basis
Years Ended December 31,

Assets

Current assets	**2022**	2021	2020
Cash	**$ 1,319,153**	$ 5,809,896	$ 1,617,532
Certificate of deposit	**-**	-	100,000
Accounts receivable	**9,232,960**	12,521,223	10,390,822
Notes receivable	**26,161,081**	11,976,247	6,830,429
Due from affiliate	**860,494**	-	-
Total current assets	**37,573,688**	30,307,366	18,938,783
Long term assets			
Investment held by subsidiary-FMV	**125,663,000**	125,663,000	125,663,000
Oil and Gas reserves-FMV	**40,000,000**	40,000,000	40,000,000
Total long term assets	**165,663,000**	165,663,000	165,663,000
Total assets	**$ 203,236,688**	$ 195,970,366	$ 184,601,783
Liabilities and Stockholder's Equity			
Current liabilities			
Contingent loss provision (IBNR)	**$ 3,648,567**	$ 5,369,894	$ 1,555,792
Provision for oustanding losses	**3,341,744**	1,294,634	200,000
Unearned premiums	**9,401,485**	5,378,500	9,723,698
Total current liabilities	**16,391,796**	12,043,028	11,479,490
Stockholder's equity			
Stockholder's equity, beginning of year	**183,927,338**	173,122,293	172,550,263
Net revenue over expense	**3,037,554**	11,025,045	692,030
Dividends paid	**(120,000)**	(220,000)	(120,000)
Total stockholder's equity, end of year	**186,844,892**	183,927,338	173,122,293
Total liabilities and stockholder's equity	**$ 203,236,688**	$ 195,970,366	$ 184,601,783

See accountants' compilation report.

Ion Insurance Group, S.A.
Statement of Revenue and Expenses - Modified Cash Basis
Years Ended December 31,

	2022	2021	2020
Income			
Premium revenues	**$22,189,781**	$15,341,518	$14,881,419
Change in provision for unearned premiums	**(4,022,985)**	4,345,198	(9,554,793)
Earned premiums, net of reinsurance	**18,166,796**	19,686,716	5,326,626
Expenses			
Operating expenses	**2,874,383**	1,939,469	2,245,897
Bad debt expense	**4,388,901**	-	-
Claims paid	**7,540,176**	1,813,466	1,300,857
IBNR claims expense	**(1,721,327)**	3,814,102	1,137,842
Change in net provision for claims	**2,047,109**	1,094,634	(50,000)
Total expenses	**15,129,242**	8,661,671	4,634,596
Net revenue over expense	**$ 3,037,554**	$11,025,045	$ 692,030

Ion Insurance Group, S.A.
Selected Information – Substantially All Disclosures Required by The Modified Cash Basis of Accounting Are Not Included
December 31, 2022, 2021 and 2020

The Company has stated investment in subsidiaries and oil and gas reserves at fair market value in the accompanying financial statements, which is not considered a generally accepted modification of the modified cash basis of accounting. Management has not determined the effect of this departure on the financial statements. Management has determined that the fair market valuation basis provides a more accurate statement of its current financial position than alternative valuation methods.