Nordica Life (Bermuda) Ltd.
Financial Condition Report
31st December 2022

Nordica Life (Bermuda) Ltd. (the "Company") was incorporated under the laws of Bermuda on October 14, 1996. The Company holds a long-term Class C license under the 1978 Insurance Act of Bermuda to write life insurance and is governed by the Nordica Life (Bermuda) Ltd. Act, 1997. This Private Act of Parliament enables a wealth management client to request the establishment of a separate wealth management fund/ policy account (termed "separated account" under the Act). The effect of creating these separate accounts is to ensure that the assets linked to each wealth management client's funds/policies are available only to the wealth management policyholder or beneficiary on this specific policy, and not to other creditors of the Company, general or otherwise.

i. BUSINESS AND PERFORMANCE

a. Name of Insurer
Nordica Life (Bermuda) Ltd.

b. Supervisors
Insurance Supervisor
Bermuda Monetary Authority, BMA House, 43 Victoria Street, Hamilton, Bermuda

c. Approved Auditor
Statutory Reporting
Deloitte Ltd., Corner House, 20 Parliament Street, Hamilton, HM12, Bermuda

IFRS Reporting
Deloitte Ltd., Corner House, 20 Parliament Street, Hamilton, HM12, Bermuda

d. Ownership Details
The Company is owned 100% by Nordica Administration Services Ltd., a company incorporated in the Isle of Man. The Company is listed on the Bermuda Stock Exchange Mezzanine Market and its majority shareholder is Nordica Administration Services Ltd.

e. Group Structure
Not applicable.

f. Insurance Business Written by Business Segment and by Geographical Region

The Company primarily offers wealth management policy to its clients and unit-linked life insurance products with death benefit consisting of a fixed amount or a percentage of the policy value.

Gross Premium Written by Business Segment for the Reporting Period (in thousand units)

	Gross Premium Written	
Line of Business	**2022**	**2021**
Mortality	33	42
Total	**33**	**42**

g. Performance of Investments & Material Income & Expenses for the Reporting Period

Performance of Investment for the Reporting Period

The Company's general account does not hold investments. The Company adopts the method of deposit accounting for its wealth management transactions where the assets and liabilities of these wealth management transactions move in tandem.

Material Income & Expenses for the Reporting Period

The Company's main revenue source is the fee received from wealth management client based on a percentage of invested assets or a flat fee, earned for structuring, facilitating and providing on-going management of the wealth management fund. As of December 31, 2022, the income from these fees is $1,021 thousand.

The Company's major expenses arise from commission to brokers of $179 thousand paid to a company related through common control.

h. Any Other Material Information

None.

ii. GOVERNANCE STRUCTURE

a. Board and Senior Executive

The Board exercise oversight on the affairs of the Company. The Board has three members serving without director fees.

Name	Board Position	Country of Residence	Work Experience	Status
Allan Klotz	Director and President	Luxembourg	Life Insurance & Banking	Executive
Andrew McComb	Director	Bermuda	Finance & Insurance	Non-Executive
Stephanie Gales	Director	Bermuda	Captive management	Non-Executive
Fernando Paul	Director and Vice President	Bermuda	Captive management	Executive

The Company does not have its own employees since the daily operations are outsourced to another company related through common control.

The Company did not declare any dividend as of December 31, 2022.

b. Fitness and Proprietary Requirements

The Company appoints members of the Board based on the individual's expertise and work experience as well as professional judgment.

Below are details of the Board's qualifications, skills and expertise:

Allan Klotz (Director and President)

Allan Klotz holds a bachelor degree in finance and accounting. He started his career within the Danish banking sector specialising in credit and loan systems and control. In 1980, he became responsible for the mortgage and loan portfolio department in Bank of Copenhagen. From the mid 80's until early 90's, he worked as chief financial officer on various locations in the world spanning from Local Government in Greenland to a large building and construction company in Saudi Arabia. In 1991, he joined Danica - Denmark's largest life insurance company - and in the beginning of 1994 he became the General Manager of the Company's offshore life insurance division with headquarters in Luxembourg. In 1996, he joined Nordica Life (Bermuda) Ltd. as President and CEO.

Andrew McComb (Director and Vice President)

Mr. McComb is a Director of Molto Management Ltd providing consulting services and acting as a non-executive director for Bermuda registered insurers, reinsurers and investment funds. He has over thirty years' experience in providing management services to insurance and reinsurance companies in Bermuda and Singapore including advising on strategy, finance, governance and investment policy. Until December 2018 Mr. McComb led Charles Taylor plc's Bermuda operations which provide management services to insurers and reinsurers and also include segregated account reinsurers. Prior to 2007 Mr. McComb owned and developed the Allegro group of companies, comprising 2 Bermuda registered segregated cell reinsurance companies and a licensed Insurance Manager, which were acquired by Charles Taylor plc. He has previously served an Executive Committee member and Treasurer of both the Bermuda Insurance Institute and the Bermuda Insurance Managers Association and also served as an Executive Committee member of the Bermuda Branch of the Institute of Directors (U.K.). Mr. McComb is currently a member of the Insurance Advisory Committee a Statutory Board established under the Bermuda Insurance Act to advise the Bermuda Minister of Finance. He obtained a Bachelor of Science degree in economics from the University of Hull, U.K. in 1981 and the Chartered Accountant designation in 1983 before moving to Bermuda to work for Deloitte. In June 2016 he obtained the Diploma in Company Director from the Institute of Directors (U.K.).

Stephanie Gales (Director)
Stephanie Gales, a professionally qualified accountant, is a Senior Account Manager at CT Insurance Management (Bermuda) Ltd managing a portfolio of captive clients and segregated account programs for more than six years. Before joining, Stephanie has developed expertise in financial management from eight years working experience in banking industry.

Fernando Paul (Director)
Fernando was recently appointed to the position of Senior Vice President within the CTIMBL office. Prior to joining the CTIMBL team, Fernando served 10 years at Aon Insurance Managers (Bermuda) Ltd, where in his position as Assistant Vice President within the captive division, he was responsible for the overall relationship lead on a portfolio of captive insurance and reinsurance companies, with an emphasis on establishing the Aon Client Promise. He also served as Director on numerous captive insurance and reinsurance clients, while at Aon. Fernando is a professionally qualified Chartered Accountant, having been admitted as a Fellow to the Association of Chartered Certified Accountants (FCCA) in 2012, with over 20 years' experience in audit, insurance accounting, financial reporting and analysis. Fernando will oversee and lead the delivery of management services to a portfolio of clients in the Charles Taylor Bermuda office, including the Charles Taylor owned segregated accounts company Wyndham Insurance Company (SAC) Ltd. Fernando Paul, a Barbadian citizen, graduated from the University of the West Indies in 2003 with a Bachelor of Science honors degree major in Accounting.

c. Risk Management and Solvency Self-Assessment
Since the wealth management accounts are segregated from any other wealth management account and from the general account, any risk is borne by the wealth management account only.

The Company considers the nature of the business when identifying risks on the general account. The risk from its unit-linked life insurance products is managed by providing conservative reserves. The Company calculates a nominal reinsurance premium and administration fee in setting its target capital. The adequacy of capital is assessed on a quarterly basis.

d. Internal Controls
The Company has systems, processes and procedures to ensure accurate data and timely reporting which includes dual signatories on all payments and internal review of financial reports. The administration of policies is outsourced to Nordica Administration Sarl, Luxembourg, a company related through common control, which also has its own internal controls system in place.

e. Internal Audit
The Company's internal audit function is carried out through Nordica Administration Sarl, Luxembourg. Additionally, the Company's insurance manager, CT Insurance Management (Bermuda) Ltd., conducts an internal audit on a regular basis.

f. Actuarial Function

The Company's external actuary is John Rayner of Abbot Associates. He provides an estimate of the reserves on an annual basis which is reviewed and approved by the board.

g. Outsourcing

The administration of policies is outsourced to Nordica Administration Sarl, Luxembourg, a company related through common control. The Company's principal representative is CT Insurance Management (Bermuda) Ltd., a licensed insurance manager in Bermuda.

h. Other Material Information

None.

iii. RISK PROFILE

a. Material Risks the Insurer is Exposed to During the Reporting Period

The Company's materials risk are:

- Insurance risk – the possibility that currency depreciation will negatively affect the value of assets and related interest and dividend payments streams. By the very nature of an insurance contract, this risk is random and therefore unpredictable.
- Currency risk – the possibility that currency depreciation will negatively affect the value of assets and related interest and dividend payment streams.
- Credit risk - A concentration of credit risk exists when there are significant contracts with individual counterparties or when groups of issuers or counterparties have similar business characteristics that would cause their ability to meet contract commitments to be adversely affected, in a similar manner, by changes in the economy or other market conditions. The Company conducts business with financial institutions believed to be well established and monitors credit risk on both an individual and group counterparty basis.
- Liquidity risk – The risk that cash may not be available to pay obligations when due at a reasonable cost.
- Operational risk – this risk is considered material due to the significant amount of outsourcing employed by the Company. All functions other than management are outsourced. Whilst the service providers are expected to manage their responsibilities effectively, operational risk is mitigated by oversight and compliance by the Company.
- Legal and regulatory risk – this is the risk that the legal or regulatory environment in which an insurer operates will change or that the tax rulings relevant to the Company's business model may change and create additional loss costs or expenses not anticipated by the insurer in pricing its products. That is, regulatory initiatives designed to reduce insurer profits or new legal theories may create costs for the insurer beyond those recorded in the financial statements or the Company may not continue in its current form due to amended tax legislation.

b. Risk Mitigation in the Organisation

The risk management function lies with the Underwriting and Risk Committee which verifies that risks are either kept within agreed limits or temporary breaches for unique situations are appropriately escalated to the Board for approval or correction.

Insurance risk is mitigated by:

- A good level of knowledge of the underlying business strategy and plans;

- The appropriate underwriting policy in place;
- Regular monitoring and management information produced;
- The Company employs an independent loss reserve specialist to calculate the Company's loss provisions.

Credit risk is mitigated by adhering to a conservative investment strategy, by maintaining sound credit and collection policies, and by providing for any amounts deemed uncollectible.

Operational risk is mitigated by:

- Contractual agreements in place with all outsourced providers setting out expected service levels;
- Due diligence performed on all service providers;
- Service Providers subject to annual performance review; and
- Outsourcing, Business Continuity and Disaster Recovery Policies in place.

Legal and regulatory risk is mitigated through review of underwriting and loss adjusting practices and regularly reviews tax legislation, which identifies and minimizes the adverse impact of these risks.

c. Material Risk Concentrations

The Company's main risk is insurance risk. Management believes that it has set a conservative approach in managing this risk through the reserves it maintains.

d. Investment in Assets in Accordance With the Prudent Person Principles of the Code of Conduct

The Company's general account does not hold investments. The Company adopts the method of deposit accounting for its wealth management transactions where the assets and liabilities of these wealth management transactions move in tandem.

e. Stress Testing and Sensitivity Analysis to Assess Material Risks

As a result of the stress test and scenario analysis, the worst-case loss scenario's gross impact to the Company is $304 thousand. Given this data, the Company's current eligible capital is sufficient to cover any adverse loss.

iv. SOLVENCY VALUATION

a. Valuation Bases, Assumptions and Methods to Derive the Value of Each Asset Class

The Company has used the valuation principles outlined by Bermuda Monetary Authority's "Guidance Note for Statutory Reporting Regime" for the reporting period's statutory filing. The economic valuation principles outlined in this document are to measure assets and liabilities on a fair value basis (which is the value that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date). The fair value principles used for the assets are as follows:

- Cash and Cash Equivalents – includes cash time deposits and investments maturing within three months. The fair value of these holdings is determined by using mark to market valuation, or quoted market prices in active markets for similar assets with adjustments to reflect differences if mark to market valuation is not possible, or mark to model valuation otherwise.
- Sundry Assets – all other assets categorised under sundry assets shall be recorded at fair value in line with GAAP. In cases where the GAAP principles do not require fair value, the insurer shall value the balances using the EBS valuation hierarchy.

b. Valuation Bases, Assumptions and Methods to Derive the Value of Technical Provisions

Insurance technical provisions are valued based on best estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure with an appropriate illiquidity adjustment. In addition, there is a risk margin to reflect the uncertainty contained inherent in the underlying cash flows which is calculated using the cost of capital approach and a risk-free discount rate term structure. The discount rate term structures are prescribed by the Bermuda Monetary Authority for each reporting period.

The Company's aggregate technical provisions prepared by independent actuary included basic assumptions, some basic judgement, basic actuarial methods, allowance for Binary Events/ENIDS and no ranges.

As of the end of reporting period, the total technical provision is $1,298 thousand.

c. Description of Recoverable from Reinsurance Contracts
Not applicable.

d. Valuation Bases, Assumptions and Methods to Derive the Value of Other Liabilities
None.

e. Any Other Material Information
None.

v. CAPITAL MANAGEMENT

a. Eligible capital

i. Capital Management Policy
The primary capital management objective of the Company is to meet regulatory capital requirements at all times and strengthen its capital base to meet policyholder needs and provide steady return to shareholder. The Company has not invested its own capital but is holding it in cash placed on bank accounts in the different custodian banks. The company has no debts besides the liabilities to the policyholders, as most fixed expenses are prepaid and commissions and administrative expenses are paid when incurred.

At the end of the reporting period, the Company's eligible capital categorized as Tier 1 amounts to $1,885 thousand which consists of capital stock, contributed surplus and statutory surplus.

ii. Eligible Capital Categorised by Tiers in Accordance to the Eligible Capital Rules Used to Meet ECR and MSM Requirements of the Insurance Act
At the end of the reporting period, the Company's Eligible Capital for its Minimum Margin of Solvency (MSM) is $1,885 thousand which is categorized as Tier 1. The Company's Eligible Capital for its Enhanced Capital Requirement (ECR) is $1,885 thousand which is categorized as Tier 1.

iii. Confirmation of Eligible Capital That is Subject to Transitional Arrangements
None.

iv. Identification of Any Factors Affecting Encumbrances on the Availability and Transferability of Capital to Meet the ECR
None.

v. Identification of Ancillary Capital Instruments Approved by the Authority
None.

vi. Identification of Differences in Shareholder's Equity as Stated in the Financial Statements Versus the Available Capital and Surplus
Other than the impact of employing statutory-based technical provision valuation techniques, significant differences between GAAP shareholder equity and available statutory capital and surplus include the reduction in available statutory capital for goodwill and other intangible assets.

b. Regulatory capital requirements

i. ECR and MSM Requirements at the End of the Reporting Period

At the end of the reporting period, the Company's required minimum solvency margin is $500 thousand and the statutory capital and surplus at that date was $1,974 thousand. The ECR is $500 thousand, and the eligible capital is $1,885 thousand.

ii. Identification of Any Non-Compliance with the MSM and the ECR

The Company is compliant with the MSM and the ECR at the end of the reporting period.

iii. A Description of the Amount and Circumstances Surrounding the Non-Compliance, the Remedial Measures and Their Effectiveness

Not applicable.

iv. Where the Non-Compliance is not Resolved, a Description of the Amount of the Non-Compliance

Not applicable.

c. Approved Internal Capital Model

Not applicable.

vi. SUBSEQUENT EVENTS

Since the Russian invasion in Ukraine in the first quarter of 2022, global financial markets have experienced, and may continue to experience significant volatility and there are significant consequences for the global economy from travel, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of the invasion on the global economy and the sectors in which the Company operate is uncertain at this time. Management, under oversight of the Board of Directors, has performed an assessment of the potential effects of the invasion on the Company's operations and related financial performance through June 29, 2023. This assessment included consideration of the Company's exposure to the invasion related insurance claims and the Company's continued ability to meet its statutory solvency and liquidity ratio requirements. As a result of this assessment, Management has ultimately concluded that the Company's financial performance has not been significantly impacted by the invasion and does not see the Company to be affected by the invasion in the succeeding years. However, Management will continue to assess its exposure to potential losses related to the invasion through regular reporting and financial forecasting.

Management have confirmed that there are no post-year-end events that need to be disclosed.

FINANCIAL CONDITION REPORT DECLARATION

We hereby declare that to the best of our knowledge and belief, the financial condition report fairly represents the financial condition of the insurer in all material respects.

Signature: Allan Klotz (Jun 29, 2023 18:23 GMT+2)

Name: Allan Klotz

Date: 29 June 2023

Signature:

Name: Andrew McComb

Date: 29 June 2023

Insurer Name: Nordica Life (Bermuda) Ltd.

Year-end: December 31, 2022

Nordica Financial Condition Report Declaration 2022

Final Audit Report 2023-06-29

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Signer allan.klotz@nordicalife.com entered name at signing as Allan Klotz
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