Audited Financial Statements

Plymouth Guarantee, Ltd.
(Incorporated in Bermuda)

Years Ended December 31, 2020 and 2019

With Report of Independent Auditors

Plymouth Guarantee, Ltd.
(Incorporated in Bermuda)

Table of Contents

KPMG Audit Limited
Crown House
4 Par-la-Ville Road
Hamilton
HM 08
Bermuda

Telephone +1 441 295 5063
Fax +1 441 295 9132
Internet www.kpmg.bm

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Plymouth Guarantee, Ltd.

We have audited the accompanying financial statements of Plymouth Guarantee, Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Plymouth Guarantee, Ltd. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other matter

Management has omitted certain disclosures related to short-duration contracts that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 28, 2021

Plymouth Guarantee, Ltd.
(Incorporated in Bermuda)

Balance Sheets
(Expressed in United States Dollars)

Years Ended December 31, 2020 and 2019

	Years Ended December 31,	
	2020	2019
Assets		
Cash and cash equivalents *(Note 3)*	$ 12,057,473	$ 19,784,871
Prepaid expenses	79,684	41,250
Other underwriting expenses paid in advance	2,505,426	1,454,436
Deferred tax asset *(Note 5)*	518,466	526,587
Tax deposit	13,891	13,891
Receivables from related party (*Note 7*)	363,901	1,496,140
	15,538,841	23,317,175
Liabilities		
Reserve for losses and loss expenses *(Note 4)*	2,200,365	13,850,000
Insurance payable	46,694	461,316
Premium received in advance	6,635,163	-
Unearned Premium	-	2,671,045
Accounts payable and accrued expenses	26,484	87,195
	8,908,706	17,069,556
Shareholders' equity		
Common shares (*Note 6*)	120,000	120,000
Contributed surplus (*Note 6*)	8,930,000	8,577,598
Accumulated deficit	(2,419,865)	(2,449,979)
	6,630,135	6,247,619
	$ 15,538,841	$ 23,317,175

See accompanying notes to financial statements.

Signed on Behalf of the Board:

______________________________ ______________________________

Director Director

Plymouth Guarantee, Ltd.
(Incorporated in Bermuda)

Statements of Operations
(Expressed in United States Dollars)

Years Ended December 31, 2020 and 2019

	Years Ended December 31,	
	2020	2019
Underwriting revenue		
Net premiums earned	$ 33,459,132	$ 18,986,783
Losses and loss expenses *(Note 4)*	219,902	(13,971,666)
Other underwriting expenses	(33,224,628)	(4,837,444)
	(33,004,726)	(18,809,110)
Net underwriting income	454,406	177,673
Investment income	77,104	345,074
General and administrative expenses	(493,275)	(512,426)
	(416,171)	(167,352)
Net profit before taxes	38,235	10,321
Income tax benefit *(Note 5)*:		
Current income tax benefit	–	6,776
Deferred tax (expense)	(8,121)	(9,119)
Income tax (expense)- net	(8,121)	(2,343)
Net profit	$ 30,114	$ 7,978

See accompanying notes to financial statements.

Plymouth Guarantee, Ltd.
(Incorporated in Bermuda)

Statements of Changes in Shareholder's Equity
(Expressed in United States Dollars)

Years Ended December 31, 2020 and 2019

	Common Shares	Contributed Surplus	Accumulated Deficit	Total Equity
Balance as at December 31, 2018	$ 120,000	$ 8,577,598	$ (2,457,957)	$ 6,239,641
Net profit	–	–	7,978	7,978
Balance as at December 31, 2019	$ 120,000	$ 8,577,598	$ (2,449,979)	$ 6,247,619
Net profit	–	–	30,114	30,114
Contributions	–	352,402	–	352,402
Balance as at December 31, 2020	$ 120,000	$ 8,930,000	$ (2,419,865)	$ 6,630,135

See accompanying notes to financial statements.

Plymouth Guarantee, Ltd.
(Incorporated in Bermuda)

Statements of Cash Flows
(Expressed in United States Dollars)

Years Ended December 31, 2020 and 2019

	Years ended December 31,	
	2020	2019
Operating activities		
Net profit	**$** 30,114	$ 7,978
Adjustments to reconcile net profit to net cash (used in) provided by operating activities:		
Change in premiums receivable	–	144,290
Change in prepaid expenses	(38,434)	3,813
Change in other underwriting expenses paid in advance	(1,050,990)	(1,171,160)
Change in deferred tax asset	8,121	9,118
Change in tax deposit	–	(6,776)
Change in amounts due from related parties	1,132,239	431,814
Change in reserve for losses and loss expenses	(11,649,635)	(54,000)
Change in premiums received in advance	6,635,163	–
Change in unearned premiums	(2,671,045)	1,283,296
Change in insurance payable	(414,622)	297,947
Change in accounts payable and accrued expenses	(60,711)	(14,278)
Net cash (used in) provided by operating activities	(8,079,800)	932,042
Financing activities		
Contribution to contributed surplus	352,402	–
Net cash provided by financing activities	352,402	–
Net (decrease) increase in cash and cash equivalents	(7,727,398)	932,042
Cash and cash equivalents at beginning of year	19,784,871	18,852,829
Cash and cash equivalents at end of year	$ 12,057,473	$ 19,784,871

See accompanying notes to financial statements.

1. Operations

Plymouth Guarantee, Ltd. (the "Company") was incorporated on August 14, 2015 and registered effective December 15, 2015 as a Class 3A insurer under the Insurance Act 1978, as amended. The Company is wholly owned by Bermuda Holdings, LLC, a Delaware limited liability company formed on April 17, 2015 (and previously known as SPBM, LLC). The ultimate owner of the Company is MFP Holdings, LLC, a Delaware limited liability Company.

The Company is a provider of tailored reinsurance to U.S. based health insurers, to manage the medical costs associated with specific non-catastrophic chronic diseases. The Company limits its business to the reinsurance of policies to organizations who have agreed to enter into a program agreement with MOBE, which includes MOBE's Guided Self-Management Program and more recently, a Guided Medicated Management Program. MOBE LLC is a company related through common control which provides guided health solutions.

Plymouth engages MOBE to provide its targeted population guided health programs that are personalized and focused on empowering people to get on their personal path to a better life. The goal is to guide individuals towards enhanced physical, emotional, and social well-being. This involves engaging in simple, achievable, healthy lifestyle activities. By engaging in these activities and fostering a relationship with their MOBE Coach, MOBE helps people think about their lifestyle choices, how they engage the healthcare system and as a result reduce healthcare utilization patterns.

The underwriting of these programs is priced with the objective of sharing the benefits of the expected medical savings, by both generating underwriting profits for the Company, and achieving an overall reduction in costs for the reinsured.

The underwriting model for this program is based upon statistical data which supports the expectation that the MOBE program will realize reductions in medical costs.

The Company underwrites each client based upon their population profiles, and in exchange for a monthly premium, offers reinsurance to the health insurance industry, capping costs at an agreed percentage risk layer of client medical costs. The Company does not process individual claims for its clients.

2. Significant Accounting Policies

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the following significant accounting policies:

Premiums Assumed and Other Underwriting Expenses

Premiums assumed are recorded on the accrual basis and are included in income on a pro-rata basis over the life of the reinsurance contract. Premium received in advance represents premiums assumed which are related to the next underwriting period and received in advance per the policy's terms. Unearned premium is not applicable as premiums are written and earned on a monthly basis.

Other underwriting expenses paid in advance / other underwriting expenses are prepaid program service fees from MOBE to operate any individual contract. Refer to note 7 for further details.

Losses and Loss Expenses

Losses and loss expenses paid are recorded when advised by the ceding insurance company. Outstanding losses comprise estimates of the amount of reported losses and loss expenses received from the ceding insurance company plus a provision of losses incurred but not reported based on the recommendations of an independent actuary. The selected loss development patterns are based on a blend of actual Company experience and the benchmark loss development patterns. Inherent in the estimates of ultimate losses are expected trends in claim severity and frequency and other factors which may vary as claims are settled. Accordingly, ultimate losses may differ materially from the amounts provided in the financial statements. Revisions to the estimates are charged or credited to income when they become known.

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include amounts due from banks and funds held in trust having original maturities within three months of the date of purchase by the Company. The carrying amounts approximate fair value due to the short-term nature of these balances.

Income Taxes

The Company reports its liability and expense for income taxes under the requirements of Accounting Standard Codification (ASC) No. 740 *Income taxes*. Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax purposes, measured by applying currently enacted tax laws. A valuation allowance is recognized if, based on the weight of available evidence it is more likely than not that some part or all of a deferred tax asset will not be realized.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying values of financial assets and liabilities, unless otherwise disclosed elsewhere in the notes to the financial statements, which consist of cash and cash equivalents, premium received in advance, amounts due from related party, income tax payable, accounts payable, and accrued expenses approximate their fair values due to the immediate or short-term nature of these financial instruments.

Concentration of Credit Risk

The Company is party to financial instruments with concentration of credit risk. These financial instruments include cash, cash equivalents, and amounts due from related party. As of December 31, 2020, all cash and cash equivalents are held with a number of financial institutions based in Bermuda and the United States, as set out in note 3. The Company's related party receivables are due from MOBE LLC, a company related through common control based in the United States.

Credit risk arises from the failure of the counter-party to perform according to the terms of a contract. Except as disclosed in Note 3, the Company does not require collateral or other security to support financial instruments with credit risk.

3. Cash and Cash Equivalents

As at December 31, 2020 the Company held cash with Bank of N.T. Butterfield of $296,799 (2019 - $637,242), Morgan Stanley of $5,589,869 (2019 - $8,638,282) and JP Morgan (Letter Of Credit in MOBE's favor) of $375,236 (2019 - $375,236); cash held in trust with Morgan Stanley in favor of ceding companies of $5,795,568 (2019 - $3,609,425), to cover any obligations arising from the reinsurance agreement.

(Expressed in United States Dollars)

4. Reserve for Losses and Loss Expenses

The activity in the reserve for losses and loss expenses for 2020 and 2019 is summarized as follows:

	2020	2019
Balance at beginning of year	$ 13,850,000	$ 13,904,000
Incurred related to:		
Current year	2,200,365	13,850,000
Prior years	(2,420,267)	121,666
Total incurred	(219,902)	13,971,666
Less paid related to:		
Current year	–	–
Prior years	11,429,733	14,025,666
Total paid	11,429,733	14,025,666
Balance at end of year	$ 2,200,365	$ 13,850,000

For the year ended December 31, 2020, the Company recorded net favourable prior period loss development of $2,420,267 (2019 – net adverse prior period loss development of $121,666), as a result of lower (2019 – higher) than expected claims reported by the insured. All policies from previous underwriting years are commuted at the end of the contract terms. Reserves established in prior periods are adjusted as final claim experience develops and final information becomes available. Ultimate actual payments for losses and loss expenses could vary from the Company's estimates.

During the year ended December 31, 2020, the Company has complied with ASU 2015-09 and has included the required disclosures below. The following factors are relevant to the additional information included in the tables below:

- Table Organization: The tables include claims incurred during the contract year.
- Contracts: The liability received from the Capital Blue Cross contract began January 2017 and ended December 2019. The liability received from the Horizon contract began November 1, 2019.

Year to date results are comprised of medical and pharmacy incurred claims and factor adjustments corresponding to expected IBNR and seasonality trends. Estimates of ultimate losses are developed using generally accepted actuarial methodologies. For claim severity, triangles of both reported and paid amounts are assembled and ultimate losses are developed by methods commonly referred to as counts and averages approaches. For claim severity, triangles of both reported and paid amounts are assembled and ultimate amounts are projected from claims behavior and development, which develops completion factors to estimate the full claim amount.

In estimating forecasted months to complete a policy year, the actuaries have incorporated program engagement levels, membership behavior, and engaged consumer savings. Ramp scheduling is used to numerically identify and monetize program impacts.

Along with the above methods, estimates of ultimate losses using a combination of expected losses (Premium x Expected Loss Ratio) and loss development techniques are used. If we define the following points then the estimated ultimate losses are: A + [(C x D) x (1 - B)], developing a business loss ratio of 67.9% YTD:

A = Reported Incurred Losses
B = Expected Percentage of Ultimate Losses Reported
C = Premium
D = Expected Loss Ratio

Together, the YTD actuals with IBNR and remaining future policy month's forecasts create an expected full year claims liability. This total liability is distributed to each policy month based on the weighted membership to set each month's loss reserve. Final reserve close reports are reviewed and approved by the underwriting, claims, and reserving committee.
Management has decided that the ASU 2015-09 supplementary information will not be disclosed in these financial statements.

(Expressed in United States Dollars)

4. Reserve for Losses and Loss Expenses (continued)

The following is information about incurred and paid claims development as of December 31, 2020, net of reinsurance, as well as cumulative claim frequency and the total of incurred-but-not-reported liabilities plus expected development on reported claims included within the net incurred claims amounts.

Schedule of Incurred Losses and Loss Expenses, Net of Reinsurance

Accident Year	Total Incurred Losses and Expenses	Outstanding IBNR amount	Cumulative Claim Count
2016	$ 6,300,831	$ –	2
2017	17,031,378	–	4
2018	14,025,666	–	1
2019	11,429,733	–	1
2020	2,200,365	2,200,365	1
Total	**$ 50,987,973**	**$ 2,200,365**	**10**

As previously mentioned in Note 1, the Company does not process individual medical claims, but participates in individual reinsurance agreements with health and medical insurance providers. At the end of the contractual term of each reinsurance agreement, the full reserve balance is commuted and no further reserve for that agreement period remain.

Schedule of Cumulative Paid Losses and Loss Expenses, net of reinsurance

Accident Year	Paid Losses and Loss Expenses
2016	$ 6,300,831
2017	17,031,378
2018	14,025,666
2019	11,429,733
2020	–
Total	**$ 48,787,608**
Net Reserves for Losses and Loss Expenses	**$ 2,200,365**

Due to the above note including all the healthcare programs, at December 31, 2020, a reconciliation of the net incurred and paid claims development tables to the liability for claims and claims adjustment expenses is not required and per the terms of the insurance contracts, the Company settles claims on a summary basis at the expiry of the contract therefore the average annual percentage pay out of a reserve is 100% within a year of the expiry of the contract.

(Expressed in United States Dollars)

5. Taxation

Under current Bermuda Law, the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being imposed, the Company will be exempted from taxation until March 31, 2035.

Effective January 1, 2016 the Company made an irrevocable election under Section 953(d) of the Internal Revenue Code of 1986, as amended, to treat the Company as a domestic insurance company for United States Federal income tax purposes. As a result of the “domestic election”, the Company is subject to U.S. taxation on its worldwide income as if it were a U.S. corporation. The Company accounts for income taxes under the provision of Accounting Standards Codification No. 740.

Significant components of the Company’s gross deferred tax assets are the discounting of loss reserves, unearned premium reserve haircut, an alternative minimum tax (AMT) credit carry forward, and net operating loss carryforwards.

The net deferred tax position consists of the following:

	2020	2019
Gross deferred tax asset	$ **535,030**	$ 546,464
Valuation allowance	**–**	–
	535,030	546,464
Gross deferred tax liability	**(16,564)**	(19,877)
Net deferred tax asset	$ **518,466**	$ 526,587

Income tax (expense) benefit attributable to income (loss) from continuing operations consists of:

	2020	2019
Current tax benefit	$ **–**	$ 6,776
Deferred tax (expense)	**(8,121)**	(9,119)
Income tax (expense)	$ **(8,121)**	$ (2,343)

Net Operating Loss (NOL) – In 2016, the Company reported a large insurance claim/loss resulting in a large taxable loss (approx. $3.1m) for the year. As 2016 was the Company’s initial filing year, the Company has carried forward the 2016 tax losses to offset future taxable income. As of 12/31/2019, the Company has NOL totaling $1.5m. In 2020 tax year, the Company generated taxable income of $392,710 resulting in utilization of a portion of the NOL. The remaining NOL is 1,135,191 as of 12/31/2020, creating a DTA of $238,390.

Tax Cuts and Jobs Act Adjustment (TCJA) – The Company has a book/tax basis difference remaining for the transition adjustment related to loss reserves caused by the change in the loss reserve discount factors under the TCJA. Plymouth has taxable temporary differences at 12/31/2020 of $78,875, resulting in a DTL of $16,564.

Plymouth’s income tax provision is prepared in accordance with FASB’s ASC 740.

The principles of ASC 740 require that a valuation allowance to be set up to reduce deferred assets if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. “More likely than not” is defined as a likelihood of more than fifty percent. Based on the available evidence, Management believes the deferred tax asset is fully realizable and have not recorded a valuation allowance.

(Expressed in United States Dollars)

5. Taxation (continued)

The Company did not recognize any liability for unrecognized tax benefits and does not expect the unrecognized tax positions to change significantly over the next twelve months.

The Company recognizes interest and penalties related to unrecognized income tax benefits in its provision for income taxes. In total, as of December 31, 2020, the Company has recorded no liability for penalties and interest. All material US Federal income tax matters for tax years from 2016 to 2020 remain open.

6. Common Shares

The Company has issued 120,000 common shares at a par value of $1 per share. There were no additional shares issued in the year ended December 31, 2020. Contributed surplus was increased by $352,402 to reach a higher statutory solvency position.

For information on changes to shareholders' equity, please refer to the Statements of Changes in Shareholder's equity.

7. Related Party Transactions

As at December 31, 2020, the Company holds the following assets with MOBE LLC, a Company related through common control:

1) Advances receivable of $363,901 (2019 - $1,496,140). The advances are due upon demand and there is no interest accrued.
2) Prepaid program service fees of $2,505,426 (2019 - $1,454,436).

During the year ended December 31, 2020, the Company incurred the following related party expenses with MOBE LLC, a Company related through common control:

1) Program service fees of $33,224,628 (2019 - $4,837,444).

8. Statutory Requirements

The Bermuda Insurance Act 1978 (the Act) and Related Regulations require the Company to meet a minimum solvency margin. Statutory capital and surplus as at December 31, 2020, was $6,550,451 (2019 - $4,751,932) and the minimum amount required to be maintained by the Company was $4,918,213 (2019 - $3,340,512). In addition, a minimum liquidity ratio must be maintained whereby relevant assets, as defined by the Act, must exceed 75% of relevant liabilities. As at December 31, 2020 and 2019, the liquidity ratio requirement was met.

In this regard, the declaration of dividends from surplus and returns of the contribution fund is limited to the extent that the above requirements are met. As at December 31, 2020 and 2019, no declaration of dividends has been made.

The following is a reconciliation between the total statutory capital and surplus and the total shareholder's equity shown herein the balance sheets:

Shareholder's equity	$ 6,630,135
Non-admitted assets	$ (79,684)
Total capital and surplus	$ 6,550,451

9. Covid-19 Impact

The World Health Organization (WHO), on 11 March 2020, declared the coronavirus, COVID-19, outbreak as a global pandemic. The Company is closely monitoring the outbreak and actively assessing the potential impact to all stakeholders. As the situation evolves, the Company is regularly assessing the impact on solvency capital in line with established risk metrics and in compliance with the Company's risk appetite, including the impact following the recent volatility in the financial markets.

The Company is fully aware of the potential impact that claims associated with Covid-19 could ultimately have on the group of insureds that is covered under the Horizon contract. The company continues to monitor and assess the data received from Horizon and will be working on providing a quantitative analysis based upon this information. Data will start to reflect these months in mid/late summer and probably not be fully available until the fall. It is forecast that there will be a decrease in the day to day claims usually associated with the insureds due to the various movement restrictions imposed by State and federal government along with the postponement or cancelation of covered elective services as the healthcare provider networks grapple with increased volume of Covid-19 cases. As those insureds infected by the virus are reported and this data is analyzed there is the potential for an increase in the claim's activity.

The Company, based upon the data that is received and analyzed, will be monitoring on a monthly basis any impact that could affect the Company's capital base.

10. Subsequent Events

Pursuant to ASC Topic 855, *Subsequent Events*, the Company evaluated subsequent events after December 31, 2020 through April 28, 2021, representing the date that the financial statements were available to be issued. The Company concluded that no material events occurred subsequent to December 31, 2020, that provided additional evidence about conditions that existed at December 31, 2020, which require adjustments to or disclosure in the financial statements.