

**Stable Insurance Limited**

Audited Financial Statements

31 December 2023

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**Company information**

**Directors**

Richard John Counsell  
Julia Henderson  
Charles Norton-Smith

**Company Secretary**

Appleby Global Corporate Services (Bermuda) Ltd  
Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

**Insurance Manager**

Artex Insurance Management (Bermuda) Ltd.

**Independent Auditor**

KPMG Audit Limited  
4 Par-la-Ville Road  
Hamilton HM 08  
Bermuda

**Registered Office**

Swan Building  
26 Victoria Street  
Hamilton HM 12  
Bermuda

**Registered Number**

55719



**KPMG Audit Limited**  
Crown House  
4 Par-la-Ville Road  
Hamilton  
HM 08  
Bermuda

Telephone +1 441 295 5063  
Fax +1 441 295 9132  
Internet [www.kpmg.bm](http://www.kpmg.bm)

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Board of Directors of Stable Insurance Limited**

#### **Opinion**

We have audited the financial statements of Stable Insurance Limited (the "Company"), which comprise the balance sheet as at 31 December 2023, the profit and loss account, the statements of changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102).

#### **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.

#### **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 FRS 102, 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  
June 4, 2024

## Stable Insurance Limited

### Profit and Loss Account

For the year ended 31 December 2023

#### Technical account for general business

		For the year ended 31 December 2023	For the year ended 31 December 2022
	Note	US\$	US\$
<b>Earned premium, net of reinsurance:</b>			
Gross premium written	16	6,980,842	6,239,388
Outwards reinsurance premium	16	(6,901,153)	(6,239,388)
Net premium written		79,689	-
Change in the gross provision for unearned premium		3,430,577	(2,477,731)
Change in provision for unearned premium, reinsurers' share		(3,490,311)	2,477,731
Net change in provision for unearned premium		(59,734)	-
Change in unexpired risk provision	16	(1,460,055)	(989,635)
Change in unexpired risk provision, reinsurers' share	16	1,460,055	989,635
Net change in unexpired risk provision		-	-
<b>Earned premium, net of reinsurance</b>		19,955	-
Other technical income, net of reinsurance		114,166	45,025
Total technical income		134,121	45,025
<b>Claim incurred, net of reinsurance:</b>			
Claims paid:			
Gross amount	16	(8,146,496)	(5,096,555)
Reinsurers' share	16	8,146,406	5,096,555
Net claims paid		(90)	-
Change in provision for claims:			
Gross amount	16	266,340	(252,760)
Reinsurers' share	16	(266,343)	(252,760)
Change in provision for claims		(3)	-
<b>Claims incurred, net of reinsurance</b>		(93)	-
<b>Net technical income (operating expenses)</b>	16	50,010	(33,404)
<b>Balance on technical account - general business</b>		184,038	11,621

The accompanying notes are an integral part of these financial statements.

## Stable Insurance Limited

### Profit and Loss Account

For the year ended 31 December 2023

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#### Non-technical account

	Note	2023 US\$	2022 US\$
<b>Balance on the technical account - general business</b>		184,038	11,621
General and administration expenses:			
Gross expenses incurred	7	904,418	1,093,008
Less expense recoveries from affiliates		-	(1,093,008)
Net expenses		<u>904,418</u>	<u>-</u>
Net (loss)/ profit for the year		<u>(720,380)</u>	<u>11,621</u>

All amounts relate to continuing operations.

*The accompanying notes are an integral part of these financial statements.*

## Stable Insurance Limited

Balance Sheet

As at 31 December 2023

		<u>2023</u>	<u>2022</u>
<b>Assets:</b>	<b>Note</b>	<b>US\$</b>	<b>US\$</b>
<b>Reinsurers' share of technical provisions:</b>			
Provision for unearned ceded premiums	16	1,397,708	4,888,018
Claims outstanding	16,17	57	266,400
Provision for unexpired risks	16	-	1,460,055
		<u>1,397,765</u>	<u>6,614,473</u>
<b>Debtors:</b>			
Debtors arising out of direct insurance operations	11, 17	1,209,600	5,055,541
Debtors arising out of reinsurance operations		-	551,400
Intercompany balances receivable	17	1,226,117	1,226,117
		<u>2,435,717</u>	<u>6,833,058</u>
<b>Other assets:</b>			
Cash at bank and in hand	10	4,252,869	1,937,057
		<u>4,252,869</u>	<u>1,937,057</u>
<b>Prepayments:</b>			
Deferred acquisition costs	16	-	48,880
Deposits and prepayments		87,154	69,023
		<u>87,154</u>	<u>117,903</u>
Fixed assets	12	4,453	6,526
		<u>4,453</u>	<u>6,526</u>
<b>Total assets</b>		<u><u>8,177,958</u></u>	<u><u>15,509,017</u></u>

*The accompanying notes are an integral part of these financial statements.*



## Stable Insurance Limited

Balance Sheet

As at 31 December 2023

		<u>2023</u>	<u>2022</u>
<b>Equity and Liabilities:</b>	<b>Note</b>	<b>US\$</b>	<b>US\$</b>
<b>Capital and reserves:</b>			
Share capital	13	120,000	120,000
Contributed surplus	13	2,130,000	130,000
Retained (loss)/earnings		<u>(708,759)</u>	<u>11,621</u>
Total equity		1,541,241	261,621
<b>Technical provisions:</b>			
Provision for unearned premium:	16	1,457,441	4,888,018
Claims outstanding	16	60	266,400
Provision for unexpired risks	16	<u>-</u>	<u>1,460,055</u>
		1,457,501	6,614,473
<b>Creditors:</b>			
Creditors arising out of reinsurance operations	15	1,266,142	4,535,974
Funds withheld		1,594,373	365,784
Other accounts payable	17	49,060	881,694
Intercompany balances payable	17	<u>2,057,867</u>	<u>2,657,868</u>
		4,967,442	8,441,320
Accruals and deferred income	14	<u>211,774</u>	<u>191,603</u>
Total liabilities		6,636,717	15,247,396
<b>Total equity and liabilities</b>		<u><u>8,177,958</u></u>	<u><u>15,509,017</u></u>

*The accompanying notes are an integral part of these financial statements.*

Approved for issuance on behalf of the Stable Insurance Limited Board of Directors:

\_\_\_\_\_ Director \_\_\_\_\_ Director

\_\_\_\_\_ Date \_\_\_\_\_ Date

## Stable Insurance Limited

### Statement of Changes in Equity

For the year ended 31 December 2023

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		<u>Share capital</u>	<u>Contributed surplus</u>	<u>Profit and loss account</u>	<u>Total</u>
	Notes	US\$	US\$	US\$	US\$
Balance 1 January 2022	13	120,000	130,000	-	250,000
Profit for the year		-	-	11,621	11,621
Balance at 31 December 2022		<b>120,000</b>	<b>130,000</b>	<b>11,621</b>	<b>261,621</b>
Additional paid in capital		-	2,000,000	-	2,000,000
Loss for the year		-	-	(720,380)	(720,380)
Balance at 31 December 2023		<b>120,000</b>	<b>2,130,000</b>	<b>(708,759)</b>	<b>1,541,241</b>

*The accompanying notes are an integral part of these financial statements.*

## Stable Insurance Limited

### Statement of Cash Flows

For the year ended 31 December 2023

	<b>2023</b>	<b>2022</b>
	<b>US\$</b>	<b>US\$</b>
Net (loss) profit for the year	(720,380)	11,621
Adjustment for depreciation	938	1,608
(Decrease)/increase in reinsurers' share of technical provisions	5,216,709	(3,720,126)
(Decrease)/ increase in debtors	4,397,340	(5,397,461)
(Increase)/decrease in technical provisions	(5,156,972)	3,720,126
(Decrease)/increase in creditors	(4,102,467)	4,972,940
(Increase)/decrease in funds withheld	1,228,589	(1,703,417)
(Decrease)/ increase in other assets	30,748	(98,738)
Increase in other liabilities	20,172	23,881
(Decrease)/increase in intercompany balances payable	(599,999)	2,017,929
Net cash generated from / (used in) operating activities	314,678	(171,637)
<b>Cash flows from investing activities</b>		
Fixed assets cost adjustment	1,134	-
Net cash generated from investing activities	1,134	-
<b>Cash flows from financing activities</b>		
Additional contributed surplus	2,000,000	-
Net cash generated from financing activities	2,000,000	-
Net increase/ (decrease) in cash equivalents	2,315,812	(171,637)
Cash and equivalents at the beginning of the year	1,937,057	2,108,694
Cash and equivalents at the end of the year	4,252,869	1,937,057

*The accompanying notes are an integral part of these financial statements.*

## **Stable Insurance Limited**

Notes to the financial statements  
For the year ended 31 December 2023

### **1. General information**

Stable Insurance Limited, (formerly Stable Corporation Ltd.), (the "Company" or "Insurer") is based in Hamilton, Bermuda and was incorporated on 14th July 2020 as a Bermuda exempted company with limited liability in accordance with the Companies Act 1981. The Company is registered as a Class 3A Insurer, pursuant to the Insurance Act 1978, as amended ("Insurance Act"), effective from 16 June 2023. Previously, the Insurer was registered as a Collateralized Insurer. The Company's registered office is located at Swan Building, 26 Victoria Street, Hamilton, Bermuda, HM 12. The Company commenced its operations on 22 December 2020.

The Insurer is a wholly owned subsidiary of Stable Group Limited ("the Parent"), a company incorporated in the United Kingdom as a private company limited by shares. The Parent company's registered office is located at 34 Lime Street, Office Suite 1.18 EC3M 7AT, London, United Kingdom. The Parent is ultimately controlled by individual beneficial owners.

The Company provides insurance coverages to an affiliated entity, Stable Bermuda Ltd and effective July 2023 cedes 95% (2022:100%) of the assumed insurance risks to third party reinsurers. Stable Bermuda Ltd issues over-the-counter option contracts to a sister company, Stable USA Inc., which sells derivative commodity contracts to protection buyers globally. Stable USA Inc. is registered by the Commodity Futures Trading Commission as a de minimis swaps dealer.

These financial statements are for the year ended 31 December 2023 with comparative figures provided for the year ended 31 December 2022.

### **2. Basis of preparation**

The financial statements of the Company have been prepared in compliance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and Financial Reporting Standard 103, 'Insurance Contracts' ('FRS 103').

The financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value. The financial statements are presented in U.S. Dollars which is the functional currency of the Company.

Legislation applied in the preparation of these financial statements is the Bermuda Companies Act.

### **3. Accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

#### **(i) Insurance contracts**

Insurance contracts are contracts where the Company accepts significant insurance risk, arising from both underwriting risk and timing risk, from a policyholder or reinsured by agreeing to compensate them if a specified uncertain future event (the insured or reinsured event) adversely affects them. The Company determines whether it has significant insurance risk by comparing the amount and timing of premiums, commissions, and claim settlement

## **Stable Insurance Limited**

Notes to the financial statements

For the year ended 31 December 2023

expenses paid with the amount and timing of such cash flows if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once the Company classifies a contract as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk decreases significantly during this period, unless all rights and obligations extinguish or expire.

### **(ii) Gross premiums written**

Gross premiums written relate to insurance inwards business which incepted during the year. Premiums are recognized over the period of risk in proportion to the amount of insurance protection provided.

Gross premiums written includes adjustments made in the period to premiums written in prior accounting periods. Premiums are shown gross of brokerage payable, ceding commission and taxes and duties levied on them.

### **(iii) Unearned premiums**

Unearned premiums represent the portion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis.

### **(iv) Reinsurance premium ceded**

Outwards reinsurance premium comprises premium on contracts which incepted during the financial year. Outwards reinsurance premium is disclosed gross of commissions and profit participations recoverable from reinsurers. Written outwards reinsurance premiums are recognized as earned according to the coverage period and in line with the risk profile to which the inwards business being protected relates. Unexpensed ceded premiums represent the portion of premiums ceded in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis. Reinsurance transactions do not relieve the Company of its primary obligations to its policyholders.

### **(v) Taxation**

The Company has received an undertaking from the Ministry of Finance of Bermuda that in the event of any taxes being imposed, the Company will be exempt from taxation in Bermuda until 31 March 2035. The Bermuda Corporate Income Tax Act (Bermuda CIT Act) was enacted on 27 December 2023 and is effective in 2025 for Bermuda businesses that are part of multinational groups with annual revenue exceeding Euro 750 million. The Company has determined that it does not fall within the scope of the Bermuda CIT Act.

### **(vi) Foreign currency**

The Company's functional and reporting currency is the U.S. Dollar. The Company measures foreign currency assets and liabilities at the closing exchange rate in effect at the balance sheet date, while it measures foreign currency revenues and expenses at the historical exchange rates in effect at the time of the related transactions.

### **(vii) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

### **(viii) Deferred acquisition costs**

In respect of insurance contracts, acquisition costs comprise direct and indirect costs incurred in writing new contracts. Deferred acquisition costs are amortized over the life of the policy in line with the recognition of premiums. Deferred acquisition costs are tested for recoverability at each reporting date. The carrying values are adjusted to recoverable amounts and any resulting impairment losses are charged to profit and loss.

## **Stable Insurance Limited**

Notes to the financial statements  
For the year ended 31 December 2023

### **(ix) Claims provisions and related recoveries**

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years. The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with a provision for related claims handling costs. The provision, when applicable, also includes the estimated cost of claims incurred but not reported (“IBNR”) at the balance sheet date based on statistical methods.

### **(x) Unexpired risks provision**

A provision for unexpired risks is made where claims, related claims handling costs and other related expenses arising after the end of the financial year in respect of contracts concluded before that date are expected to exceed the unearned premiums on these contracts, after the deduction of any deferred acquisition costs.

The provision for unexpired risks is calculated by reference to classes of business that are managed together. No account is taken of the relevant investment return arising from investments supporting the unexpired premiums and unexpired risk provisions.

### **(xi) Funds withheld**

Funds withheld comprise amounts held by the Company pursuant to the terms of the quota share reinsurance agreements.

### **(xii) Operating leases**

Leases where substantially all the benefits and risks of the ownership of the assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight-line basis.

### **(xiii) Reinsurance assets and liabilities**

Amounts due to and from reinsurers are accounted for in a manner consistent with the insured policies and in accordance with the relevant reinsurance contract. Reinsurance assets are assessed for impairment at each balance sheet date. A reinsurance asset is deemed impaired if there is objective evidence, because of an event that occurred after its initial recognition, that the Company may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. Objective factors that are considered when determining whether a reinsurance asset or group of reinsurance assets may be impaired include, but are not limited to the following:

- Negative rating agency announcements of reinsurers;
- Significant reported financial difficulties of reinsurers;
- Actual breaches of credit terms such as persistent late payment or actual default; and
- Adverse economic or regulatory conditions that may restrict future cash flows and asset recoverability.

Impairment losses on reinsurance assets are recognized in the profit and loss account.

## Stable Insurance Limited

Notes to the financial statements  
For the year ended 31 December 2023

### (xiv) Fair Value Measurements of Financial Assets and Liabilities

The Company follows the recognition and measurement requirements of FRS 102 section 11 Basic Financial Instruments and section 12 Other Financial Instruments. All the Company's financial assets and liabilities are basic financial instruments. The Company carries all its other financial assets and liabilities at cost.

### (xv) Tangible assets and depreciation

Depreciation is charged to write off the cost of assets over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Office equipment	20% straight line

## 4. Judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS102 requires that the directors make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

The Company considers that the provisions for gross claims and related reinsurance recoveries are fairly stated based on the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and future events, and this may result in significant adjustments to the amounts provided.

The claims provisions are initially calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts recoverable from any reinsurance arrangements in place, having due regard to collectability. Claims provisions are subject to regular review.

## 5. Risk Management

The insurance risks faced by the Company include downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving. Reinsurance risks arise from the risk that a reinsurer fails to meet its share of a claim. The management of the Company's funds is exposed to risks of investment, liquidity, currency and interest rates leading to financial loss. The Company is also exposed to regulatory and operational risks including its ability to continue to trade.

The principal sources of risk relevant to the Company fall into four broad categories: insurance risk, financial risk, operational risk and regulatory risk.

### 5.1 Insurance risk

The Company is exposed to insurance risk which arises from fluctuations in the frequency, severity and timing of insured events and claims settlements relative to expectation. Insurance risk can be due to underwriting risk including systemic insurance losses, insurance cycles and competition or reserving risk.

## **Stable Insurance Limited**

Notes to the financial statements  
For the year ended 31 December 2023

### **5.1(a) Underwriting risk**

Underwriting risk is defined as the risk that insurance premium will not be sufficient to cover future insurance losses and associated expenses. Underwriting risk also encompasses people, process and system risks directly related to underwriting. All of the Company's insurance business comprises insurance of certain risks of an affiliated entity. Accordingly, the Company's underwriting risks are not diversified.

The Board sets the Company's underwriting strategies and risk appetites, seeking to benefit from identified opportunities considering other relevant anticipated market conditions.

The Company aims to manage underwriting risk:

- to achieve acceptable profits and return on equity by ensuring that insurance risks are carefully selected in accordance with the underwriting strategy and risk appetite tolerances, underwritten in accordance with risk strategy and priced to reflect the underlying risk; and
- to mitigate excess insurance risk using optimal reinsurance arrangements. The Company currently cedes 95% (2022: 100%) of all insurance business risk to third party reinsurers.

### **5.1(b) Reserving risk**

Reserving risk is defined as the risk that reserves set in respect of insurance claim losses are ultimately insufficient to fully settle these claims and associated expenses.

The Company aims to manage reserving risk:

- to minimise reserve volatility through robust reserving and application of actuarial modelling approaches; and
- to monitor reserve adequacy and performance on an ongoing basis

#### **Sources of uncertainty in the estimation of future claim payments**

There are many risks associated with insurance contracts, and this means that there is a considerable amount of uncertainty in estimating the future settlement cost of claims. There is uncertainty in both the amounts and the timing of future claim payment cash flows.

Claims paid are claims transactions settled up to the reporting date including settlement expenses allocated to those transactions.

Unpaid claims reserves are made for known or anticipated liabilities which have not been settled up to the reporting date. Included within the provision is an allowance for the future costs of settling those claims.

The claim reserves are estimated on a best estimate basis, taking into account current market conditions and the nature of risks being underwritten.

Estimates of where claim liabilities will ultimately settle are adjusted each reporting period to reflect emerging claims experience. Changes in expected claims may result in a reduction or an increase in the ultimate claim costs and a release or an increase in reserves in the period in which the change occurs.

Losses are generally settled within a month of occurrence and as such, loss development tables are not considered meaningful and have not been presented.



## **Stable Insurance Limited**

Notes to the financial statements  
For the year ended 31 December 2023

### **5.2 Financial risk**

The Company is exposed to financial risk through its ownership of financial instruments including financial liabilities. The key financial risk for the Company is that the proceeds from its financial assets and investment return there on are not sufficient to fund its obligations. The most important elements that could result in such an outcome relate to reliability of credit risk.

#### **5.2(a) Credit risk**

Financial assets which potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, intercompany balances receivable, debtors arising out of direct insurance and reinsurance balances recoverable. Credit risk represents the potential loss that the Company would incur if counterparties failed to perform pursuant to the terms of their obligations to the Company.

The Company mitigates its exposure to credit risk by transacting only with established reputable institutions with A.M. Best rating of A- or better. Cash and cash equivalents are placed with a financial institution located in Bermuda. Insurance and intercompany balances receivable are due from affiliated entities.

The Company manages any exposure to credit risk on its reinsurance balances recoverable by dealing only with reputable reinsurers with strong credit ratings with A.M. Best credit rating of A- or better. In addition, the Company retains 60% of premiums due to reinsurers in a Funds Withheld Account until the final expiry of all covered transactions entered into during the risk period.

At 31 December 2023, no receivables were determined to be past due or impaired. Management does not expect any losses as a result of these concentrations.

#### **5.2(b) Liquidity risk**

Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. The Company is exposed to cash calls on its available cash resources, mostly for the settlement of claims. The Company's approach is to maintain a large proportion of liquid assets that can be converted to cash at short notice without any significant capital loss. In addition, the Company is entitled to make cash calls on its reinsurers in cases of large claims. The Directors do not consider that there is a material risk of loss arising from liquidity risk.

### **5.3 Operational risk**

Operational risk is the potential for loss arising from the failure of people, process or technology or the impact of external events. The nature of operational risk means that it is dispersed across all functional areas of the Company.

Cyber security risk is also considered part of operational risk. Cyber security breaches, could, if they occurred, cause significant financial losses and/or damage to the reputation of the Company.

The Company relies upon a number of functions provided by group companies and through outsourcing agreements to support its operations. Management continuously monitors these outsourcing arrangements to minimize operational risks.

### **5.4 Regulatory risk**

The Company is regulated by the BMA and is required to monitor its enhanced capital requirement under the BMA's regulatory framework, which has been assessed as equivalent to the Solvency II regime. The Company reduces the risk of this approval being revoked by monitoring compliance with regulatory requirements.

## Stable Insurance Limited

Notes to the financial statements  
For the year ended 31 December 2023

### 6. Dividend Restrictions and Statutory Financial Information

The Company is registered under the Insurance Act which imposes certain solvency and liquidity standard and auditing and reporting requirements and grants the Bermuda Monetary Authority powers to supervise, investigate, require information and the production of documents and intervenes in the affairs of insurance companies.

The Insurance Act requires that the Company maintain certain solvency and liquidity standards. The minimum liquidity ratio requires that the value of relevant assets not be less than 75% of the amount of relevant liabilities. The minimum solvency margin (“MSM”), which varies depending on the class of the insurer, is determined as a percentage of either net reserves for losses and loss adjustment expenses or premiums or pursuant to a risk-based capital measure. In addition, the Company is required to maintain a minimum available statutory economic capital and surplus (Enhanced Capital Requirement or “ECR”) at least equal to the greater of the MSM or the Bermuda

Solvency Capital Requirement (“BSCR). The BSCR is calculated based on a standardized risk-based capital model. As at 31 December 2023 the Company was compliant with these solvency and liquidity requirements.

Under the Insurance Act, the Company is restricted as to the payment of dividends for amounts greater than 25% of the prior year’s statutory capital and surplus, whereby an affidavit signed by at least two members of the Board of Directors is required, attesting that any dividend in excess of this amount would not cause the company to fail to meet its relevant margins. In addition, the Company is restricted from reducing by 15% or more its prior’s total statutory capital without approval from the BMA.

### 7. General and administrative expenses

	<u>2023</u>	<u>2022</u>
	US\$	US\$
Insurance management fees	123,676	104,364
Legal and secretarial fees	51,214	126,495
Audit fees	94,386	68,400
Actuarial fees	11,000	11,400
Depreciation	938	1,608
Government fees	11,250	15,000
Other professional fees	319,905	90,004
Bank charges	3,574	10,998
Employee costs	169,456	534,294
Insurance expenses	40,910	-
Travel and accommodation	2,602	16,098
FX losses/(gains)	(35)	(14,039)
Rent and rates expenses	62,783	59,843
Other admin expenses	12,759	68,543
	<u>904,418</u>	<u>1,093,008</u>
Less: amounts recharged to affiliates	-	(1,093,008)
Net expenses	<u>904,418</u>	<u>-</u>

For the 2022 year-end, operating expenses incurred by the Company were recharged to Stable Bermuda Ltd, an affiliated entity. The recharge agreement was terminated effective 31 December 2022.

## Stable Insurance Limited

Notes to the financial statements  
For the year ended 31 December 2023

### 8. Employee costs

The breakdown of staff costs for the year was as follows:

	<u>2023</u>	<u>2022</u>
	US\$	US\$
Salaries, allowances and bonuses	118,333	390,352
Health and social insurance costs	19,340	44,452
Pension costs	6,750	31,369
Payroll tax	25,033	68,121
Total	<u>169,456</u>	<u>534,294</u>

The average number of employees during the period ended 31 December 2023 was 1(2022: 2).

Included in employee costs are directors remunerations comprised as follows:

	<u>2023</u>	<u>2022</u>
	US\$	US\$
Aggregate remuneration in respect of qualifying services	-	179,647
Total	<u>-</u>	<u>179,647</u>

### 9. Operating leases and lease commitments

In accordance with FRS 102, the Company recognizes the benefit of lease incentives over the period of the lease term.

Operating lease payments represent rentals payable by the Company for certain of its office properties. At the balance sheet date, the Company had outstanding commitments for future minimum lease payments, which fall due as follows:

	<u>2023</u>	<u>2022</u>
	US\$	US\$
<b>Office buildings</b>		
Between 1 and 2 years	52,865	17,719
Over 2 years	-	-
Total	<u>52,865</u>	<u>17,719</u>

Included in the general and administrative costs is an operating lease expense of \$62,783.

## Stable Insurance Limited

Notes to the financial statements  
For the year ended 31 December 2023

### 10. Cash and cash equivalents

	<u>2023</u>	<u>2022</u>
	US\$	US\$
Restricted Cash	1,798,996	1,095,090
Non-restricted cash	2,453,873	841,967
Total	<u>4,252,869</u>	<u>1,937,057</u>

Cash balances of \$1,798,996 (2022: \$1,095,090) held in segregated client accounts are restricted and may only be used to satisfy potential liabilities under the reinsurance agreements.

### 11. Debtors arising out of direct insurance operations

	<u>2023</u>	<u>2022</u>
	US\$	US\$
Debtors arising out of direct insurance operations	1,209,600	5,055,541
Total	<u>1,209,600</u>	<u>5,055,541</u>

Debtors arising out of direct insurance operations represent premiums in the process of collection at year end.

### 12. Fixed assets

	<u>2023</u>	<u>2022</u>
	US\$	US\$
<b>Office equipment</b>		
<b>Cost or valuation</b>		
Beginning of year	9,177	9,177
Cost adjustment	(1,134)	-
At 31 December	<u>8,042</u>	<u>9,177</u>
<b>Accumulated depreciation</b>		
Beginning of year	2,651	1,042
Charge for the year	938	1,608
At 31 December	<u>3,589</u>	<u>2,651</u>
<b>Net carrying amount</b>		
At 31 December	<u>4,453</u>	<u>6,526</u>

## Stable Insurance Limited

Notes to the financial statements  
For the year ended 31 December 2023

### 13. Share capital

The authorized, issued and fully paid share capital of the Company is \$120,000, comprising 120,000 common shares of \$1 par value. The shares entitle the holders to dividends, and on liquidation or dissolution, to any Company assets available for distribution to them. During the year, the Parent provided \$2m (2022: \$nil) contributed surplus to the Company for working capital purposes. The reserve within equity consists entirely of retained losses.

### 14. Accruals and deferred income

	<u>2023</u>	<u>2022</u>
	US\$	US\$
Accrued and payable expenses	197,200	144,387
Deferred ceding commission	14,574	47,216
Total	<u>211,774</u>	<u>191,603</u>

### 15. Creditors arising out of reinsurance operations

	<u>2023</u>	<u>2022</u>
	US\$	US\$
Creditors arising out of reinsurance operations	1,266,142	4,535,973
Total	<u>1,266,142</u>	<u>4,535,973</u>

Creditors arising out of reinsurance operations represent ceded premiums due to reinsurers arising from the quota share agreements.

## Stable Insurance Limited

Notes to the financial statements  
For the year ended 31 December 2023

### 16. Technical Provisions

The table below details the changes in the Company's claims outstanding balance.

	2023			2022		
	Gross US\$	Reinsurers' Share US\$	Net US\$	Gross US\$	Reinsurers' Share US\$	Net US\$
<b>Claims outstanding</b>						
At beginning of year	266,400	(266,400)	-	13,640	(13,640)	-
Claims incurred during the year	7,880,156	(7,880,063)	93	5,349,314	(5,349,314)	-
Paid claims during the year	(8,146,496)	8,146,406	(90)	(5,096,554)	5,096,554	-
Balance at 31 December	60	(57)	3	266,400	(266,400)	-

The table below details the changes in the Company's provision for unearned premiums balance:

	2023			2022		
	Gross US\$	Reinsurers' Share US\$	Net US\$	Gross US\$	Reinsurers' Share US\$	Net US\$
<b>Unearned premiums</b>						
At beginning of year	4,888,018	(4,888,018)	-	2,410,287	(2,410,287)	-
Premiums written during the year	6,980,842	(6,901,153)	79,689	6,239,388	(6,239,388)	-
Premiums earned during the year	(10,411,419)	10,391,463	(19,956)	(3,761,657)	3,761,657	-
Balance at 31 December	1,457,441	(1,397,708)	59,733	4,888,018	(4,888,018)	-

The table below details the changes in the Company's provision for deferred acquisition costs.

	2023			2022		
	Gross US\$	Reinsurers' Share US\$	Net US\$	Gross US\$	Reinsurers' Share US\$	Net US\$
<b>Deferred acquisition costs</b>						
At beginning of year	48,880	-	48,880	19,123	-	19,123
Incurred	(98,890)	-	(98,890)	63,161	-	63,161
Expensed	50,010	-	50,010	(33,404)	-	(33,404)
Balance at 31 December	-	-	-	48,880	-	48,880

## Stable Insurance Limited

Notes to the financial statements  
For the year ended 31 December 2023

### 16. Technical Provisions (contd.)

The table below details the changes in the Company's provision for unexpired risks.

	2023			2022		
	Gross US\$	Reinsurers' Share US\$	Net US\$	Gross US\$	Reinsurers' Share US\$	Net US\$
<b>Unexpired risks</b>						
At beginning of year	1,460,055	(1,460,055)	-	470,420	(470,420)	-
Change in unexpired risks during the year	(1,460,055)	1,460,055	-	989,635	(989,635)	-
Balance at 31 December	-	-	-	1,460,055	(1,460,055)	-

### 17. Related party transactions

The Company is an affiliate, related through common control, to Stable Bermuda Ltd and Stable USA Inc., the sole source of insurance business written by the Company.

In previous years and until 31 December 2022 the Company entered into an expense reimbursement agreement, whereby certain operating expenses incurred by the Company were recharged to Stable Bermuda Ltd.

In addition, the Company has received working capital loans from the Parent and other affiliated entities. Amounts due to or from affiliates are valued at cost and are unsecured, interest-free and repayable on demand.

The company paid \$216,000 in 2023 (2022: \$48,000) for consulting services to a company owned by one of the directors.

## Stable Insurance Limited

Notes to the financial statements  
For the year ended 31 December 2023

### 17. Related party transactions (contd.)

The following table shows amounts attributable to the related parties described above:

	<u>2023</u>	<u>2022</u>
<b>Balance sheet</b>	<b>US\$</b>	<b>US\$</b>
Debtors arising out of direct insurance operations	1,209,600	5,055,541
Intercompany balances receivable	1,226,117	1,226,117
Intercompany balances payable	2,057,867	2,657,868
Other accounts payable	-	881,694
Claims outstanding	60	266,400
<b>Profit and loss</b>		
Gross premium written	6,980,842	6,239,388
Gross claim amount	(8,146,496)	(5,096,555)
Change in provision for claims	266,400	(252,760)
Net technical operating expenses	50,010	(33,404)
Expenses recharged to affiliates	-	1,093,008
Change in unexpired risk provision	(1,460,055)	989,635

### 18. Post balance sheet events

In preparing these financial statements the Directors have evaluated and disclosed all material subsequent events up to 04<sup>th</sup> June 2024, which is the date that the financial statements were available to be issued.

No other material subsequent events requiring disclosure were noted.