FREISENBRUCH INSURANCE LIMITED

Financial Statements
(With Independent Auditor's Report Thereon)

Year ended December 31, 2023

KPMG Audit Limited
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Freisenbruch Insurance Limited

Opinion

We have audited the financial statements of Freisenbruch Insurance Limited (the "Company"), which comprise the statement of financial position as at December 31, 2023, the statement of operations, statement of changes in shareholders' equity, and statement of 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, 2023, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

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 "*Auditor's responsibilities for the audit of the financial statements"* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Bermuda, 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.

Other information

Management is responsible for the other information. The other information comprises the required supplementary information ("RSI") under Accounting Standards Update 2015-09, Disclosures about Short-Duration Contracts labelled as Unaudited in note 6. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other matter

Accounting principles generally accepted in the United States of America require that the RSI labelled as unaudited in Note 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the U.S. Financial Accounting Standards Board ("FASB") who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted certain disclosures 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 FASB who considers 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

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 U.S. GAAP, and for such internal control 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. 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 scepticism 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 auditor's 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 auditor's 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.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 29, 2024

FREISENBRUCH INSURANCE LIMITED

Statements of Financial Position

As at December 31, 2023 and 2022
(Expressed in Bermuda Dollars)

	Note(s)	2023	2022
Assets			
Cash and cash equivalents	5(a), 11(a)	$ 2,366,546	$ 3,610,416
Fixed maturity investments, trading, at fair value through income	5(b)(c)	6,028,241	5,676,742
Insurance balances receivable	7(a), 11(a)	4,309,698	252,561
Reinsurance premiums receivable	4, 7(a), 11(a)	586,784	271,784
Reinsurance recoverable on paid and unpaid losses	4, 6, 7(a), 11(a)	4,095,429	4,541,083
Reinsurers share of unearned premiums	7(a)	8,002,648	7,397,701
Deferred acquisition expenses	7(a), 13	3,473,208	3,073,105
Funds withheld	7(a), 11(a)	5,285,867	4,719,398
Prepaid expenses and other assets		44,553	40,461
Total Assets		**$ 34,192,974**	**$ 29,583,251**
Liabilities			
Reserves for losses and loss adjustment expenses	6, 11	$ 4,830,473	$ 5,457,322
Unearned premiums		10,399,825	9,535,950
Deferred commission income	7(a)	2,758,061	2,468,036
Reinsurance balances payable		105,153	517,153
Amounts due to related companies	7(a)	4,268,644	64,960
Insurance balances payable		154,564	145,486
Other liabilities		150,719	127,479
Total Liabilities		**22,667,439**	**18,316,386**
Shareholders' equity			
Share capital	8, 10	5,000,000	5,000,000
Retained earnings		6,525,535	6,266,865
Total Shareholders' Equity		**11,525,535**	**11,266,865**
Total Liabilities and Shareholders' Equity		**$ 34,192,974**	**$ 29,583,251**

See accompanying notes to financial statements

Approved for issuance on behalf of the Board of Directors of Freisenbruch Insurance Limited on April 29, 2024 by:

Director

Director

FREISENBRUCH INSURANCE LIMITED

Statements of Operations

For the Years Ended December 31, 2023 and 2022
(Expressed in Bermuda Dollars)

	Note(s)	2023	2022
Underwriting Revenues			
Gross premiums written	3(d), 7(b)	$ 22,808,786	$ 20,846,027
Ceded premiums	3(d), 4, 7(b)	(19,506,627)	(17,902,562)
Net premium written		3,302,159	2,943,465
Change in unearned premiums		(863,875)	(198,435)
Change in reinsurers share of unearned premiums	3 (d), 7(b)	604,948	166,863
Net premiums earned		3,043,232	2,911,893
Commission income	7(b)	6,032,405	5,550,526
Total underwriting revenue		**9,075,637**	**8,462,419**
Underwriting Expenses			
Claims paid	6, 7(b)	(5,626,013)	(3,122,791)
Change in outstanding loss provisions	6	626,849	(1,482,365)
Claims recovered and recoverable from reinsurers	4, 6, 7(b)	4,273,465	3,804,874
Net claims incurred		(725,699)	(800,282)
Commission expense	7(b)	(6,910,781)	(6,420,517)
Other underwriting expenses		(943,086)	(787,917)
Total underwriting expenses		**(8,579,566)**	**(8,008,716)**
Net underwriting income		**496,071**	**453,703**
Net investment income (loss)	5(d)	302,422	(294,153)
General and administrative expenses	7(b), 9	(539,823)	(509,245)
Net income (loss)		**$ 258,670**	**$ (349,694)**

See accompanying notes to financial statements

FREISENBRUCH INSURANCE LIMITED

Statements of Changes in Shareholders' Equity

For the Years Ended December 31, 2023 and 2022
(Expressed in Bermuda Dollars)

	Note(s)	2023	2022
Common Shares			
Balance at beginning of year		$ 5,000,000	$ 5,000,000
Common shares issued	8, 10	-	-
Balance at end of year		5,000,000	5,000,000
Retained Earnings			
Balance at beginning of year		6,266,865	6,616,559
Net income (loss)		258,670	(349,694)
Balance at end of year		6,525,535	6,266,865
Total shareholders' equity		**$ 11,525,535**	**$ 11,266,865**

See accompanying notes to financial statements

FREISENBRUCH INSURANCE LIMITED

Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022
(Expressed in Bermuda Dollars)

	Note(s)	2023	2022
Cash flows from operating activities			
Net income (loss)		$ 258,670	$ (349,694)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:			
Interest income	5(d)	(153,254)	(110,924)
Realized and unrealized (gains)/losses on fixed maturity Investments, trading, at fair value	5(d)	(149,168)	405,077
Changes in assets and liabilities:			
Prepaid expenses and other assets		(4,092)	5,621
Insurance balances receivable		(4,057,137)	99,329
Reinsurance balances receivable		(314,999)	254,836
Reinsurers share of unearned premiums		(604,947)	(166,863)
Deferred acquisition expenses		(400,102)	(41,945)
Reinsurance recoverable on paid and unpaid losses		445,654	(1,361,006)
Funds withheld		(566,469)	(79,405)
Other liabilities		23,240	44,814
Amounts due to related companies		4,203,685	5,163
Insurance balance payable		9,078	30,970
Reinsurance balances payable		(412,000)	(47,098)
Unearned premiums		863,875	198,435
Deferred commission income		290,025	35,081
Outstanding losses and loss expenses		(626,849)	1,482,366
Net cash (used in) provided by operating activities		**(1,194,790)**	**404,757**
Cash flows from investing activities			
Purchase of fixed maturity investments, trading, at fair value		(1,335,013)	(2,302,628)
Proceeds from sale and maturities of fixed maturity Investments, trading, at fair value		1,132,679	2,078,817
Interest received		153,254	110,924
Net cash used in investing activities		**(49,080)**	**(112,887)**
Net (decrease) increase in cash and cash equivalents		(1,243,870)	291,870
Cash and cash equivalents at beginning of year		3,610,416	3,318,546
Cash and cash equivalents at end of year		**$ 2,366,546**	**$ 3,610,416**

See accompanying notes to financial statements

1. General

Freisenbruch Insurance Limited (the “Company”) was incorporated in Bermuda on April 26, 2002 and carries on business as an insurance company. The Company is registered as a Class 3A and Long-term Class B insurer under the Insurance Act 1978 of Bermuda and related regulations (“the Insurance Act”).

The registered office and principal place of business of the Company is 75 Front Street, Hamilton, HM CX Bermuda.

The Company is owned by FM Investments (Holding) Ltd. (60%), and Chubb Bermuda Insurance Limited (formerly, ACE Bermuda Insurance Limited) (40%). An agency agreement and management agreement exist between the Company and Freisenbruch Insurance Services Ltd., a company owned by FM Investments (Holding) Ltd. (60%) and Chubb Bermuda Insurance Limited (40%).

The Company is a local Bermuda insurer providing property, motor, accident, engineering, life, credit card protection and marine coverage for its customers.

The Company has no employees, and its administrative affairs are handled by its related party, Freisenbruch Insurance Services Ltd.

2. Basis of preparation

(a) Change in basis of accounting

Effective January 1, 2023, the Company elected to voluntarily change its basis of accounting from International Financial Reporting Standards (“IFRS”) to United States Generally Accepted Accounting Principles (“U.S. GAAP”).

The Company elected to change the basis of accounting as management believes preparation of the financial statements under U.S. GAAP more clearly reflects the performance of the Company. U.S. GAAP provides detailed guidance regarding disclosures. Further, the change allows for better comparison of the Company’s financial statements to industry peers. The change in accounting basis enables stakeholders to make better informed decisions.

No adjustments were made to prior period amounts, including but not limited to income from continuing operations, net income, retained earnings, equity, and net assets, as a result of the change in the basis of accounting.

(b) Basis of presentation

The accompanying financial statements of the Company are prepared in accordance with United States Generally Accepted Accounting Principles (“U.S. GAAP”).

(c) Functional and presentation currency

The financial statements are presented in Bermuda dollars, the Company’s functional currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with U.S. GAAP requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, and the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

2. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Notes 3(b), 3(c), and 6.

3. Summary of significant accounting policies

(a) Investments

At each reporting date, the Company assesses the appropriateness of the classification of its investments. Investments comprise U.S. treasury bonds and corporate bonds which management classifies as fixed maturity investments trading, at fair value in the statement of financial position. Management determines the appropriate fair value hierarchy classification of its investments at the time of purchase. Refer to note 5 for further information.

Investments are initially recognized at fair value on the trade date (the date the Company enters a commitment to buy or sell the investment). Subsequently, on a quarterly basis, investments are re-measured at fair value based upon active market quotations or the Company's custodian.

Unrealized and realized gains and losses on fixed maturity investments trading, at fair value are included in the determination of net income in the year in which they arise. Realized gains and losses on sales of investments are determined on a first-in, first-out basis.

(b) Impairment

Financial assets (including receivables)

A financial asset is impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset. Impairment is estimated based on the Company's historical loss experience, adjusted for current and reasonable forecasts affecting the Company's customers such as known credit risk. The impairment is estimated over the contractual term of the asset and adjusted as necessary. The Company does not have any off-balance sheet credit exposures.

Insurance balances receivable, reinsurance premiums receivable, reinsurance recoverable on paid and unpaid losses, and funds withheld are assessed for impairment and presented net of an allowance for expected credit losses. These accounts are subject to U.S. GAAP's current expected credit loss model (CECL) requirements apart from the portion of reinsurance recoverable on paid and unpaid losses under common control with FIL.

Quarterly, management performs the following functions to estimate impairment. Pool assets within each account based on similar risk characteristics including credit ratings and terms. For each asset pool, calculate the difference between the carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. If the net carrying value of the financial statement account exceeds the sum of the present value of the relevant asset pools, an impairment adjustment may be necessary.

As part of impairment testing, further analysis is done for each financial statement account by preparing a report showing the recent history of credit losses with the Company and current credit rating of each counterparty with an individually material balance. Additionally, an aging report on outstanding balances is prepared.

3. Summary of significant accounting policies (continued)

(b) Impairment (continued)

Finally, management considers their knowledge of the industry and communication with the debtor when assessing impairment. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy.

Management uses the above calculation, reports, and specialized knowledge to estimate the impairment. Impairment losses are recognized in income or loss and reflected in an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income or loss in the statement of operations.

Based on management's assessment at December 31, 2023 there is no indication of impairment on insurance balances receivable, reinsurance premiums receivable, reinsurance recoverable on paid and unpaid losses, and funds withheld.

(c) Reserves for losses and loss adjustment expenses

Reserves for losses and loss adjustment expenses represent the estimated future amount to be paid in settlement of the Company's ultimate liabilities for claims arising under insurance contracts that have occurred at or before the balance sheet date. The estimate of ultimate loss and loss adjustment expense liabilities is a significant judgment made by management and is inherently subject to uncertainties.

The Company's reserves for losses and loss adjustment expenses is determined using loss reports, individual case assessments not settled before the year-end together, and a provision for losses incurred but not reported comprising of actuarially determined estimates based on the claim's histories of the insureds and management's estimate of the Company's ultimate loss exposure.

The loss reserves do not include a component for loss adjustment expenses. Loss adjustment expenses relating to the settlement of non-catastrophic claims are the responsibility of Freisenbruch Insurance Services Ltd., the management company of the Company. Loss adjustment expenses relating to catastrophic claims are included in loss reserves when the event has occurred.

Such amounts are believed to be adequate to cover the ultimate net cost of losses however losses may be settled for a greater or lesser amount. Any adjustments to the estimates are reflected in earnings in the year in which they become known.

(d) Insurance contracts

i) Classification

The Company classifies its insurance contracts as short-term insurance contracts. Short-term insurance contracts primarily include property insurance underwritten by reference to the commercial value of the properties and contents insured and motor insurance comprising auto physical damage and personal liability. The Company also writes marine cover, credit card protection cover, but this line is not generally significant to the Company.

ii) Recognition and measurement

Premiums

Premiums written and ceded are recognized in the statement of operations proportionally to the insurance protection provided over the period of coverage. Generally, premiums are written on an annual basis. The portion of premiums written relating to in-force contracts that relate to unexpired risks at the statement of financial position date is reported as the unearned premiums liability.

3. Summary of significant accounting policies (continued)

(d) Insurance contracts (continued)

Similarly, the portion of premiums ceded relating to in-force contracts that relates to unexpired risks at the statement of financial position date is reported as the reinsurers' share of unearned premiums.

iii) Reinsurance contracts held

Reinsurance contracts held are contracts entered by the Company with a reinsurer in which, for consideration (premium), the reinsurer assumes all or part of a risk undertaken by the Company.

The legal rights of the insured are not affected by the reinsurance transaction and the Company remains liable to the insured for payment of policy benefits. In the event of a loss, policy benefits are paid to the insured from the Company. If the insurance contract with the loss was ceded, included in a reinsurance contract, the Company notifies the reinsurer of the amount of the loss the reinsurer needs to reimburse the Company for per the reinsurance contract.

The reinsurance recoverable on paid and unpaid losses to which the Company is entitled under its reinsurance contracts are included in the statement of financial position. The account is comprised of claims submitted to reinsurers and the reinsured portion of the reserves for losses on policies issued by the Company. The reinsured portion of the reserves for losses is estimated in a manner consistent with the estimation of reserves for losses on the policies issued by the Company.

The Company assesses reinsurance balances receivable, reinsurance recoverable on paid and unpaid losses and funds withheld for any indication of impairment on a quarterly basis. Based on management's assessment, all reinsurance receivables are recoverable and there is no indication of impairment.

Under the terms of the Company's property catastrophe reinsurance program, additional reinsurance premiums are payable to reinstate the limit of coverage, in the event of loss or losses occurring under certain contracts, to its full amount from the time of such loss or losses until the expiration of the contract. Where this occurs, the reinstatement premiums are recorded as written and are recognized in the statement of operations proportionally to the insurance protection provided over the period of coverage.

Reinsurance profit commission is calculated based on past underwriting results and in accordance with the terms of the reinsurance contracts and are recorded as receivable from the reinsurers. The reinsurance profit commission is recorded on an accrual basis when the current loss estimate indicates that a profit commission is probable.

iv) Premiums receivable and payable related to insurance contracts

Premiums receivable and payable are recognized when due. These include amounts due to and from insurance contract holders, brokers, and agents. Quarterly, insurance balances receivable is assessed for doubtful accounts and impairment.

(e) Commissions, interest, and other expenses

Commission expenses, interest income and expense, and other expenses are recorded on an accrual basis.

Acquisition costs, mainly commissions and brokerage, related to unearned premiums are deferred and amortized to income over the period in which the premiums are earned. The method followed in determining deferred acquisition costs limits the amount of the deferral to its realizable value by considering losses and expenses and future investment income expected to be incurred as premiums are earned.

The Company pays profit commission to the producing agency.

3. Summary of significant accounting policies (continued)

(f) Taxation

The Company is incorporated under the laws of Bermuda. In December 2023, the Bermuda corporate Income Tax Act 2023 (the "Act") became law. The Act will introduce a corporate income tax of 15%, which will apply to the Bermuda businesses that are part of multinational enterprise groups with annual revenue of €750M or more. The tax is effective beginning in 2025. The Company is not expected to be in scope for this tax.

(g) Related parties

Related parties include the shareholders, related companies, that is, fellow subsidiaries, directors and key management personnel who have the authority and responsibility for planning, directing and controlling the activities of the Company.

(h) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Cash and cash equivalents

Cash and cash equivalents include cash and other deposits with original maturities of 90 days or less and includes Money Market Funds carried at fair value.

4. Underwriting policies and reinsurance agreements

The Company follows the policy of underwriting and reinsuring contracts of insurance which limit the retained liability of the Company to a maximum amount of $150,000 (2022 – $150,000) on any one individual loss. The Company also purchases reinsurance to cover losses greater than $420,000 (2022 – $300,000) arising from any one catastrophe event.

The reinsurance of contracts does not, however, relieve the Company of its primary obligation to the policyholders. Therefore, in the event that the reinsurers are unable to meet their obligations under the reinsurance agreements, the Company would be liable for the reinsured amount. The Company evaluates the financial condition of its reinsurers and monitors the credit risk of the reinsurers to minimize its exposure to significant losses from reinsurer insolvency.

5. Investments

(a) Cash and cash equivalents represent current account, Money Market account and demand deposit balances, with 100% (2022 – 100%) held by a Bermuda-based bank which currently holds a S&P credit rating of BBB+ (2022 – BBB+). The Money Market Fund of $1,222,131 (2022 – $1,143,177) is classified as a Level 1 in the Fair Value hierarchy. None of the items within the cash and cash equivalents account are restricted.

(Expressed in Bermuda Dollars)

5. Investments (continued)

(b) Fixed maturity investments trading, at fair value comprise of the following:

As at December 31, 2023:

	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. treasury bonds	$ 5,501,829	$ 25,088	$ (202,946)	$ 5,323,971
Corporate bonds	717,099	5,848	(18,677)	704,271
Total	$ 6,218,927	$ 30,936	$ (221,622)	$ 6,028,241

As at December 31, 2022:

	Cost	Gross Unrealized gains	Gross unrealized losses	Fair value
U.S. treasury bonds	$ 4,982,154	$ 8,150	$ (308,549)	$ 4,681,755
Corporate bonds	1,045,120	1,001	(51,134)	994,987
Total	$ 6,027,274	$ 9,152	$ (359,683)	$ 5,676,742

The U.S. treasury bonds have a coupon rate between 0.25% and 4.13% and mature between 2024 and 2033.

The corporate bonds have fixed interest rates between 3.25% and 4.69% and mature between 2025 and 2029.

The investment portfolio is monitored by management and is subject to investment guidelines approved by the Board of Directors. At December 31, 2023, all investments hold credit ratings of BBB+ or above.

(c) Fair value of investments

The fixed maturity investments trading, at fair value are recorded at fair value. The fair value of a financial instrument on initial recognition is normally the transaction price, that is, the fair value of the consideration given or received. In certain circumstances, however, the initial fair value may be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only observable data.

Fair value prices for the financial instruments are independently provided by the Company's custodian, which utilizes nationally recognized independent pricing services. The Company records the unadjusted price provided by the custodian. The independent pricing services used by the Company's custodian obtain actual transaction prices for securities that have quoted prices in active markets. The independent pricing services used by the Company's custodian have their own proprietary methods for determining the fair value of securities that are not actively traded. In general, the independent pricing services use "matrix pricing" which utilizes observable market inputs including broker quotes, interest rates, yield curves, prepayment speeds, default rates and such other inputs as are available from market sources to determine a reasonable fair value.

The Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to fair values derived from unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

(Expressed in Bermuda Dollars)

5. Investments (continued)

(c) Fair value of investments (continued)

Level 1 – Valuation based on unadjusted quoted prices for identical instruments in active markets.

Level 2 – Valuation based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 – Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. These measurements include circumstances in which there is little, if any, market activity for the asset or liability. In making the assessment, the Company considers factors specific to the asset or liability and such an assessment will involve significant management judgment.

Because of the inherent uncertainty in the valuation of these Level 3 investments, fair values of such investments may differ from the values that would have been used had a ready market for these investments existed, and the differences could be material. An asset or liability's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation.

A review of the fair value hierarchy classifications is conducted on an ongoing basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets and liabilities. Reclassifications within the fair value hierarchy are reported as transfers in/out of the respective levels at the beginning of the period in which the reclassifications occur.

The following table presents the Company's fair value hierarchy for those assets measured at fair value as of December 31, 2023:

Investments in securities	Level 1	Level 2	Level 3	Fair value
US Treasury bonds	$ 5,323,971	–	–	$ 5,323,971
Corporate bonds	–	704,271	–	704,271
Total	$ 5,323,971	$ 704,271	$ –	$ 6,028,241

The following table presents the Company's fair value hierarchy for those assets measured at fair value as of December 31, 2022:

Investments in securities	Level 1	Level 2	Level 3	Fair value
US Treasury bonds	$ 4,681,755	–	–	$ 4,681,755
Corporate bonds	–	994,987	–	994,987
Total	$ 4,681,755	$ 994,987	$ –	$ 5,676,742

(d) Net investment income (loss) comprises the following:

	2023	2022
Interest income	$ 153,254	$ 110,924
Net unrealized gains (losses) on fixed maturity investments trading	159,845	(364,819)
Net realized losses on fixed maturity investments trading	(10,677)	(40,258)
Total	$ 302,422	$ (294,153)

(Expressed in Bermuda Dollars)

6. Outstanding losses and loss expenses

(a) Outstanding loss and loss expense movement

The reserve for losses and loss adjustment expenses ("loss reserves") represents the Company's gross estimates before reinsurance for unpaid reported losses and includes losses that have been incurred but not yet reported ("IBNR") determined using a variety of actuarial methods. An asset is recognized for the portion of the liability that the Company expects to recover from the reinsurers.

Movements in insurance liabilities and reinsurance assets are as follows:

	December 31, 2023			December 31, 2022		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Opening loss reserves:						
Notified claims	$ 4,598,251	$ (3,898,757)	$ 699,494	$ 2,912,840	$ (2,385,005)	$ 527,835
IBNR	859,071	(642,326)	216,745	1,062,116	(795,071)	267,045
Loss reserves, Beginning of year	5,457,322	(4,541,083)	916,239	3,974,956	(3,180,076)	794,880
Movements during the year:						
Claims incurred						
– current year	4,909,242	(4,080,412)	828,830	4,999,248	(4,001,764)	997,485
– prior year	89,922	(193,053)	(103,131)	(394,093)	196,890	(197,203)
Total claims incurred	4,999,164	(4,273,465)	725,699	4,605,155	(3,804,874)	800,282
Claims settled during the year:						
Claims settled						
– current year	3,143,184	(2,675,817)	467,368	1,703,600	(1,302,788)	400,812
– prior years	2,482,829	(2,043,115)	439,714	1,419,191	(1,141,080)	278,111
Total claims paid	5,626,013	(4,718,932)	907,082	3,122,791	(2,443,868)	678,923
Notified claims	3,958,068	(3,442,287)	515,781	4,598,251	(3,898,757)	699,494
IBNR	872,405	(653,141)	219,263	859,071	(642,326)	216,745
Loss reserves, End of year	$ 4,830,473	$ (4,095,428)	$ 735,044	$ 5,457,322	$ (4,541,083)	$ 916,239

In the current year, loss development was fairly stable with an estimated incurred loss of $4,909,242, of which $3,143,185 was paid as at December 31, 2023. The prior year incurred losses experienced unfavorable development mainly attributable to higher expected settlements on the Property and Casualty line of business.

(b) Reserving methodologies

The establishment of the provision for outstanding losses and loss expenses is based on known facts and interpretation of circumstances and is therefore a complex and dynamic process influenced by a large variety of factors. These factors include the Company's experience with similar cases and historical trends involving claim payment patterns, pending levels of unpaid claims, product mix or concentration, claims severity and claim frequency patterns such as those caused by natural disasters, fires, accidents, or work-related injuries, depending on the business assumed.

6. Outstanding losses and loss expenses (continued)

(b) Reserving methodologies (continued)

Other factors include the actuarial evaluations, professional experience and expertise of the Company's management and loss adjusters retained to handle individual claims, the quality of the data used for projection purposes and existing claims management and settlement practices. In addition, time can be a critical part of the provision determination, since the longer the span between the incidence of a loss and the payment or settlement of the claims, the more variable the ultimate settlement amount can be. Accordingly, short-tail claims such as property claims, tend to be more reasonably predictable than long-tailed claims, such as general liability claims.

Consequently, the establishment of the provision for outstanding losses and loss expenses relies on the judgment and opinion of many individuals, historical precedent and trends and expectations as to future developments.

The Company's loss reserves are estimates based on customary actuarial methods including the Loss Development Method and Bornhuetter-Fergusson ("B-F") Method applied to both paid and reported data as described below.

Loss Development Method: The paid or reported loss development method relies on the assumption that, at any given state of maturity, ultimate losses can be predicted by multiplying cumulative paid or reported losses by a cumulative loss development factor ("LDF"). The validity of the results of this method depends on the stability of claim reporting and settlement rates, as well as the consistency of case reserve levels.

Bornhuetter-Ferguson Method: The reported B-F loss projection method is based on reported loss data and relies on the assumption that the remaining unreported losses are a function of the total expected losses rather than a function of currently reported losses. The expected losses used in this analysis are based on initial selected ultimate loss ratios by year derived from either prior analyses or review of more mature years. The expected losses are multiplied by the unreported percentage to produce expected unreported losses. The unreported percentage is calculated as one minus the reciprocal of the selected cumulative incurred LDFs. Finally, the expected unreported losses are added to the current reported losses to produce ultimate losses.

The process of determining the provisions necessarily involves risks that the actual results will deviate, perhaps substantially, from the best estimates made.

(Expressed in Bermuda Dollars)

6. Outstanding losses and loss expenses (continued)

(c) *Paid development table by accident year*

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of the table below illustrates how the Company's estimate of total claims outstanding for each accident year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position.

Reporting year/period end - Net	*Unaudited* 2014	*Unaudited* 2015	*Unaudited* 2016	*Unaudited* 2017	*Unaudited* 2018	*Unaudited* 2019	*Unaudited* 2020	*Unaudited* 2021	*Unaudited* 2022	2023	Total	IBNR at December 31, 2023	Claim count
At end of reporting year/period	$ 1,789,497	$ 712,137	$ 1,315,573	$ 662,783	$ 689,715	$ 1,116,672	$ 716,067	$ 666,076	$ 997,485	$ 828,830	$ 828,830	$ 108,662	1,294
One year later	1,692,350	631,017	1,156,930	603,356	655,278	1,071,982	647,682	559,830	935,370	-	935,370	45,219	448
Two years later	1,647,439	612,876	1,133,345	569,130	607,809	1,046,687	618,242	545,838	-	-	545,838	28,752	603
Three years later	1,617,231	607,209	1,114,019	556,328	586,682	1,027,042	598,176	-	-	-	598,176	12,721	472
Four years later	1,614,752	607,954	1,113,609	545,383	578,434	1,020,135	-	-	-	-	1,020,135	12,446	417
Five years later	1,606,071	598,657	1,097,538	545,205	578,678	-	-	-	-	-	578,678	11,463	737
Six years later	1,603,643	592,050	1,085,532	534,207	-	-	-	-	-	-	534,207	-	427
Seven years later	1,587,481	592,050	1,091,832	-	-	-	-	-	-	-	1,091,832	-	453
Eight years later	1,587,481	593,621	-	-	-	-	-	-	-	-	593,621	-	483
Nine years later	1,587,481	-	-	-	-	-	-	-	-	-	1,587,481	-	387
Current estimate of ultimate claims	1,587,481	593,621	1,091,832	534,207	578,678	1,020,135	598,176	545,838	935,370	828,830	8,314,167		
Cumulative payments to date	1,587,481	568,344	1,082,832	534,207	513,921	953,418	563,722	502,270	813,232	467,368	7,586,794		
Reserves for accident years prior to 2014											7,671		
Liability recognized in the statement of financial position											**$ 735,044**		

The claims count is calculated by adding the claims reported during the current year to the listing of claims reported in previous years. The report is sorted by loss year and the total number of claims per loss year is summed. No estimates are used in the calculation.

(Expressed in Bermuda Dollars)

6. **Outstanding losses and loss expenses** (continued)

(d) Historical Average Payout

The below table is unaudited supplementary information which shows the average historical claims payout, gross of reinsurance, as at December 31, 2023.

Number of years	1	2	3	4	5	6	7	8	9	10
Average annual percentage payout of incurred claims by age, gross of reinsurance	55.7%	26.7%	3.5%	0.8%	2.2%	0.0%	0.1%	1.5%	0.0%	0.0%

(Expressed in Bermuda Dollars)

7. Related party transactions

(a) The following entities are related parties to the Company for which there are balances reflected in both the statement of financial position and statement of operations:

- Chubb Bermuda Insurance Limited ("CBIL") – owner of 40% of the Company; reinsurance treaties for the Company for various risks issued by Chubb Bermuda Insurance Limited.
- Freisenbruch Insurance Services Ltd. ("FIS") – owned 60% by FM Investments (Holding) Ltd. and 40% by CBIL; management company of the Company; insurance policies issued by the Company to FIS; insurance premiums withheld by FIS.
- Chubb Limited – 100% owner of CBIL; insurance policy issued by the Company to Chubb Limited.
- Darrow Limited – owned 100% by FM Investments (Holding) Ltd.; insurance policy issued by the Company to Darrow Limited.
- Chubb Tempest Reinsurance Ltd. – owned 100% by Chubb Limited; reinsurance treaty for the Company issued by Chubb Tempest Reinsurance Ltd.

The amounts due to and from companies related through common control are unsecured, repayable on demand and bear interest at 0% (2022 – 0%) per annum.

	2023 Asset (Liability)	2022 Asset (Liability)
Due from (to) related parties		
Insurance balances receivable	$ 4,309,698	$ 252,561
Reinsurance premiums receivable	491,946	244,237
Reinsurers share of unearned premiums	7,191,530	6,414,749
Deferred acquisition expenses	3,473,208	3,073,105
Reinsurance recoverable on paid and unpaid losses	2,139,671	3,120,411
Funds withheld	5,285,867	4,719,398
Deferred commission income	(2,660,866)	(2,373,457)
Amounts due to related companies	(4,268,644)	(64,960)

(b) In the normal course of business, the Company conducts business with several related companies under common control. The income and expenses for the years ending December 31, 2023 and 2022 arising from transactions with these companies not disclosed elsewhere, are included in the following balances listed below.

	2023 Income (Expense)	2022 Income (Expense)
Gross premiums written	$ 183,282	$ 171,392
Ceded premiums	(15,596,704)	(13,966,328)
Change in prepaid reinsurance premiums	(776,781)	(94,718)
Commission expense	(6,847,110)	(6,360,115)
Commission income	5,137,832	4,826,179
Claims paid	(3,023,767)	(2,036,771)
Claims recovered and recoverable from reinsurers	(2,033,639)	(3,018,993)
General and administrative expenses	(125,000)	(125,000)

(c) Related party risks written by the Company are at standard commercial rates and are subject to the normal reinsurance protections purchased by the Company. Included in insurance balances receivable are premiums of $42,659 (2022 – $39,838) due from related companies.

(Expressed in Bermuda Dollars)

8. Share capital

	2023	2022
Authorized, issued and fully paid share capital of par value US$1 each:		
5,000,000 (2022 – 5,000,000) ordinary shares	$ 5,000,000	$ 5,000,000

9. General and administrative expenses

	2023	2022
General and administrative expenses	$ 9,943	$ 2,700
Internal audit	10,000	7,500
Advertising	142,650	135,314
Professional and legal fees	154,165	133,790
Management fees	125,000	125,000
Licenses and government fees	82,799	83,885
Professional liability insurance	15,266	21,056
Total general and administration expenses	$ 539,823	$ 509,245

10. Statutory requirements

The Company is subject to insurance laws and regulations in Bermuda. These regulations include certain restrictions on the amount of dividends or other distributions available to shareholders without prior approval of the insurance regulatory authorities.

The Bermuda Monetary Authority (“BMA”) is the supervisor of the Company. Under the Insurance Act 1978, as amended, and related regulations of Bermuda (the “Insurance Act”), the Company is registered as a Class 3A insurer.

The Company is required to maintain available statutory capital and surplus in an amount that is equal to or exceeds the target capital levels based on enhanced capital requirements (“ECR”) calculated using the Bermuda Solvency Capital Requirement (“BSCR”) model. The BSCR is a risk-based capital model introduced by the Authority that measurers risk and determines ECR and a target capital level (defined as 120% of the ECR) based on the Company’s statutory financial statements. In circumstances where the Authority concludes that the Company’s risk profile deviates significantly from the assumptions underlying the ECR or the Company’s assessment of its management policies and practices, it may issue an order requiring that the Company adjust its ECR.

Each year the Company is required to file the BSCR with the BMA within four months of its relevant financial year end (unless specifically extended).

During the year ended and as of December 31, 2023, Freisenbruch Insurance Limited met the target capital level required under the BSCR.

The Insurance Act mandates certain actions and filings with the Authority if the Company fails to meet and maintain its ECR or solvency margin, including the filing of a written report detailing the circumstances giving rise to the failure and the manner and time within which the insurer intends to rectify the failure. The Company is prohibited from declaring or paying a dividend if its statutory capital and surplus is less than its ECR, or if it is in breach of its solvency margin or minimum liquidity ratio, or if the declaration or payment of such dividend would cause such breach.

(Expressed in Bermuda Dollars)

10. Statutory requirements (continued)

The Company is required by its license to maintain capital and surplus greater than a minimum statutory amount. At December 31, 2023 the Company is required to maintain a minimum statutory capital and surplus of $1,000,000 (2022 – $1,000,000). Actual statutory capital and surplus excluding long-term business share capital is $11,258,513 (2022 – $10,999,759), calculated as follows:

Statutory capital and surplus comprises:

Shareholders' equity	$ 11,525,535
Less non-admitted assets:	
Prepaid expenses	17,022
Long-term business share capital	250,000
Statutory capital and surplus	$ 11,258,513

The Company is also required to maintain a minimum liquidity ratio whereby the value of its relevant assets is not less than 75% of the amount of its relevant liabilities. Relevant assets include cash and cash equivalents, investments, accounts receivable and accrued interest, funds withheld and insurance and reinsurance balances receivable. Certain categories of assets do not qualify as relevant assets under the statute. The relevant liabilities are total general business insurance reserves (net of reinsurance recoverable) and total other liabilities.

At December 31, 2023, the Company was required to maintain relevant assets of at least $7,781,369 (2022 – $4,643,899). At that date, relevant assets were $18,160,464 (2022 – $14,118,519) and the minimum liquidity ratio was therefore met.

Further, the Company is prohibited from declaring or paying in any fiscal year, dividends of more than 25% of its prior year's statutory capital and surplus unless the Company files with the BMA a signed affidavit by at least two members of the Board of Directors attesting that a dividend would not cause the Company to fail to meet its relevant margins.

11. Concentrations and contingencies

(a) *Concentration of credit risk*

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it entered with the Company. The Company is exposed to credit risk in the following areas:

Cash and investments

Investment asset allocation is determined by the Company's investment manager who manages the distribution of the assets to achieve the Company's investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Company's Board of Directors.

The Company's largest concentration in corporate bonds in any one investee is 3.3% of total investments (2022 – 3.5%). Further details regarding the credit risk concentrations of cash and cash equivalents and investments are disclosed in Note 5.

Insurance balances receivable

The Company's exposure to credit risk is influenced by the financial stability of policyholders that purchase insurance products. This credit risk is controlled by monitoring the aging of all amounts outstanding on an ongoing basis and monitoring the customers' financial health by reference to the media and discussions with the customers. A provision is made for non-recovery if considered necessary.

(Expressed in Bermuda Dollars)

11. Concentrations and contingencies (continued)

(a) *Concentration of credit risk (continued)*

As of December 31, 2023, all insurance balances receivable were from FIS, a related company. Management is of the opinion that this concentration will not have a significant impact on the Company's financial condition.

Due from reinsurers

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of its reinsurers to minimize the exposure to significant losses from reinsurer insolvencies. On December 31, 2023, losses recoverable from reinsurers were due from 10 reinsurers who all have an AM Best rating of at least A-.

The Company reviews the creditworthiness of reinsurers on an annual basis and over 99% of contracts entered and maintained with reinsurers have been rated as A- or higher by the AM Best credit rating agency. Current financial statements for the reinsurers are reviewed annually. Based on the individual reinsurance agreements, the Company may have the right to offset amounts due to reinsurers against any amounts due from reinsurers.

Amounts due from reinsurers are assessed regularly for any indication of impairment. On December 31, 2023, there is no significant credit risk associated with any of the Company's reinsurers.

Related party and other receivables

Amounts due from related parties and other receivables are assessed and monitored quarterly for any indication of impairment. As of December 31, 2023, $10,633,501 (2022 – $10,477,057) of amounts due from related parties was due from Chubb Bermuda Insurance Limited representing 67% (2022 – 68%) of total amounts due from related parties. As of December 31, 2023, all amounts are collectible.

The following table analyses the aging of the Company's receivables as of December 31, 2023:

	Insurance balances receivable	Reinsurance premiums receivable	Reinsurance recoverable on paid and unpaid losses	Funds withheld	Total Receivables
Installments not currently due	–	–	–	–	–
Up to 30 days	$ 4,309,698	$ 586,784	$ 4,095,429	$ 5,285,867	$ 14,277,778
31 – 60 days	–	–	–	–	–
61 – 90 days	–	–	–	–	–
Over 90 days	–	–	–	–	–
Total	$ 4,309,698	$ 586,784	$ 4,095,429	$ 5,285,867	$ 14,277,778

The following table analyses the aging of the Company's receivables as of December 31, 2022:

	Insurance balances receivable	Reinsurance premiums receivable	Reinsurance recoverable on paid and unpaid losses	Funds withheld	Total Receivables
Installments not currently due	–	–	–	–	–
Up to 30 days	$ 252,561	$ 271,784	$ 4,541,083	$ 4,719,398	$ 9,784,826
31 – 60 days	–	–	–	–	–
61 – 90 days	–	–	–	–	–
Over 90 days	–	–	–	–	–
Total	$ 252,561	$ 271,784	$ 4,541,083	$ 4,719,398	$ 9,784,826

(Expressed in Bermuda Dollars)

11. Concentrations and contingencies (continued)

(b) Concentration of geographic risk

The Company is a local Bermuda insurer providing property, motor, accident, engineering, health, credit card protection and marine coverage to individuals and businesses within Bermuda. It is reasonably possible that the economic market within Bermuda could impact the operations of the Company. Management does not believe this concentration to be a significant risk to the Company as of December 31, 2023.

(c) Legal proceedings

The Company from time to time is involved in various legal proceedings in the ordinary course of business, including litigation and arbitration regarding claims. Estimated losses relating to claims arising in the ordinary course of business, including the anticipated outcome of any pending arbitration or litigation are included in the reserve for losses and loss adjustment expenses in the statement of financial position.

In addition to claims litigation, the Company may be subject to other lawsuits and regulatory actions, which may involve, among other things, allegations of underwriting errors or omissions, or regulatory activity.

Management does not believe that the resolution of any currently pending legal proceedings, either individually or taken as a whole, will have a material effect on the Company's business, results of operations or financial condition. Management anticipates that, similar to the rest of the insurance industry, the Company will continue to be subject to litigation and arbitration proceedings in the ordinary course of business.

12. Capital management

The Company's capital base is structured to exceed regulatory and internal capital targets while maintaining an effective capital structure. The Board of Directors is responsible for devising the Company's capital plan with management responsible for the implementation of the plan. The policy is designed to ensure that adequate capital is maintained to provide the flexibility necessary to take advantage of growth opportunities, to support the risks associated with the business and to provide returns to shareholders. The policy is also designed to provide an appropriate level of risk management over capital adequacy risk, which is defined as the risk that capital is not or will not be sufficient to withstand adverse economic conditions, to maintain financial strength or to allow the Company to take advantage of opportunities for expansion.

The Company is required by the Bermuda Monetary Authority to maintain certain minimum levels of capital and surplus. At the statement of financial position date the Company has met these requirements (See Note 10).

The Company's capital base consists of common shares and retained earnings.

13. Deferred acquisition expenses

A reconciliation of the change in deferred policy acquisition costs is shown below:

	2023	2022
Balance on January 1,	$ 3,073,105	$ 3,031,160
Recognized deferred acquisition costs	7,310,884	6,462,462
Amortization charge through income *(commission expense)*	(6,910,781)	(6,420,517)
Balance at December 31,	$ 3,473,208	$ 3,073,105

14. Subsequent Events

In preparing the financial statements, management has evaluated subsequent events through April 29, 2024, which is the date that these financial statements were issued. No subsequent events occurred requiring disclosure.