



ANNUAL REPORT 2024

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01

MANAGEMENT **REPORT**

Management Report

Ending December 31st, 2024

To the Board:

Overall

The first year of operations at Northernlight Insurance and Surety Company Inc. has been marked by strong growth, strategic execution, and a commitment to delivering exceptional insurance solutions. We have successfully established our presence in the market, built a solid foundation, and exceeded key performance expectations.

Financial Performance

In our inaugural year, we exceeded expectations by underwriting USD 5,944,460.11 in Gross Premium across multiple lines of business. Through reinsurance contracts, we were able to reinsure 100% of the risk written while increasing our capitalization levels meeting and exceeding regulatory requirements.

Our established reserves sit as cash and cash equivalent with the focus of maximum liquidity. Our investment strategy which allocates 10% of our cash over and above our establish reserves into the stock market with a specific focus on investing in stocks that have maintained a "Dividend King" status for the past 25 years. The strategy aims to balance risk with long-term growth, ensuring that the portfolio benefits from strong, established companies with a proven track record of shareholder returns through dividends. The remaining 90% of cash sits in interest bearing accounts through the use of sweep accounts. The use of sweep accounts is a prudent approach to enhancing our cash flow management. It allows us to secure a steady stream of interest income. This ensures that every dollar is working to generate value for the company. As a result, the implementation of sweep accounts aligns with our broader financial objectives, supporting both operational liquidity and the efficient generation of financial income.

Strategic Partnerships

At Northernlight Insurance and Surety Company Inc. we recognize the value of strategic partnerships with Managing General Underwriters (MGUs) in expanding our market reach, enhancing underwriting expertise, and driving profitable growth. By collaborating with experienced MGUs, we gain access to specialized knowledge, niche markets, and tailored underwriting capabilities that allow us to offer innovative and competitive insurance solutions. These partnerships enable us to efficiently scale our operations while maintaining strong risk management and underwriting discipline, ensuring a balanced and profitable portfolio.

Our strategic partnerships with Wells Fargo Advisors is essential to ensuring seamless financial transactions, risk management, and operational efficiency across international markets. By collaborating with a top-tier bank, we gain access to secure global payment networks, multi-currency transaction capabilities, and efficient treasury management solutions that support our cross-border operations. Through these trusted banking partnerships, we strengthen our financial infrastructure, mitigate transactional risks, and maintain the agility needed to operate securely and efficiently on a global scale.

Growth

Building on the strong foundation and successes of the past year, Northernlight Insurance and Surety Company Inc. is well-positioned for continued growth and expansion in the coming years. With a focus on partnering with additional MGUs, enhancing product offerings, and leveraging technology-driven efficiencies, we are committed to scaling our operations while maintaining underwriting discipline and profitability. We also look to expand our Surety business which we consider a core line of business for our organization. With a strong underwriting team with decades of experience, we look to continue to capitalize on our strengths and provide surety solutions to support businesses, contractors, and commercial obligations. We also look to expand our reinsurance relationships and continue to build out our reinsurance panel which will help us enter new markets.

Risks

As the world has become increasingly interconnected, we recognize that global risk has become more complex and dynamic. We maintain optimism that the conflict between Russia and Ukraine and the conflict between Israel and Hamas will end in 2025 but our plans for growth do not take into account the conflicts ending.

Political tensions are rising, and regulatory shifts are happening frequently which can impact our plans in a market or region. We stay diligent in analyzing these tensions and regulatory shifts in order to mitigate any risk to our business but understanding regulatory shifts also allows us to capitalize on opportunities within a market.

Outlook

As we look ahead, Northernlight Insurance and Surety Company Inc. is poised for strong growth and continued success. With building on our current MGU structure and enhancing our internal operations to support the added business in 2025, we are positioned for long term growth. We remain optimistic and look forward to the year ahead.



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AUDITOR
CERTIFICATE

GLOBAL ACCOUNTING ASSOCIATES LTD

CHARTERED ACCOUNTANTS

P.O. BOX 520, Basseterre
St. Kitts, West Indies

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Northernlight Insurance & Surety Co. Inc.

Opinion

We have audited the financial statements of Northernlight Insurance & Surety Co. Inc. ("the Company") which comprise the statement of financial position as at December 31, 2024, the statements of comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized entities (IFRS for SMEs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in St. Kitts and Nevis, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibility 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 a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Samuel W. Ng'alla, FCCA, ACIB



Alexa Pemberton, CPA, MAFM

INDEPENDENT AUDITOR'S REPORT *(cont'd)*

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- 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 the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Global Accounting Associates Ltd

Global Accounting Associates Ltd

March 28th, 2025

Basseterre, St. Kitts

Samuel W. Ng'alla, FCCA, ACIB



Alexa Pemberton, CPA, MAFM

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BALANCE **SHEET**

Northernlight Insurance and Surety Company Inc.
Statement of Financial Position
As at December 31, 2024
(Expressed in United States Dollars)

		2024
ASSETS		
Current Assets		
Cash and Cash Equivalents		663,827.84
Marketable Securities		15,038.59
Accounts Receivable		33,643.05
Total Current Assets		712,509.48
TOTAL ASSETS		\$712,509.48
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Reinsurance Payable		22,038.90
Accrued Expenses		10,000.00
Total Current Liabilities		32,038.90
Total Liabilities		32,038.90
Equity		
Paid in Capital		410,000.00
Retained Earnings		270,470.58
Total Equity		680,470.58
TOTAL LIABILITIES AND EQUITY		\$712,509.48

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INCOME **STATEMENT**

Northernlight Insurance and Surety Company Inc.

Statement of Comprehensive Income

For the year ended December 31, 2024

(Expressed in United States Dollars)

	2024
INCOME	
Gross Premium	5,944,460.11
Ceded Premium	(5,944,460.12)
Ceded Commissions	1,324,901.79
Total Income	1,324,901.78
EXPENSES	
Bank fees & Service charges	40.04
Broker Commissions Paid	1,057,385.78
Professional Fees	10,000.00
	1,067,385.78
Total Expenses	1,067,425.82
NET OPERATING INCOME	257,475.96
OTHER INCOME	
Other income	
Interest earned	17,756.09
Total Other income	17,756.09
Total Other Income	17,756.09
OTHER EXPENSES	
Exchange Gain	4,761.47
Total Other Expenses	4,761.47
NET OTHER INCOME	12,994.62
NET INCOME	\$270,470.58

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CASH FLOW **STATEMENT**

Northernlight Insurance and Surety Company Inc.

Statement of Cash Flows

For the year ended December 31, 2024

(Expressed in United States Dollars)

	2024
OPERATING ACTIVITIES	
Net Income	270,470.58
Adjustments to reconcile Net Income to Net Cash provided by operations:	
Accounts Receivable (A/R)	(33,643.05)
Marketable Securities	(15,038.59)
Accrued Expenses	10,000.00
Reinsurance Payable	22,038.90
Total Adjustments to reconcile Net Income to Net Cash provided by operations:	(16,642.74)
Net cash provided by operating activities	253,827.84
FINANCING ACTIVITIES	
Paid in Capital	410,000.00
Net cash provided by financing activities	410,000.00
NET CASH INCREASE FOR PERIOD	663,827.84
CASH AT END OF PERIOD	\$663,827.84

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FOOTNOTES

FOOTNOTES

01 **GENERAL INFORMATION**

Northernlight Insurance and Surety Company Inc. (the "Company") was incorporated in 2023 in Nevis under the Business Corporations Ordinance Cap 7.01.

The principal activities of the Company are to issue all forms of Property, Marine, Aviation, Liability and Surety Insurance Coverage of such risks underwritten directly or by Managing General Underwriters (MGUs) under contract by the Company.

The Company contracts for its supervisory, general and administrative and Insurance management services with various service providers and professional organizations. As a result, the Company has no employees of its own.



02

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Company's financial statements are set out below.

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted globally, which are accepted under the International Financial Reporting Standards. Capital requirements are calculated under Solvency II.

b) Estimates

The preparation of financial statement is in conformity with the accounting principles generally accepted under International Financial Reporting Standards. This requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. The disclosure of contingent assets and liabilities at the date of the financial statements against the reported amounts of revenues and expenses during the reporting period could differ from those estimates.

The carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of the reserve for policy losses and loss related expenses

For the Company's Insurance contracts, estimates must be made both for the expected outstanding cost of claims reported at the reporting date and for the expected outstanding cost of claims incurred but not yet reported ("IBNR") at the reporting date. It can take a significant period before the outstanding claims cost can be established with certainty and for some types of policies, IBNR claims form the majority of the Insurance liability. The cost of outstanding claims is estimated based on historical management experience in the industry and advice from the ceding company.

The carrying value at the reporting date of the reserve for policy losses and loss related expenses is USD \$0.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.



d) Product classification

Insurance contracts are those agreements in which the Company has accepted significant Insurance risk from the “Insured” by agreeing to compensate the insured if a specified uncertain future event (the “insured event”) adversely affects the insured. As a general guideline, the Company determines whether it has significant Insurance risk, by comparing claims paid with claims payable if the insured event did not occur. Insurance agreements can also transfer financial risk. Once an agreement has been classified as an Insurance policy, it remains an Insurance agreement for the remainder of its lifetime, even if the Insured risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

e) Insurance assets

Insurance assets are recognized when due and are measured at amortized cost, using the effective interest rate method. The carrying values of Insurance assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Income Statement.

f) Insurance liabilities

Insurance liabilities are recognized when risk attaches and premiums are charged. These liabilities comprise the reserve for policy losses and loss related expenses.

Reserve for Policy losses and loss related expenses

The reserve for policy losses and loss related expenses is based on the estimated ultimate cost of all claims incurred and reported, but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, the ultimate cost of which cannot be known with certainty at the reporting date. The liability is calculated at the reporting date based on historical management experience in this industry. Management believes that the reserve for

policy losses and loss related expenses is adequate to cover all reported incidents, claims and related expenses. However, because of the length of time required for the ultimate liability for losses and loss expenses to be determined, the net amounts that will ultimately be paid to settle any liability may vary significantly from the estimated amount provided for in the statement of financial position.

Unearned premium income

Unearned premium income includes premiums received for risks that have not yet expired. Generally, unearned premium income is released over the Insurance coverage period and is recognized as premium income. There was unearned premium income recognized as of 31 December 2024 of USD 0. At each reporting date, a liability adequacy test is performed to ensure the adequacy of the Insurance liabilities. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the reserve for Insurance losses and loss related expenses.



g) Insurance Assets and Liabilities

The Company assumes Insurance risk in the normal course of business. Premiums and claims on assumed Insurance are recognized as income and expenses. Insurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated Insurance contract.

Premiums and claims are presented on a gross basis for assumed Insurance.

Insurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

h) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

i) Offsetting

Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position when the Company has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis.

j) Financial instruments

(i) Classification

The Company designated all its investments into the fair value through profit or loss category which comprises financial instruments held for trading. These include investments in listed equities and certificate of deposit. Financial assets that are classified as loans and receivables include due from related parties, Insurance assets, Insurance assets and funds held on account. Financial liabilities that are not at fair value through profit or loss include Insurance liabilities, due to related parties and other payables and accrued expenses.

(ii) Recognition

The Company recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

(iii) Measurement

Financial assets and liabilities are measured initially at fair value (transaction price) plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities that are not at fair value through profit or loss are amortized. After initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognized in the statement of comprehensive income, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses (refer to accounting policy (m)). If a reliable measure subsequently becomes available, the instrument is measured at fair value. Financial assets classified as loans and receivables are carried at amortized cost using the effective interest rate method, less impairment losses (refer to accounting policy (m)), if any. Financial liabilities are measured at amortized cost using the effective interest rate method.

(iv) Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset, and the transfer qualifies for derecognition. The Company uses the specific identification method to determine realized gains and losses on derecognition. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled, expired or surrendered.

(v) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for estimated future selling costs. If a quoted market price is not available on a recognized stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques.

(vi) Specific instruments Cash and cash equivalents

Cash comprises current deposits with banks and brokers, net of overdrafts. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash. They are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

k) Revenue recognition

Premiums written

Premium revenues from the sale of Insurance contracts are recognized in full when received from policy holders.

Premiums assumed

Premiums assumed are recognized as revenue over the period of Insurance coverage.

Interest income

Interest income is recognized in the Income Statement as it accrues, considering the effective yield of the asset or an applicable floating rate.

Dividend income

Dividend income relating to exchange traded securities held long is recognized in the Income Statement on the ex-dividend date, net of withholding taxes.

l) Expenses

Expense allowance on Insurance

Expenses payable to the ceding company in lieu of actual commissions and expenses incurred by the ceding company are recognized in the Income statement on the accrual basis.

Other fees and expenses

All expenses are recognized in the Income Statement on the accrual basis.

m) Impairment

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is estimated as the greater of an asset's net selling price or its value in use. An impairment loss is recognized in the statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount. If in a subsequent period, the amount of an impairment loss decreases, and the decrease can be linked objectively to an event occurring after the write-down, the write-down or allowance is reversed through the statement of comprehensive income. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

03 **TAXATION**

By virtue of the Companies Act, the Company is exempt from all forms of taxation in Nevis, including income, capital gains and withholding taxes.

04 **INVESTMENTS**

The Company maintains cash, cash equivalent assets, stocks and foreign currency on its balance sheet. It reviews these holdings to determine if there is an exposure to credit risk. In that review it looks at the liquidity of the markets and the ability to the company to access funds when necessary. In all the cases the assets are highly rated and are in markets that are liquid and available without restriction. The company holds an equity portfolio managed by Wells Fargo Investment Advisors. This portfolio is of highly rated US Dividend paying equities and represents less than 10% of its overall portfolio. The company is also holding a small cash position in Euros, Pound Sterling and Canadian Dollars. These holdings are with Wells Fargo Investment Advisors.

05 **DUE FROM RELATED PARTIES**



2024	
Due from related parties	USD \$0.00

The amounts due from related parties are unsecured, interest free and have no fixed terms of repayment. All the entities noted above are related to the Company by way of common shareholders and/or directors. Refer to note 7 for further details of related party transactions.

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INSURANCE ASSETS

2023	
Premiums assumed receivable	USD \$33,643.05

As of December 31st, 2024, all receivables are either fully paid and or current.

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RELATED PARTY TRANSACTIONS

None.

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DUE TO RELATED PARTIES

None.



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SHARE CAPITAL

Authorized issued and fully paid:

Paid-in-capital is of USD 410,000.

The holders of the shares are entitled to receive dividends as declared from time to time and to one vote per share at annual and general meetings of the Company.

Minimum capital requirement

The Company subjects itself to minimum capital requirements for companies as established by IFRS Standards and Solvency II.

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REINSURANCE

The Company utilizes reinsurance agreements to remove its exposure to any losses in all aspects of its Insurance business assumed. The Company's reinsurance agreements with reinsurers, although it does not discharge the primary liability of the Company for the risks assumed. Failure of reinsurers to honor their obligation could result in losses to the Company. The Company continually evaluates the financial condition of its reinsurers.

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RISK MANAGEMENT

The Company issues and assumes contracts that transfer Insurance risk or financial risk or both. In addition, activities of the Company expose it to financial risks such as market risk, credit risk and liquidity risk. Financial assets of the Company include cash and cash equivalents, investments, and Insurance assets. Financial liabilities comprise re- Insurance liabilities (Payables). The nature and extent of financial instruments outstanding at the reporting date are discussed below.

Reinsurance risk

The principal risk the Company faces under reinsurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, and actual benefits paid. Therefore the objective of the Company is to ensure that sufficient provisions are available to cover these liabilities. The Company issues reinsurance contracts to provide for all lines of business coverage. Risks under these contracts usually cover extended reporting periods. The above risk exposure is mitigated by careful selection and implementation of underwriting strategies and guidelines.

a) Market risk

Price risk

Price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. Certain financial instruments of the Company are carried at fair value with fair value changes recognized in the Income Statement. All changes in market conditions will directly affect net investment income. The Directors of the Company monitor the Company's exposure to price risks.

Interest rate risk

The financial instruments exposed to interest rate risk comprise cash and cash equivalents. The Company is exposed to interest rate cash flow risk on cash and cash equivalents to the extent that prevailing money market rates may fluctuate on those floating rate instruments.

b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. All of the Company's financial assets potentially expose it to credit risk. The extent of the Company's exposure to credit risk in respect of these financial assets approximates their carrying values as recorded in the Income Statement.

c) Liquidity risk

The Company's listed assets are readily realizable as they are quoted on major North American stock exchanges.



12 **FAIR VALUE INFORMATION**

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading as at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price, the appropriate quoted market price for financial liabilities is the current asking price. When the Company holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. For certain other financial instruments, including cash and cash equivalents, Insurance assets and liabilities, funds held on account, other payable and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.



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CAPITAL RISK MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains a strong working capital position and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and adjusts it, in light of changes in economic conditions.

To maintain or adjust the capital structure, the Company may, subject to statutory limitations (refer to note 10), return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2024. The Company monitors capital using a minimum margin of solvency as required under the IFRS and Solvency II. Under this method, the Company attempts to maintain assets in excess of liabilities to the extent necessary to preserve the solvency margin.

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STATUTORY REQUIREMENTS

Under the Solvency II regime of the European Union an Insurance company is required to hold capital and surplus, combined with reserves liabilities, sufficient to pay future claims at a 99.5% confidence level. Assuming a normal distribution of future claims, such a confidence level can be achieved with assets covering 3 standard deviations from the expected value. According to EIOPA (European Insurance and Occupational Pensions Authority) Report on the fifth Quantitative Impact Study (QIS5) for Solvency II, page 95, a reasonable estimate of the standard deviation for reserves is 15% of the expected value. Thus, capital and surplus equal to 45% of the expected value would cover 3 standard deviations.

Northernlight Insurance and Surety Company Inc.'s reserves as of December 31, 2024 are USD \$0. Required capital and surplus under Solvency II is, therefore, USD \$0. Northernlight's actual capital and surplus exceeds USD 678,866. Thus, Northernlight's surplus exceeds the requirements of Solvency II.

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LEGAL

Northernlight Insurance and Surety Company Inc. is not involved in any litigation and does not foresee any litigation coming about.

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IMPORTANT EVENTS

The following important events have occurred in 2024

1. The Company began active operations in June of 2024.
2. The Company has entered into two MGU agreements. These are Maristela Underwriters and Offshore Risk Management.

