

ITASCA RE LIMITED

Financial Statements

(With Independent Auditor's Report Thereon)

For the years ended December 31, 2023 and 2022



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Itasca Re Limited

Opinion

We have audited the financial statements of Itasca Re Limited (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income and comprehensive income, changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional scepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 26, 2024

ITASCA RE LIMITED

Balance Sheets

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

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents (Note 4)	\$ 5,957,799	\$ 8,107,227
Fixed maturity securities, at fair value (amortized cost: 2023 - \$3,937,969; 2022 – \$Nil) (Note 5)	4,015,267	-
Accrued interest	37,121	-
Deferred acquisition costs	1,215,984	-
Deferred income tax asset (Note 7)	1,306,536	-
Due from related party (Note 11)	238,670	-
Premium receivable (Note 9)	742,456	-
Prepaid expenses	65,527	47,876
	<hr/>	<hr/>
Total assets	\$ 13,579,360	\$ 8,155,103
	<hr/> <hr/>	<hr/> <hr/>
Liabilities		
Unearned premium reserve (Note 9)	\$ 7,144,960	\$ -
Accounts payable and accrued expenses	1,347,572	86,787
	<hr/>	<hr/>
Total liabilities	8,492,532	86,787
	<hr/>	<hr/>
Shareholder's equity		
Common stock (Note 8)	120,000	120,000
Additional paid-in capital (Note 8)	9,905,000	9,905,000
Retained earnings	(4,938,172)	(1,956,684)
	<hr/>	<hr/>
Total shareholder's equity	5,086,828	8,068,316
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Total liabilities and shareholder's equity	\$ 13,579,360	\$ 8,155,103
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See accompanying notes to financial statements.

ITASCA RE LIMITED

Statements of Income and Comprehensive Income

For the year ended December 31, 2023 and period ended December 31, 2022
(Expressed in United States Dollars)

	<u>2023</u>	<u>2022</u>
Income		
Gross premiums written	\$ 8,336,803	\$ -
Change in unearned premiums	<u>(7,144,960)</u>	<u>-</u>
Premiums earned (Note 9)	<u>1,191,843</u>	<u>-</u>
Other income		
Net investment income (Note 5)	<u>342,761</u>	<u>50,006</u>
Total income	<u>1,534,604</u>	<u>50,006</u>
Expenses		
Acquisition costs	196,485	-
General and administrative expenses	5,731,566	2,006,676
Foreign exchange (gain)/loss	<u>(105,423)</u>	<u>14</u>
Total expenses	<u>5,822,628</u>	<u>2,006,690</u>
Net loss before income taxes	<u>(4,288,024)</u>	<u>(1,956,684)</u>
Income tax benefit (Note 7)	<u>(1,306,536)</u>	<u>-</u>
Net loss and comprehensive loss	<u>\$ (2,981,488)</u>	<u>\$ (1,956,684)</u>

See accompanying notes to financial statements.

ITASCA RE LIMITED

Statements of Changes in Shareholder's Equity

For the year ended December 31, 2023 and period ended December 31, 2022
(Expressed in United States Dollars)

	Common stock	Additional paid-in capital	Retained earnings	Total
Balance, August 16, 2022	\$ 120,000	9,905,000	-	10,025,000
Net loss for the period	-	-	(1,956,684)	(1,956,684)
Balance, December 31, 2022	\$ 120,000	9,905,000	(1,956,684)	8,068,316
Net loss for the year	-	-	(2,981,488)	(2,981,488)
Balance, December 31, 2023	\$ 120,000	9,905,000	(4,938,172)	5,086,828

See accompanying notes to financial statements.

ITASCA RE LIMITED

Statements of Cash Flow

For the years ended December 31, 2023 and 2022
(Expressed in United States Dollars)

	<u>2023</u>	<u>2022</u>
Cashflows from operating activities		
Net loss before income taxes	\$ (4,288,024)	\$ (1,956,684)
Adjustments to reconcile net loss to net cash provided by/(used in) operating activities		
Net unrealized gains on investments	(77,298)	-
Net changes in non-cash balances relating to operations		
Accrued interest receivable	(37,121)	-
Deferred acquisition costs	(1,215,984)	-
Due from related party	(238,670)	-
Premiums receivable	(742,456)	-
Prepaid expenses	(17,651)	(47,876)
Accounts payable and accrued expenses	1,260,785	86,787
Unearned premiums	7,144,960	-
	<hr/>	<hr/>
Cash provided by/ (used in) operating activities	1,788,541	(1,917,773)
	<hr/>	<hr/>
Investing activity		
Purchases of investments	(3,937,969)	-
	<hr/>	<hr/>
Cash used in investing activities	(3,937,969)	-
	<hr/>	<hr/>
Financing activities		
Issuance of common stock	-	120,000
Receipt of additional paid-in capital	-	9,905,000
	<hr/>	<hr/>
Cash provided by financing activities	-	10,025,000
	<hr/>	<hr/>
(Decrease)/ increase in cash and cash equivalents	(2,149,428)	8,107,227
Cash and cash equivalents, beginning of year	8,107,227	-
	<hr/>	<hr/>
Cash and cash equivalents, end of year	\$ 5,957,799	\$ 8,107,227
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See accompanying notes to financial statements.

ITASCA RE LIMITED

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

1. General operations

Itasca Re Limited (the “Company”) was incorporated in Bermuda on July 12, 2022 and holds a Class 3B license under the Insurance Act, 1978 of Bermuda. The Company is a wholly-owned subsidiary of Castllake Opportunistic Asset Solutions VI, L.P., or OAS VI, (and formerly known as Castllake VI, L.P.); which is organized as a Delaware limited partnership and managed by Castllake L.P., a global alternative investment manager. The Company has been established to provide insurance- based solutions to address airlines’ and aircraft leasing companies’ financing needs.

2. Summary of significant accounting policies

Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently throughout the periods presented.

The preparation of financial statements in conformity with United States generally accepted accounting policies (“US GAAP”).

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. While management believes that the amounts included in the financial statements reflect the best estimates and assumptions, actual results could differ from these estimates.

The following are the significant accounting policies adopted by the Company:

a) *Translation of foreign currency*

Functional and presentation currency - Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in U.S. Dollar (\$), which is the Company’s functional and reporting currency.

Transactions and balances - Foreign currency assets and liabilities are translated at exchange rates in effect at the balance sheet date. Income and expenses are translated at the transaction date. Translation gains and losses are included in the statements of income and comprehensive income.

b) *Premium revenue recognition and acquisition costs*

The Company writes payment default insurance which has the characteristics of financial guarantee insurance. Accounting for financial guarantee contracts that meet the scope exception under derivative accounting guidance, ASC 815, “*Derivatives and Hedging*” is subject to industry specific guidance for financial guarantee insurance within ASC 944, “*Financial Services – Insurance*”.

Financial guarantee insurance contract premiums written are based on gross premiums due under the terms of the insurance contract. The Company earns premiums over the period of the contract in proportion to the amount of insurance protection provided, with a corresponding adjustment in unearned premium reserves.

Acquisition costs related to unearned premiums are deferred and amortized to the income statement 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 giving consideration to losses and expenses expected to be incurred as premiums are earned.

ITASCA RE LIMITED

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

2. Summary of significant accounting policies *(continued)*

c. *Short-term investments and fixed maturity securities*

The Company invests in a portfolio of fixed maturity securities and short-term investments. Short-term investments comprise investments with a maturity greater than three months up to one year from the date of purchase. Fixed maturities comprise investments with a maturity of greater than one year from the date of purchase.

Investments are carried at their fair value with the unrealized gain or loss reported in the statements of income and comprehensive income.

Realized gains and losses on investments are recognized in the statements of income and comprehensive income using the specific identification method. Interest income is recognized on an accrual basis.

Investment income is presented net of investment management fees.

d. *Fair value of financial instruments*

The Company records its investment in financial instruments in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, Fair Value Measurements ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures regarding fair value measurements.

Fair value is defined as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 provides guidance on how to measure the fair value of financial instruments according to a fair value hierarchy that prioritizes the information used to measure fair value into three broad levels (Level 1, Level 2 and Level 3).

e. *Cash and cash equivalents*

For the purposes of the statements of cash flows, the Company considers all cash on hand and deposits with financial institutions that can be withdrawn without prior notice or penalty, and short-term deposits with an original maturity of ninety days or less as equivalent to cash.

f. *Income Taxes*

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when management believes it is more likely than not that some, or all, of the deferred tax assets will not be realized.

The Company reports its liability and expense for income taxes under the requirements of FASB ASC Topic 740, Income Taxes.

The Company recognizes the effect of income tax positions measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgement occurs. The Company records interest related to unrecognized tax benefits and penalties in general expenses. This accounting standard did not have any effect on the Company's financial condition or result of operations in 2023.

g. *Going concern*

The accompanying financial statements and notes have been prepared in conformity with GAAP, assuming that the Company will continue as a going concern. No conditions or events have been identified which raise substantial doubt about the Company's ability to continue as a going concern.

ITASCA RE LIMITED

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

3. Recent accounting pronouncements

In August 2018, the FASB issued Accounting Standards Update (“ASU”) 2018-12, Financial Services, Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts, with the objective of making targeted improvements to the existing recognition, measurement, presentation, and disclosure requirements for long-duration contracts issued by an insurance entity. The FASB subsequently issued several ASUs as amendments to ASU No. 2018-12.

The ASU revises certain aspects of the measurement models and disclosure requirements for long-duration insurance contracts. These changes include a requirement to review, and if necessary, update cash flow assumptions used to measure the liability for future policy benefits for traditional and limited-payment contracts at least annually, with changes recognized in earnings. In addition, an entity will be required to update the discount rate assumption at each reporting date using a yield that is reflective of an upper-medium grade fixed income instrument, with changes recognized in other comprehensive income.

This ASU is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024.

This ASU is not expected to have a material impact on the Company’s financial statements.

Other accounting pronouncements were issued during the year ended December 31, 2023 which were either not relevant to the Company or did not impact the Company’s financial statements.

4. Cash and cash equivalents

As of December 31, 2023, cash and cash equivalents comprise unrestricted cash held with a two institutions with credit ratings of A- and BB- (2022: one institution: A-).

5. Fixed maturity securities

The following is a summary of fixed maturity securities held as at December 31, 2023:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. treasury securities	\$ 485,447	\$ 12,360	\$ -	\$ 497,807
Corporate debt securities	3,452,522	64,938	-	3,517,460
Total fixed maturities	\$ 3,937,969	\$ 77,298	\$ -	\$ 4,015,267

The amortized cost and estimated fair value of fixed maturity securities, by rating, as of December 31, 2023 are as follows:

	Amortized Cost	Fair Value
Corporate debt securities		
A	\$ 927,937	\$ 948,994
A-	1,066,726	1,086,803
A+	224,173	230,436
AA	40,734	42,404
AA-	44,555	46,035
AA+	485,447	497,806
BBB	383,693	387,315
BBB-	96,867	97,921
BBB+	667,839	677,553
Total fixed maturity securities	\$ 3,937,969	\$ 4,015,267

Ratings are the lower of those assigned by Standard & Poor’s and Moody’s.

ITASCA RE LIMITED

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

5. Fixed maturity securities (continued)

The amortized cost and estimated fair value of fixed maturity securities, by contractual maturity, as of December 31, 2023 are as follows:

	Amortized Cost	Fair Value
Corporate debt securities		
In one year or less	\$ 667,423	\$ 670,148
After one year through five years	2,101,053	2,133,657
After five years through ten years	684,046	713,655
Total corporate debt securities	3,452,522	3,517,460
U.S. treasury securities		
After one year through five years	362,292	370,498
After five years through ten years	123,155	127,309
Total U.S. treasury securities	458,447	497,807
Total fixed maturity securities	\$ 3,937,969	\$ 4,015,267

The contractual maturities in the foregoing table may differ from the actual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Net investment income

The net investment income for the years ended December 31, 2023 and 2022 consists of the following items:

	2023	2022
Interest income	\$ 266,801	\$ 50,006
Change in unrealized gains on investments	77,298	-
Investment fees	(1,338)	-
Total	\$ 342,761	\$ 50,006

6. Fair value measurements

The Company has adopted ASC 820, Fair Value Measurements ("ASC 820"). ASC 820 clarifies the definition of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

In accordance with ASC 820, a company must determine the appropriate level in the fair value hierarchy for each fair value measurement. The fair value hierarchy in ASC 820 prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or liability, into three levels, which are described in detail below. The hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Quoted prices for similar assets in markets that are active, quoted prices for identical or similar assets in markets that are not active or inputs that are observable either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities other than quoted prices in Level 1; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

6. Fair value measurements (continued)

- Level 3 – Unobservable inputs that are supported by little or no market activity and are significant to the fair value measurement of the assets or liabilities. Unobservable inputs reflect the Company’s own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In accordance with ASC 820, the Company maximizes the use of observable inputs in its valuation techniques and applies unobservable inputs only to the extent that observable inputs are unavailable.

The fair value option under the Financial Instruments Topic permits the choice to measure specified financial assets and liabilities at fair value on an instrument-by-instrument basis. The major classes of assets and liabilities carried at fair value by the Company as at December 31, 2023 included fixed maturity securities. The Company applied the fair value option as the fixed maturity securities are managed on a fair value basis.

The determination of fair values in the absence of quoted market prices is based on: (i) valuation methodologies; (ii) securities management deems to be comparable; and (iii) assumptions deemed appropriate given the circumstances. The fair value estimates are made at a specific point in time, based on available market information and judgments about financial instruments, including estimates of the timing and amounts of expected future cash flows, and the credit standing of the issuer or counterparty.

Factors considered in estimating fair value include coupon rate, maturity, estimated duration, call provisions, credit rating, and industry sector of the issuer, and quoted market prices of comparable securities.

While the Company believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such investments existed, or had such investments been liquidated, and these differences could be material to the financial statements.

The Company’s fixed maturity securities are comprised of a variety of different securities, which are leveled based on the valuation technique and inputs used in their valuation. The valuation of U.S. Treasury securities and corporate debt securities are generally based on Level 1 inputs, which use the market approach valuation technique. As at December 31, 2023, the Company holds no securities which would be categorized as Level 2 and Level 3 per the fair value hierarchy established by ASC 820.

The following table sets forth the Company’s fixed maturity securities categorized by the level within the ASC 820 hierarchy in which the fair value measurements fall, on a recurring basis as at December 31, 2023:

	Quoted Prices Level 1	Other Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Corporate debt securities	\$ 3,517,460	\$ -	\$ -	\$ 3,517,460
U.S. treasury securities	497,807	-	-	497,807
Total	\$ 4,015,267	\$ -	\$ -	\$ 4,015,267

7. Taxation

Bermuda

The Government of Bermuda enacted the Corporate Income Tax Act 2023 ('the Act') on December 27, 2023, introducing a 15% corporate income tax on Bermuda businesses within In Scope Multinational Enterprise Groups, effective from January 1, 2025. The Company is currently reviewing the Act's potential implications and will complete its assessment before the close of the initial taxable year, i.e. 2025, with anticipated tax filings in 2026.

ITASCA RE LIMITED

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

7. Taxation (continued)

The financial statements as at and for the year ended December 31, 2023, do not reflect any effect attributable to the Act.

United States

The Company made the election under Section 953(d) of US Internal Revenue Code of 1986, as amended, to be taxed as a U.S. domestic corporation for the year ended December 31, 2023 and is subject to U.S. federal and state income taxation on its income. Confirmation of acceptance of election under Section 953(d) has not yet been received.

Total income tax for the period ended December 31, 2023 was allocated as follows:

	<u>2023</u>	<u>2022</u>
Income tax benefit from continuing operations	\$ 895,632	\$ 410,904
Less: Valuation allowance	-	(410,904)
Add: Reversal of valuation allowance	410,904	-
Total income tax benefit	\$ 1,306,536	\$ -

The significant components of income tax benefit from continuing operations are as follows:

	<u>2023</u>	<u>2022</u>
Federal income taxes		
Current tax benefit	\$ -	\$ -
Deferred tax benefit	895,632	410,904
Less: Valuation allowance	-	(410,904)
Add: Reversal of valuation allowance	410,904	-
Total income tax benefit	\$ 1,306,536	\$ -

The deferred income tax assets and liabilities at December 31, 2023 and 2022 are attributable to the following temporary differences:

	<u>2023</u>	<u>2022</u>
Deferred income tax assets:		
Net operating loss	\$ 410,482	\$ 410,904
Deferred acquisition costs	84,889	-
Deferred brokerage fees	170,468	-
Unearned premiums	300,088	-
Start up costs	378,981	-
Deferred income tax liabilities		
Unrealized gain on investments	(38,372)	-
Net deferred tax asset	1,306,536	410,904
Less: Valuation allowance	-	(410,904)
Net deferred income tax assets	\$ 1,306,536	\$ -

The Company adopted the provision of ASC 740-10 (formerly FIN 48), Accounting for Uncertainty in Income Taxes, for the year ended December 31, 2023. The Company has not recognized any liabilities for unrecognized tax benefits as a result of the implementation of ASC 740-10.

No valuation allowance for deferred tax assets was considered at December 31, 2023 as management deems that it is more likely than not that the results of future operations will generate taxable income to realize the deferred tax assets.

Management has evaluated the Company's tax positions at December 31, 2023 and no accrual has been established for uncertain tax positions.

The reconciliation of income taxes attributable to continuing operations computed at the expected rate of tax to income tax expense is as follows:

ITASCA RE LIMITED

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

7. Taxation (continued)

	<u>2023</u>		<u>2022</u>			
Tax at expected rates	\$	900,485	21%	\$	410,904	21%
Other permanent difference including provision to return		(4,853)	-%		-	0%
Valuation allowance		410,904	10%		(410,904)	(21%)
Total income benefit	\$	1,306,536	31%	\$	-	0%

8. Common stock and additional paid-in capital

Holders of common stock are entitled to one vote per share, to receive dividends, and to receive all assets available for distribution to stockholders upon liquidation or dissolution. The holders have no preemptive or other subscription rights, and there are no redemption or sinking fund provisions with respect to such shares.

On July 26, 2022 the Company received from Castlake VI, LP. an amount of \$25,000 representing additional paid-in capital.

On August 15, 2022 the Company received from Castlake VI, LP. an amount of \$9,880,000 representing additional paid-in capital.

On August 16, 2022 the Company received from Castlake VI, LP. an amount of \$120,000 representing the initial paid in capital by way of subscription of 120,000 shares at par value US\$1 per share.

9. Financial guarantee

The net earned premiums for the policies accounted for under financial guarantee accounting guidance for the years ended December 31, 2023 (2022 Nil) are as follows:

	2023	
Net earned premiums	\$	1,191,843
Total	\$	1,191,843

The expected schedule of premium earning is as follows:

	As of December 31, 2023	
2024 (January 1 - March 31)	\$	310,180
2024 (April 1 - June 30)		303,613
2024 (July 1 - September 30)		296,686
2024 (October 1 - December 31)		289,936
Subtotal 2024		1,200,415
2025		1,092,349
2026		983,880
2027		875,032
2028		765,734
2029-2033		2,078,429
After 2033		149,121
Net unearned premium reserve	\$	7,144,960

ITASCA RE LIMITED

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

9. Financial guarantee (continued)

The premium receivable roll-forward for the year ended December 31, 2023 is as follows:

		2023
Balance, beginning of year	\$	-
Gross written premiums		8,336,803
Gross premiums received		(7,601,972)
Foreign exchange translation		7,625
Balance, end of year	\$	742,456

The expected collections of the financial guarantee insurance premiums receivable as of December 31, 2023 is as follows:

		As of December 31, 2023
2024 (January 1 - March 31)	\$	502,909
2024 (April 1 - June 30)		-
2024 (July 1 - September 30)		-
2024 (October 1 – December 31)		-
Subtotal 2024		502,909
2025		-
2026		-
2027		239,547
Total	\$	742,456

10. Statutory requirements

The Company is registered under the Insurance Act of 1978 of Bermuda (the “Insurance Act”), and licensed as a Class 3B insurer. The Insurance Act grants the Bermuda Monetary Authority powers to supervise the insurance companies. The Insurance Act requires the Company to hold minimum statutory margin and surplus (Enhanced Capital Requirements or “ECR”) at least equal to the greater of a minimum solvency margin or the Bermuda Solvency & Capital Requirement (“BSCR”). The BSCR is calculated using the standard risk-based capital model developed by the BMA. The BSCR model follows a standard formula framework and capital attributed to each risk is calculated by applying capital factors to the assets and liabilities.

At December 31, 2023 the Company reported a net statutory capital and surplus of \$5,021,301 (2022: \$8,020,440) and it is required to maintain a minimum capital and surplus of \$1,551,000. The company is therefore considered in compliance as at December 31, 2023.

Actual statutory capital and surplus as determined using statutory accounting principles, is as follows:

	2023	2022
Total shareholder’s equity	\$ 5,086,828	\$ 8,068,316
Less non-admitted asset:		
Prepaid expenses	(65,527)	(47,876)
Total statutory capital and surplus	\$ 5,021,301	\$ 8,020,440

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 deposits, investments, accrued interest receivables, premiums receivable, deductibles receivable and funds withheld. 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, less sundry liabilities.

At December 31, 2023 the Company was required to maintain relevant assets of at least \$7,281,000 (2022: \$65,090). At that date relevant assets were approximately \$10,992,000 (2022: \$8,107,227) and the minimum liquidity ratio was therefore met.

ITASCA RE LIMITED

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

11. Related party transactions

A program management fee of \$3,537,680 (2022: \$1,651,612) was paid to related party Itasca Services Bermuda Limited during the year ended December 31, 2023.

As at December 31, 2023, the balance receivable from Itasca Services Bermuda Limited was \$238,670 (2022 - \$Nil).

During the year ended December 31, 2023, fees for contracts written in the year paid to Itasca MGA amounted to \$121,329 (2022 - \$Nil).

12. Subsequent events

Management has evaluated subsequent events from the year ended December 31, 2023 through to April 26, 2024, the date of the issuance of the financial statements. There were no other items requiring disclosure at this date.