

Ferian Re Ltd.

Audited Financial Statements

For the Year ended December 31, 2023, and the
period from May 19, 2022 (inception) to December 31, 2022

Ferian Re Ltd.

Audited Financial Statements

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ferian Re Ltd.

Opinion

We have audited the financial statements of Ferian Re Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2023, and 2022 and the related statements of income & comprehensive Income / (loss), changes in shareholder's equity, and cash flow, for the year ended December 31, 2023 and the period from May 19 (inception) to December 31, 2022, and the related notes to the financial statements (collectively referred to as 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 year / period then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. 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 accounting principles generally accepted in the United States of America, 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 a period of one year after the date that the financial statements are 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 auditor's 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 skepticism 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the disclosure of short-duration contracts included in Note 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Financial Accounting Standards Board 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte Ltd.

April 25, 2024

Ferian Re Ltd.

Balance Sheet

As at December 31, 2023 & December 31, 2022

(Expressed in thousands of U.S. Dollars)

	Note	December 31, 2023 \$	December 31, 2022 \$
Assets			
Fixed Maturity Securities – Available for Sale, at fair value (<i>amortized cost: \$125,863</i>)	3	126,473	117,097
Cash and Cash Equivalents	4	84,765	45,741
Funds Withheld with Cedant	5	28,507	5,877
Pending Investments Sold		10,208	-
Deferred Acquisition Costs	6	23,233	2,999
Intercompany Receivables	11	3,424	1,369
Accrued Investment Income		923	533
Prepaid Expenses	7	156	146
Total Assets		277,689	173,762
Liabilities and Shareholder's Equity			
Unearned Premium Reserves		64,536	8,332
Reserves for Losses and Loss Adjustment Expenses	9	27,430	372
Accrued Expenses and Other Liabilities	10	348	307
Pending Investments Purchased	4	250	181
Accrued Profit Commission		2,574	34
Total Liabilities		95,138	9,226
Share Capital	12	120	120
Additional Paid in Capital		164,433	164,433
Retained Earnings		17,388	63
Accumulated Other Comprehensive Income/(Loss)		610	(80)
Total Shareholder's Equity		182,551	164,536
Total Liabilities and Shareholder's Equity		277,689	173,762

Approved by the Board of Directors and authorized for issue on April 25, 2024, and signed on its behalf by:


Dustin Popiel
Director


Andrew Cook
Director

Ferian Re Ltd.

Statements of Income and Comprehensive Income/(Loss)

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

(Expressed in thousands of U.S. Dollars)

	Note	Year Ended December 31, 2023 \$	Period from May 19, 2022 (inception) to December 31, 2022 \$
Revenue:			
Assumed Premiums Written	8	123,932	9,244
Change in Net Unearned Premiums		(56,205)	(8,332)
Net Assumed Premiums Earned		67,727	912
Net Investments Income		8,348	448
Total Revenue		76,075	1,360
Expenses:			
Loss and Loss Adjustment Expense	9	30,477	411
Professional and Management Fees		852	367
Acquisition Expenses	6	24,382	329
General and Administration Expenses		499	156
Change in Profit Commission		2,540	34
Total Expenses		58,750	1,297
Net Income		17,325	63
Other Comprehensive Income/(Loss)			
Unrealized Gains/(Losses) on Fixed Maturity Securities		690	(80)
Total Other Comprehensive Income/(Loss)		690	(80)
Total Comprehensive Income/(Loss)		18,015	(17)

Ferian Re Ltd.

Statements of Changes in Shareholder's Equity

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

(Expressed in thousands of U.S. Dollars)

	Share Capital \$	Contributed Surplus \$	Retained Earnings \$	Other Comprehensive Income/(Loss) \$	Total Shareholder's Equity \$
Balance at May 19, 2022 (inception)	-	-	-	-	-
Capital Contributions	120	164,433	-	-	164,553
Net Income	-	-	63	-	63
Other Comprehensive Loss	-	-	-	(80)	(80)
Balance at December 31, 2022	120	164,433	63	(80)	164,536
Capital Contributions	-	-	-	-	-
Net Income	-	-	17,325	-	17,325
Other Comprehensive Income	-	-	-	690	690
Balance at December 31, 2023	120	164,433	17,388	610	182,551

Ferian Re Ltd.

Statements of Cash Flow

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

(Expressed in thousands of U.S. Dollars)

	Year Ended December 31, 2023 \$	Period from May 19, 2022 (inception) to December 31, 2022 \$
Cash flows from operating activities:		
Net Income	17,325	63
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>		
Realized Gain on Investments	(55)	-
Amortization of Discount on Investments	(2,145)	(231)
<i>Changes in Operating Assets and Liabilities:</i>		
Funds Withheld with Cedant	(22,630)	(5,877)
Accrued Investment Income	(390)	(533)
Intercompany Receivables	(2,055)	(1,369)
Deferred Acquisition Costs	(20,234)	(2,999)
Prepaid Expenses	(10)	(146)
Reserves for Losses and Loss Adjustment Expenses	27,058	372
Accrued Expenses and Other Liabilities	41	307
Unearned Premium Reserves	56,204	8,332
Accrued Profit Commission	2,540	34
Net Cash Provided By/(Used In) Operating Activities	55,649	(2,047)
Cash Flows Used in Investing Activities:		
Pending Investments Purchased	69	181
Pending Investments Sold	(10,208)	-
Purchase of Fixed Maturity Securities	(64,646)	(116,950)
Maturity of Fixed Maturity Securities	58,160	4
Net Cash Flows Used in Investing Activities	(16,625)	(116,765)
Cash Flows From Financing Activities:		
Increase in Share Capital	-	120
Additional Capital	-	164,433
Net Cash Provided By Financing Activities	-	164,553
Net Increase In Cash and Cash Equivalents	39,024	45,741
Cash and Cash Equivalents - Beginning of Period	45,741	-
Cash and Cash Equivalents - End of Period	84,765	45,741

Ferian Re Ltd.

Notes to the Financial Statements

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

(Expressed in thousands of U.S. Dollars)

1. General

Ferian Re Ltd. (the “**Company**”) is a Bermuda exempted company limited by shares pursuant to the Companies Act 1981 (as amended) incorporated on May 19, 2022. The Company was licensed by the Bermuda Monetary Authority (“**BMA**”) as a Class 3B Insurer effective September 23, 2022. The Company is a wholly owned subsidiary of Ferian Holdings Ltd. (the “**Parent**”), also a Bermuda exempted company.

The Company's main business purpose is to provide reinsurance of Cyber Liability and Technology Errors and Omissions for policies underwritten by affiliates of Coalition Inc (“**Coalition**”).

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“**US GAAP**”).

Reporting Currency

The financial statements are reported in United States Dollars (“**\$**” or “**U.S. Dollars**”).

Estimates and Assumptions

The preparation of the Company’s financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the Company’s financial statements and accompanying notes. Management makes estimates and assumptions that include, but are not limited to, the determination of the following significant items:

- Fair value of financial assets and liabilities
- Reserves for losses and loss adjustment expenses

Cash and Cash Equivalents

Cash and cash equivalents consists of cash held in banks, custodians, money market funds, and other short-term, highly liquid investments with original maturity dates of 90 days or less.

The Company considers money market instruments with a maturity of three months or less to be cash equivalents.

Ferian Re Ltd.

Notes to the Financial Statements

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

(Expressed in thousands of U.S. Dollars)

2. Summary of Significant Accounting Policies *(continued)*

Fixed Maturity Securities – Available for Sale, at fair value

Investments in fixed maturities securities are classified as available for sale and are reported at fair value.

Investment transactions are recorded on the trade date with balances pending settlement reflected in the balance sheet as a receivable for investments sold or a payable for investments purchased.

Net investment income includes interest income together with amortization of market premiums and discounts, investment management fees, and custodian fees. The amortization of premiums and accretion of discounts for fixed maturity securities is computed using the effective yield method.

Fair value of investments are based on quoted market prices, or when such prices are not available, by reference to custodian's bid indications and/or internal pricing valuation techniques.

The net unrealized appreciation or depreciation on fixed maturity securities is included in unrealized losses on investments through other comprehensive income/(loss).

Realized gains or losses on the sale of investments are determined on the basis of the first in first out cost method and are recognized within net investment income in the Statement of Income and Comprehensive Income/(Loss).

As December 31, 2022, and 2023, the Company holds the following types of Fixed Maturity Securities:

- **Asset Backed Securities ("ABS")** – Financial securities backed by the cash flows of a pool of assets other than real estate. The most common types of ABS securities are those which are backed by credit card receivables, home equity loans, student loans, and auto loans.
- **Collateralized Mortgage Obligations ("CMO")** – Whole Loan CMOs are collateralized mortgage obligations that are too large to be issued or guaranteed by Ginnie Mae, Freddie Mac, or Fannie Mae. A whole loan CMO typically represents jumbo mortgages which exceed the limits for securitization by US government mortgage banks. The collateral for a whole loan CMO is a pool of un-securitized mortgage loans.
- **Corporate Bonds ("CB")** – CB are any debenture issued by corporation with longer maturities than commercial paper i.e., greater than 270 days. Both the debt and the issuer can be public or private. Corporate Bonds can be secured by assets or unsecured, although the latter is most common. For unsecured bonds, most corporations have a debt ranking structure that defines the priority of the debt relative to others in case of a default. The most common structure is a fixed rate coupon paying bond with a specific maturity. However, there are a robust number of features that corporate bonds can have, such as floating coupon rates, optionality, sinking funds, and a variety of others.

Ferian Re Ltd.

Notes to the Financial Statements

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

(Expressed in thousands of U.S. Dollars)

2. Summary of Significant Accounting Policies *(continued)*

Fixed Maturity Securities – Available for Sale, at fair value *(continued)*

- **Municipal Debt** – A debt security issued by a US state, municipality or county to finance its capital expenditures. Municipal bonds tend to have a fixed coupon, a maturity ranging from 5 to 30 years, and can have a variety of early retirement provisions.
- **Non-Agency CMBS** – Senior tranches of mortgage backed securities that are secured by loans on commercial and multifamily properties. Examples of commercial and multifamily properties include apartment buildings, retail or office properties, hotels, and schools.
- **US Agency Debt** – These are unsecured long term debt instruments. However, these are not issued directly by a national governments, but rather "Agencies" for the government that carry an implicit government guarantee. An entity is considered an Agency if it is guaranteed, owned, or sponsored by the national government, however, the type of relationship is of important note.
- **US Treasury Notes** – Debt issued by the US government, with maturities generally ranging between 2 and 30 years, fall into this category. The debt is unsecured and is considered a general obligation to the nation's treasury. As the US government has the power to tax and print fiat money, they are considered to be credit risk free instruments.

Fair Value of Financial Instruments

The fair value of the Company's assets and liabilities, which qualify as financial instruments under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 825, Financial Instruments, approximates the carrying amounts presented in the financial statements.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Assumed Written Premiums

Assumed written premiums are earned on a pro rata basis over the terms of the policies, which are generally 12 months. The portion of premiums assumed applicable to the unexpired terms of the policies in force is recorded as unearned premiums.

Unearned Premiums

Unearned Premiums represent the portion of premiums written that relate to the unexpired terms of policies in force.

Ferian Re Ltd.

Notes to the Financial Statements

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

(Expressed in thousands of U.S. Dollars)

2. Summary of Significant Accounting Policies *(continued)*

Deferred Acquisition Costs

Costs which are incrementally or directly related to the successful acquisition of new or renewal insurance business are deferred. These deferred costs are primarily ceding commissions paid to the Cedent. Amortization of such policy acquisition costs is charged to expense in proportion to premium earned over the estimated policy life. To the extent that unearned premiums on existing policies are not adequate to cover projected related costs and expenses, deferred policy acquisition costs are charged to earnings.

Losses and Loss Adjustment Expenses

The reserves for losses and loss adjustment expenses represents estimates for known claims and estimates of Incurred-But-Not-Reported (“**IBNR**”) losses and loss adjustment expenses (“**LAE**”). These reserves are established by an expected loss ratio method developed during due diligence and pricing of the original treaty, based on both the cedants historical results and industry results. It should be recognized that all such estimates of ultimate losses and allocated loss adjustment expenses, and of resulting reserves, are subject to inherent variability caused by the nature of the insurance process. Such variability is increased for the Company due to limited historical experience. As a result, the net amounts that will ultimately be paid to settle the liability may vary significantly in the near term from the estimated amounts provided for in the balance sheets.

The reserves for losses and loss adjustment expenses include the unpaid accumulation of case estimates for losses reported, estimates for losses incurred but not reported, and estimates of expenses for investigating and adjusting incurred losses. The Company does not discount loss and loss adjustment expenses reserves.

The estimates are continually reviewed and adjusted, as necessary, as experience develops, or new information becomes known; such adjustments are included in current operations. Reserves for Losses and loss adjustment expenses represent management’s best estimate of the ultimate net cost of all reported and unreported losses incurred through to December 31, 2022, and 2023.

Although management believes that the reserves for loss and loss adjustment expenses is reasonable, it is possible that the Company’s actual incurred losses and loss adjustment expenses will not develop in a manner consistent with the assumptions inherent in the determination of these reserves. Specifically, the Company’s actual ultimate loss ratio could differ from management’s initial expected loss ratio and/or the Company’s actual reporting patterns for losses could differ from the expected reporting patterns. Accordingly, the ultimate settlement of losses and the related loss adjustment expenses may vary significantly from the estimates included in the Company’s financial statements. These estimates are reviewed regularly by management and are adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Ferian Re Ltd.

Notes to the Financial Statements

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

(Expressed in thousands of U.S. Dollars)

2. Summary of Significant Accounting Policies *(continued)*

Management Fee

The Company utilizes Aon Insurance Managers (Bermuda) Limited, for certain management and administrative services. Management fees are included in professional and management expenses in the accompanying Statement of Income and Comprehensive Income/(Loss).

Recently Issued and Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”). ASU 2016-13 amends the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology, which will result in the timelier recognition of losses, with an effective date for the first quarter of fiscal year 2020. In November 2019, the FASB issued ASU No. 2019-10 which delayed the effective date of ASU 2016-13 for smaller reporting companies (as defined by the SEC) and other non- Securities and Exchange Commission (“SEC”) reporting entities to fiscal years beginning after December 15, 2022, including interim periods within those fiscal periods. The Company adopted the standard effective as of January 1, 2023, and the adoption of this standard did not have material impact on the Company's consolidated financial statements.

Recent Accounting Pronouncements – Recently Issued but not yet Adopted

ASU 2018-12 – Financial Services – Insurance (“ASU 2018-12”)

The FASB Issued ASU 2018-12 in August 2018. ASU 2018-12 amends the scope of Topic 944 via improvements to the accounting for long-duration contracts. The standard update is effective for annual periods beginning after December 15, 2024. The Company does not expect ASU 2018-12 to have a material impact on the Company's financial statements.

Ferian Re Ltd.

Notes to the Financial Statements

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

(Expressed in thousands of U.S. Dollars)

3. Investments

The Company considers all fixed maturity securities to be available-for-sale and reports them at fair value with the net unrealized gains or losses reported as a component of other comprehensive income/(loss). The proceeds from maturity of securities for the period ended December 31, 2023, was \$58,160 (2022: \$4).

Summarized information for the major categories of the investment portfolio follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	\$	\$	\$	\$
December 31, 2023:				
Corporate Bonds	77,510	464	(88)	77,886
Asset Backed Securities	25,892	182	(51)	26,023
Non-Agency Debt	2,065	13	(21)	2,057
US Agency Debt	3,990	7	(4)	3,993
Municipal Bond	974	1	(1)	974
Collateralized Mortgage Obligations	8,622	68	-	8,690
US Treasury Notes	6,810	40	-	6,850
Total Fixed Maturity Securities	125,863	775	(165)	126,473
December 31, 2022				
Corporate Bonds	43,126	55	(82)	43,099
Asset Backed Securities	22,172	14	(45)	22,141
Non-Agency Debt	1,433	5	-	1,438
US Agency Debt	19,567	-	(15)	19,552
Municipal Bond	663	-	(1)	662
Collateralized Mortgage Obligations	303	-	(2)	301
US Treasury Notes	29,913	1	(10)	29,904
Total Fixed Maturity Securities	117,177	75	(155)	117,097

A review of the fixed maturity securities are performed on a regular basis to consider concentration, credit quality and compliance guidelines. For individual fixed maturity securities, nationally recognized statistical rating organizations (“**NRSROs**”) are used, where a fixed maturity security has a rating from two or more NRSROs, an average value is used. The composition of the fair values of fixed income securities by credit rating is as overleaf:

Ferian Re Ltd.

Notes to the Financial Statements

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

(Expressed in thousands of U.S. Dollars)

3. Investments *(continued)*

	Fair Value \$	% of Fixed Income Securities
December 31, 2023:		
AAA	37,983	30
AA+	11,548	9
AA	2,926	2
AA-	7,547	6
A+	11,273	9
A	21,220	17
A-	24,966	20
BBB+	3,922	3
BBB	4,668	4
BBB-	420	-
	<hr/> 126,473 <hr/>	<hr/> 100 <hr/>
December 31, 2022:		
AAA	24,663	21
AA+	49,457	42
AA	996	1
AA-	4,061	3
A+	6,033	5
A	10,960	9
A-	14,679	13
BBB+	2,707	2
BBB	2,943	3
BBB-	598	1
	<hr/> 117,097 <hr/>	<hr/> 100 <hr/>

Ferian Re Ltd.

Notes to the Financial Statements

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

(Expressed in thousands of U.S. Dollars)

3. Investments (continued)

The amortized cost and fair value of available-for-sale investments in fixed maturity securities are as follows:

	Amortized Cost \$	Fair Value \$
December 31, 2023:		
Less than 1 year	28,200	28,160
Between 1 – 5 years	75,113	75,534
Between 5 – 10 years	22,550	22,779
After 10 years	-	-
	125,863	126,473
December 31, 2022:		
Less than 1 year	38,159	38,139
Between 1 – 5 years	68,644	68,589
Between 5 – 10 years	8,365	8,368
After 10 years	2,009	2,001
	117,177	117,097

Actual maturities may differ for some securities because borrowers have the right to call or prepay obligations with or without penalties.

The table below, shows the Company's gross unrealized losses and fair value for available-for-sale securities aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position.

	Less Than 12 Months		More Than 12 Months		Total	
	Fair Value \$	Unrealized Losses \$	Fair Value \$	Unrealized Losses \$	Fair Value \$	Unrealized Losses \$
December 31, 2023:						
Corporate Bonds	2,158	(3)	25,904	(85)	28,062	(88)
Asset Backed Securities	2,838	(7)	11,202	(45)	14,040	(52)
Non-Agency CMBS	223	(3)	945	(17)	1,168	(20)
US Agency Debt	-	-	2,996	(4)	2,996	(4)
Municipal Bond	-	-	683	(1)	683	(1)
Collateralized Mortgage Obligations	498	-	168	-	666	-
US Treasury Notes	-	-	-	-	-	-
Total Fixed Maturity Securities	5,717	(13)	41,898	(152)	47,615	(165)

Ferian Re Ltd.

Notes to the Financial Statements

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

(Expressed in thousands of U.S. Dollars)

3. Investments *(continued)*

The table below, shows the Company's gross unrealized losses and fair value for available-for-sale securities aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position.

	Less Than 12 Months	
	Fair Value	Unrealized Losses
	\$	\$
December 31, 2022:		
Corporate Bonds	24,359	(82)
Asset Backed Securities	16,294	(45)
Non-Agency CMBS	478	(1)
US Agency Debt	19,552	(15)
Municipal Bond	662	(1)
Collateralized Mortgage Obligations	301	(2)
US Treasury Notes	24,898	(9)
Total Fixed Maturity Securities	86,544	(155)

As of December 31, 2023, the Company held securities of 166 issuers (2022: 175 issuers) that were in an unrealized loss position with a total fair value of \$47,615 (2022: unrealized loss position of \$86,544) with gross unrealized loss of \$163 (2022: gross unrealized loss of \$155). None of the fixed maturity securities with unrealized losses has ever missed, or been delinquent on, a scheduled principal or interest payment date.

The average rating of the Company's fixed maturity security portfolio was A+, as at December 31, 2023 (2022: A+).

Management does not intend to sell available-for-sale securities in an unrealized loss position, and it is not "more likely than not" that the Company will be required to sell these securities before a recovery in their value to their amortized cost basis occurs. No impairments were recorded as of December 31, 2023 and 2022.

Ferian Re Ltd.

Notes to the Financial Statements

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

(Expressed in thousands of U.S. Dollars)

3. Investments (continued)

Major categories of the Company's net investment income are summarized as follows:

	Year Ended December 31, 2023 \$	Period from May 19, 2022 (inception) to December 31, 2022 \$
Income:		
Interest Income on Investments	4,233	229
Interest Income on MMFs	2,104	-
Amortization of Discount	2,145	231
Investment Management Fee	(112)	(12)
Investment Administration Fees	(77)	-
Realized Gains	243	-
Realized Losses	(188)	-
Net Investment Income	8,348	448

The following table summarizes the change in the Company's unrealized gains or losses on available-for-sale fixed maturity securities:

	Year Ended December 31, 2023 \$	Period from May 19, 2022 (inception) to December 31, 2022 \$
Change in Unrealized Gains	815	75
Change in Unrealized Losses	(125)	(155)
Net Change in Unrealized Loss	690	(80)

Assets measured at fair value on a recurring basis as of December 31, 2023, are summarized below:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
December 31, 2023:	\$	\$	\$	\$
Corporate Bonds	-	77,886	-	77,886
Asset Backed Securities	-	26,023	-	26,023
Non-Agency CMBS	-	2,057	-	2,057
US Agency Debt	-	3,993	-	3,993
Municipal Bond	-	974	-	974
Collateralized Mortgage Obligations	-	8,690	-	8,690
US Treasury Notes	6,850	-	-	6,850
Total Fixed Maturity Securities	6,850	119,623	-	126,473

Ferian Re Ltd.

Notes to the Financial Statements

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

(Expressed in thousands of U.S. Dollars)

3. Investments *(continued)*

Assets measured at fair value on a recurring basis as of December 31, 2022, are summarized below:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
December 31, 2022:	\$	\$	\$	\$
Corporate Bonds	-	43,099	-	43,099
Asset Backed Securities	-	22,141	-	22,141
Non-Agency CMBS	-	1,438	-	1,438
US Agency Debt	-	19,552	-	19,552
Municipal Bond	-	662	-	662
Collateralized Mortgage Obligations	-	301	-	301
US Treasury Notes	29,904	-	-	29,904
Total Fixed Maturity Securities	29,904	87,193	-	117,097

4. Cash and Cash Equivalents

	December 31, 2023	December 31, 2022
	\$	\$
HSBC Bank Bermuda Ltd. – Unrestricted Cash	10,390	32,811
The Northern Trust Company – Unrestricted Cash	150	12,930
BNY Mellon – Restricted Cash	74,225	-
	<u>84,765</u>	<u>45,741</u>

HSBC Bank Bermuda Ltd., The Northern Trust Company, and BNY Mellon, have a credit rating of A-, AA-, and AA-, as issued by S&P, respectively.

\$250 of the amount held with The Northern Trust Company, represents Pending Investments Purchased.

Ferian Re Ltd.

Notes to the Financial Statements

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

(Expressed in thousands of U.S. Dollars)

5. Funds Withheld with Cedant

	December 31, 2023	December 31, 2022
	\$	\$
<i>Cedant:</i>		
Cedant 1	22,985	5,877
Cedant 2	5,522	-
	<u>28,507</u>	<u>5,877</u>

Cedant 1 and 2 have a rating of A-, as issued by AM Best.

6. Deferred Acquisition Costs

An analysis of deferred acquisition costs are as follows:

	December 31, 2023	December 31, 2022
	\$	\$
Balance at Beginning of Period	2,999	-
Deferred acquisition costs on assumed written premiums	40,468	3,328
Change in deferred policy acquisition costs	(20,234)	(329)
Balance at End of Period	<u>23,233</u>	<u>2,999</u>

7. Prepaid Expenses

	December 31, 2023	December 31, 2022
	\$	\$
Prepaid D&O Insurance	133	140
Prepaid Director Fees	5	-
Prepaid Office Expenses	18	6
	<u>156</u>	<u>146</u>

Ferian Re Ltd.

Notes to the Financial Statements

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

(Expressed in thousands of U.S. Dollars)

8. Reinsurance

The Company entered its first Cyber Variable Quota Share (66.67%) Reinsurance Agreement effective September 15, 2022, with Fortegra Specialty Insurance Company (“**Cedant 1**”), an endorsement was signed on June 9, 2023, bringing the Quota Share percentage to 80% or 24% of the total gross premium cedent from Coalition, from May 1, 2023. From July 8, 2023, the agreement was amended so that the Quota Share percentage varies by Market and Insurance Program but the aggregate percentage remains in line with the previous proportion of total premium cedent from Coalition.

On March 9, 2023, the Company entered a Cyber Quota Share (75%) Reinsurance Agreement with Coalition Insurance Company (“**Cedant 2**”). The agreement was amended on June 1, 2023, to bring the share to 70%, and on December 31, 2023, this was further amended to bring the share to 60%. After year end on January 1, 2024, the agreement was amended once more to bring the share to 45%.

The following table, sets out the effect of reinsurance activity on premiums written, premiums earned, and losses and loss adjustment expenses incurred:

	December 31, 2023	December 31, 2022
	\$	\$
<u>Written Premiums:</u>		
Direct	-	-
Assumed	123,932	9,244
Ceded	-	-
Net Written Premiums	123,932	9,244
<u>Earned Premiums:</u>		
Direct	-	-
Assumed	67,727	912
Ceded	-	-
Net Earned	67,727	912
<u>Losses and Loss Adjustment Expenses:</u>		
Direct	-	-
Assumed	30,477	411
Ceded	-	-
Net Losses and Loss Adjustment Expenses	30,477	411

Ferian Re Ltd.

Notes to the Financial Statements

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

(Expressed in thousands of U.S. Dollars)

9. Reserves for Losses and Loss Adjustment Expenses

The following table provides the beginning and ending reserves balances for losses and loss adjustment expenses to the gross amounts reported in the balance sheet, there are no beginning balances as this is the first reporting period for the Company:

	December 31, 2023	December 31, 2022
	\$	\$
<u>Balance at Beginning of Period</u>		
Reserves for Losses and Loss Adjustment Expenses	372	-
<u>Current Activity</u>		-
Incurring Loss and Loss Adjustment Expenses:		
Current Year	26,303	411
Prior Year	4,174	-
Total Assumed Losses and Loss Adjustment Expenses	<u>30,477</u>	<u>411</u>
Loss and Loss Adjustment Expenses Payments:		
Current Year	(2,938)	(39)
Prior Year	(481)	-
Total Assumed Losses and Loss Adjustment Payments	<u>(3,419)</u>	<u>(39)</u>
<u>Balance at End of Period</u>		
Reserves for Losses and Loss Adjustment Expenses	<u><u>27,430</u></u>	<u><u>372</u></u>

Ferian Re Ltd.

Notes to the Financial Statements

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

(Expressed in thousands of U.S. Dollars)

9. Reserves for Losses and Loss Adjustment Expenses *(continued)*

The following tables below and overleaf, presents assumed and paid losses and allocated loss adjustment expenses, as well as IBNR liabilities as of December 31, 2022, and 2023, for the Cyber insurance. The information provided herein about assumed and paid contract year claims development is presented as unaudited supplementary information.

Contract Year	Assumed Claims and Allocated Claim Adjustment Expenses		Cumulative # of Reported Claims*
	Year Ended December 31, 2023	As of December 31, 2023	
	Total IBNR and LAE	Total IBNR and LAE	
	\$	\$	
Cyber:			
2023	2,938	26,299	289
2022	481	4,174	13
MPL:			
2023	-	4	-
Total	3,419	30,477	302

* Claim count information is reported per claim

Contract Year	Assumed Claims and Allocated Claim Adjustment Expenses		Cumulative # of Reported Claims*
	Year Ended December 31, 2022	As of December 31, 2022	
	Total IBNR and LAE	Total IBNR and LAE	
	\$	\$	
Cyber:			
2022	42	411	7
Total	42	411	7

* Claim count information is reported per claim

Ferian Re Ltd.

Notes to the Financial Statements

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

(Expressed in thousands of U.S. Dollars)

9. Reserves for Losses and Loss Adjustment Expenses *(continued)*

Contract Year	Cumulative Paid Claims and Allocated Claim Adjustment Expenses	
	Year Ended December 31,	
	2023	\$
Cyber:		
2023		6,384
2022		2,739
MPL:		
2023		-
Total		9,123
Liabilities for loss and allocated loss adjustment expense		5,703

Contract Year	Cumulative Paid Claims and Allocated Claim Adjustment Expenses	
	Year Ended December 31,	
	2022	\$
Cyber:		
2022		81
Total		81
Liabilities for loss and allocated loss adjustment expense		42

Ferian Re Ltd.

Notes to the Financial Statements

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

(Expressed in thousands of U.S. Dollars)

9. Reserves for Losses and Loss Adjustment Expenses (continued)

The following table is a reconciliation of the net incurred and paid claims development tables to the liability for claims and claim adjustment expenses in the balance sheets:

	As of December 31, 2023 \$	As of December 31, 2022 \$
<u>Net outstanding liabilities for loss and loss adjustment expenses:</u>		
Cyber	27,426	372
MPL	4	-
Liabilities for unpaid loss and loss adjustment expenses	27,430	372

10. Accrued Expenses and Other Liabilities

	December 31, 2023 \$	December 31, 2022 \$
Accrued Professional and Management Fees	228	175
Trade Payables	-	100
Accrued General and Administration Fees	-	20
Accrued Investment Management Fees	120	12
	348	307

11. Intercompany Receivables

	December 31, 2023 \$	December 31, 2022 \$
Ferian Holdings Ltd. (Unsecured & Interest Free)	3,424	1,369
	3,424	1,369

Ferian Re Ltd.

Notes to the Financial Statements

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

(Expressed in thousands of U.S. Dollars)

12. Share Capital

	December 31, 2023	December 31, 2022
	\$	\$
120,000 Authorized Shares, \$1 par value per share		
Ferian Holdings Ltd.	120	120
	<u>120</u>	<u>120</u>

All of the Company's issued shares of 120,000, are fully paid up.

13. Other Comprehensive Income/(Loss)

The following table summarized the components of other comprehensive income/(loss):

	December 31, 2023	December 31, 2022
	\$	\$
Opening Other Comprehensive Loss	(80)	-
Unrealized Gains/(Losses) arising during the period	690	(80)
Other Comprehensive Income/(Loss)	<u>610</u>	<u>(80)</u>

14. Taxation

Under current Bermuda Laws, the Company is not required to pay any income or capital gains taxes in Bermuda. The Company, under the Exempted Undertaking Tax Protection Act of 1966, is protected against any legislation that may be enacted in Bermuda which would impose any tax on income, or capital gains until March 31, 2035.

15. Related Party Transactions

During the period, the Company paid expenses amounting to \$2,599 (2022: \$1,496) on behalf of the Parent, which was offset by the Parent paying expenses amounting to \$Nil (2022: \$127) on behalf of the Company and repayment of \$544 (2022: \$Nil), at year end \$3,424 (2022: \$1,369) remains receivable at December 31, 2022.

Ferian Re Ltd.

Notes to the Financial Statements

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

(Expressed in thousands of U.S. Dollars)

16. Commitments and Contingencies

In the normal course of business, the Company, enters into contracts that contain a variety of representations and warranties, which provide general indemnifications. The Company's maximum exposure under these arrangements can't be estimated, as this would involve future claims that may be made against the Company that have not yet occurred. However, the Company expects the risk of loss to be remote.

17. Statutory Requirements

As a registered insurance company under the Bermuda 'Insurance Act 1978 amendments thereto and related regulations' ('the Act') the Company is required to prepare Statutory Financial Statements ("SFS") and to file a Statutory Financial Return annually (or as otherwise agreed, in certain circumstances). The Act also requires the Company to meet certain defined measures of solvency and liquidity. The statutory capital and surplus amounted to \$182,394, as of December 31, 2023 (2022: \$164,390).

The following table is reconciliation between the statutory capital and surplus per SFS and Audited Financial Statements ("AFS"):

	December 31, 2023	December 31, 2022
	\$	\$
Statutory Capital and Surplus per SFS	182,394	164,390
Add Back Non-Admitted Assets:		
Prepaid Expenses	157	146
Total Shareholder's Equity per AFS	<u>182,551</u>	<u>164,536</u>

The Company has met the minimum statutory capital and surplus requirements as of December 31, 2022 and 2023. The principal difference between the Company's statutory capital and surplus and shareholder's equity as reported in conformity with generally accepted accounting principles relate to prepaid expenses which are non-admitted assets under the Act.

The Company is prohibited from declaring or paying a dividend if its Class 3B 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. Further, the Company must obtain the Authority's prior approval for a reduction by 15% or more of the total statutory capital or 25% of the total statutory capital and surplus, as set forth in its previous year's financial statements.

Ferian Re Ltd.

Notes to the Financial Statements

Year ended December 31, 2023, and period from May 19, 2022 (inception) to December 31, 2022

(Expressed in thousands of U.S. Dollars)

17. Subsequent Events

The Company has evaluated subsequent events through April 25, 2024, the date the financial statements were available to be issued, the Company notes no other events to note.