



Arthur Morris & Company Limited

Chartered Professional Accountants

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Independent Auditor's Report

To the Board of Directors

We have audited the accompanying condensed financial statements of Artex SAC Limited (the "Company"), which comprise the condensed balance sheet as of December 31, 2017, and the related condensed statement of income and condensed statement of capital and surplus for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Condensed Financial Statements

Management is responsible for the preparation and fair presentation of the condensed financial statements based on the financial reporting provisions of The Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to Condensed General Purpose Financial Statements (the "Legislation"). Management is also responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these condensed financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the condensed financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the condensed financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the condensed financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the condensed financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on International Financial Reporting Standards

As described in Note 3 to the condensed financial statements, the condensed financial statements are prepared by the Company based on the financial reporting provisions of the Legislation, which is a basis of accounting other than International Financial Reporting Standards.

The effects on the condensed financial statements of the variances between the basis of accounting described in Note 3 and International Financial Reporting Standards are material.

Adverse Opinion on International Financial Reporting Standards

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on International Financial Reporting Standards" paragraph, the condensed financial statements referred to above do not present fairly, in accordance with accounting standards generally accepted in the United States of America, the financial position of the Company as of December 31, 2017, or the results of its operations or its cash flows for the year then ended.

Opinion on Condensed Financial Statements

In our opinion, the condensed financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations for the year then ended, in accordance with the financial reporting provisions of the Legislation.

Arthur Morris & Company Limited

Hamilton, Bermuda
April 30, 2018

Artex SAC Limited

Condensed General Purpose Financial Statements

For the financial period ended

December 31, 2017

CONDENSED BALANCE SHEET

Artex SAC Limited

As at December 31, 2017

expressed in United States Dollars

LINE No.		2017 ('000s)	2016 ('000s)
1.	CASH AND CASH EQUIVALENTS		
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other		
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other quoted investments		
(f)	Total quoted investments	-	-
3.	UNQUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other		
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other unquoted investments		
(f)	Total unquoted investments	-	-
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES		
(a)	Unregulated entities that conduct ancillary services		
(b)	Unregulated non-financial operating entities		
(c)	Unregulated financial operating entities		
(d)	Regulated non-insurance financial operating entities		
(e)	Regulated insurance financial operating entities		
(f)	Total investments in affiliates	-	-
(g)	Advances to affiliates		
(h)	Total investments in and advances to affiliates	-	-
5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a)	First liens		
(b)	Other than first liens		
(c)	Total investments in mortgage loans on real estate	-	-
6.	POLICY LOANS		
7.	REAL ESTATE:		
(a)	Occupied by the company (less encumbrances)		
(b)	Other properties (less encumbrances)		
(c)	Total real estate	-	-
8.	COLLATERAL LOANS		
9.	INVESTMENT INCOME DUE AND ACCRUED		
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection		
(b)	Deferred - not yet due		
(c)	Receivables from retrocessional contracts		
(d)	Total accounts and premiums receivable	-	-
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates		
(b)	Domestic affiliates		
(c)	Pools & associations		
(d)	All other insurers		
(e)	Total reinsurance balance receivable	-	-

CONDENSED BALANCE SHEET

Artex SAC Limited

As at December 31, 2017

expressed in United States Dollars

LINE No.		2017 ('000s)	2016 ('000s)
12.	FUNDS HELD BY CEDING REINSURERS		
13.	SUNDRY ASSETS:		
(a)	Derivative instruments		
(b)	Segregated accounts companies - long-term business - variable annuities		
(c)	Segregated accounts companies - long-term business - other	13,843	46,168
(d)	Segregated accounts companies - general business		
(e)	Deposit assets		
(f)	Deferred acquisition costs		
(g)	Net receivables for investments sold		
(h)	Long-Term Business Funding	500	500
(i)	Other Sundry Assets (Specify)		
(j)	Prepaid expenses		
(k)	Total sundry assets	14,343	46,668
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit		
(b)	Guarantees		
(c)	Other instruments		
(e)	Total letters of credit, guarantees and other instruments	-	-
15.	TOTAL	14,343	46,668
	TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves		
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other insurers		
(c)	Total ceded unearned premium reserve	-	-
(d)	Net unearned premium reserve	-	-
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions		
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other reinsurers		
(c)	Total reinsurance recoverable balance	-	-
(d)	Net loss and loss expense provisions	-	-
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES		
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	-	-
	LONG-TERM BUSINESS INSURANCE RESERVES		
20.	RESERVE FOR REPORTED CLAIMS		
21.	RESERVE FOR UNREPORTED CLAIMS		
22.	POLICY RESERVES - LIFE		
23.	POLICY RESERVES - ACCIDENT AND HEALTH		
24.	POLICYHOLDERS' FUNDS ON DEPOSIT		
25.	LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS		
26.	OTHER LONG-TERM BUSINESS INSURANCE RESERVES		

CONDENSED BALANCE SHEET

Artex SAC Limited

As at December 31, 2017

expressed in United States Dollars

LINE No.		2017 ('000s)	2016 ('000s)
27.	TOTAL LONG-TERM BUSINESS INSURANCE RESERVES		
(a)	Total Gross Long-Term Business Insurance Reserves	-	-
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign Affiliates		
	(ii) Domestic Affiliates		
	(iii) Pools and Associations		
	(iv) All Other Insurers		
(c)	Total Reinsurance Recoverable Balance	-	-
(d)	Total Net Long-Term Business Insurance Reserves	-	-
	OTHER LIABILITIES		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE		
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE		
30.	LOANS AND NOTES PAYABLE		
31.	(a) INCOME TAXES PAYABLE		
	(b) DEFERRED INCOME TAXES		
32.	AMOUNTS DUE TO AFFILIATES		
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:		
35.	DIVIDENDS PAYABLE		
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments		
(b)	Segregated accounts companies		
(c)	Deposit liabilities	13,843	46,168
(d)	Net payable for investments purchased		
(e)	Other sundry liabilities (specify)		
(f)	Other sundry liabilities (specify)		
(g)	Other sundry liabilities (specify)		
(h)	Total sundry liabilities	13,843	46,168
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS:		
(a)	Letters of credit		
(b)	Guarantees		
(c)	Other instruments		
(d)	Total letters of credit, guarantees and other instruments	-	-
38.	TOTAL OTHER LIABILITIES	13,843	46,168
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	13,843	46,168
	CAPITAL AND SURPLUS		
40.	TOTAL CAPITAL AND SURPLUS	500	500
41.	TOTAL	14,343	46,668

CONDENSED STATEMENT OF INCOME

Artex SAC Limited

As at December 31, 2017

expressed in United States Dollars

LINE No.		2017 ('000s)	2016 ('000s)
	GENERAL BUSINESS UNDERWRITING INCOME		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written		
	(b) Assumed gross premiums written		
	(c) Total gross premiums written	-	-
2.	REINSURANCE PREMIUMS CEDED		
3.	NET PREMIUMS WRITTEN	-	-
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS		
5.	NET PREMIUMS EARNED	-	-
6.	OTHER INSURANCE INCOME		
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	-	-
	GENERAL BUSINESS UNDERWRITING EXPENSES		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED		
9.	COMMISSIONS AND BROKERAGE		
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	-	-
11.	NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS	-	-
	LONG-TERM BUSINESS INCOME		
12.	GROSS PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Direct gross premiums and other considerations		
	(b) Assumed gross premiums and other considerations		
	(c) Total gross premiums and other considerations	-	-
13.	PREMIUMS CEDED		
14.	NET PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Life		
	(b) Annuities		
	(c) Accident and health		
	(d) Total net premiums and other considerations	-	-
15.	OTHER INSURANCE INCOME		
16.	TOTAL LONG-TERM BUSINESS INCOME	-	-
	LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES		
17.	CLAIMS - LIFE		
18.	POLICYHOLDERS' DIVIDENDS		
19.	SURRENDERS		
20.	MATURITIES		
21.	ANNUITIES		
22.	ACCIDENT AND HEALTH BENEFITS		
23.	COMMISSIONS		
24.	OTHER		
25.	TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES	-	-

CONDENSED STATEMENT OF INCOME

Artex SAC Limited

As at December 31, 2017

expressed in United States Dollars

LINE No.		2017 ('000s)	2016 ('000s)
26.	INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES):		
	(a) Life		
	(b) Annuities		
	(c) Accident and health		
	(d) Total increase (decrease) in policy reserves	-	-
27.	TOTAL LONG-TERM BUSINESS EXPENSES	-	-
28.	NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS	-	-
29.	COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS	-	-
	UNDERNOTED ITEMS		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration		
	(b) Personnel cost		
	(c) Other		
	(d) Total combined operating expenses	-	-
31.	COMBINED INVESTMENT INCOME - NET		
32.	COMBINED OTHER INCOME (DEDUCTIONS)		
33.	COMBINED INCOME BEFORE TAXES	-	-
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current		
	(b) Deferred		
	(c) Total	-	-
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	-	-
36.	COMBINED REALIZED GAINS (LOSSES)		
37.	COMBINED INTEREST CHARGES		
38.	NET INCOME	-	-

CONDENSED STATEMENT OF CAPITAL AND SURPLUS

Artex SAC Limited

As at December 31, 2017

expressed in United States Dollars

LINE No.		2017 ('000s)	2016 ('000s)
1.	CAPITAL:		
(a)	Capital Stock		
	(i) Common Shares		
	authorized 500,000 shares of par	500	500
	value \$ 1.000 each issued and		
	fully paid 500,000 shares		
	(ii)		
	(A) Preferred shares:		
	authorized _____ shares of par		
	value _____ each issued and		
	fully paid _____ shares		
	aggregate liquidation value for –		
	2017 ('000s) _____		
	2016 ('000s) _____		
	(B) Preferred shares issued by a subsidiary:		
	authorized _____ shares of par		
	value _____ each issued and		
	fully paid _____ shares		
	aggregate liquidation value for –		
	2017 ('000s) _____		
	2016 ('000s) _____		
	(iii) Treasury Shares		
	repurchased _____ shares of par		
	value _____ each issued		
(b)	Contributed surplus		
(c)	Any other fixed capital		
	(i) Hybrid capital instruments		
	(ii) Guarantees and others		
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	500	500
2.	SURPLUS:		
(a)	Surplus - Beginning of Year	-	-
(b)	Add: Income for the year	-	-
(c)	Less: Dividends paid and payable		
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments		
(e)	Add (Deduct) change in any other surplus		
(f)	Surplus - End of Year	-	-
3.	MINORITY INTEREST		
4.	TOTAL CAPITAL AND SURPLUS	500	500

NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

Artex SAC Limited

As at December 31, 2017

Matters to be set forth in a General Note to the Financial Statements

1. General information

Artex SAC Limited (formerly Kane SAC Limited) (the "Company") was incorporated in 1981 under the laws of Bermuda and was licensed as a Class 3 insurer under the Insurance Act, 1978 of Bermuda and related regulations. The Company is wholly owned by Artex Risk Solutions (Bermuda) Ltd. ("Artex Bermuda"), a Bermuda licensed insurance manager and broker. Artex Bermuda merged with Kane (Bermuda) Limited ("Kane Bermuda") on September 12, 2016, with Artex Bermuda being the surviving company. Kane Bermuda was previously owned by the Kane Group. Effective March 31, 2016 Kane Group's insurance management operations, including Kane Bermuda, were acquired by Artex Risk Solutions ("Artex"), a captive and alternative risk program manager which is a wholly owned subsidiary of Arthur J. Gallagher & Co. ("AJG"), a US-based global insurance brokerage and risk management services firm. Accordingly, the Company's ultimate beneficial owner is AJG.

Effective October 1st, 2010, the Company relicensed as a dual class insurer under the Insurance Act, 1978 of Bermuda and related regulations. The Company is now licensed as a Class 3 and Long-Term Business Insurer, and with effect from September 30th, 2011, reclassified as a Class C Insurer for Long Term Business purposes.

2. Nature of Business

The Company is currently registered as both as a Class 3 insurer and Class C long-term insurer as it writes both general and long-term insurance and reinsurance business on behalf of its segregated accounts on a fully collateralised basis. The Company does not write any business in its general account.

3. The accounting standards and principles (IFRS)

The condensed general purpose financial statements have been prepared in conformity with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to Condensed General Purpose Financial Statements (the "Legislation").

The condensed general purpose financial statements are based upon International Financial Reporting Standards ("IFRS") but are in accordance with the reporting requirements of the Legislation, which varies in certain respects from IFRS. The more significant variances are as follows:

- A statement of cash flows is not included;
- A statement of comprehensive income is not included;
- The presentation and classification of financial statement line items is in accordance with Schedules IX and XI of the Insurance Account Rules 2016 and differ from the expected presentation and classification under IFRS; and
- The notes included in the condensed general purpose financial statements have been prepared in accordance with Schedule X of the Insurance Account Rules 2016 and exclude certain information required under IFRS.

NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

Artex SAC Limited

As at ` December 31, 2017

4. Significant Accounting Policies

- a) Segregated Accounts - The assets and liabilities of the segregated accounts are legally segregated from the general assets and liabilities and are included in sundry assets and liabilities within the statutory balance sheet.

5. Basis of recognition of Premium, Investment and Commission Income

Premium Income - Not applicable
Investment Income - Not applicable
Commission Income - Not applicable

6. Translation of Foreign Currencies

Assets and liabilities originating in other currencies are translated into US dollars using the exchange rates prevailing at the reporting date. Income and expenses originating in other currencies are translated into US dollars using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statutory statement of income.

7-15. Not Applicable

16. Post Balance Sheet Events

There have been no events to our knowledge since the balance sheet date up to the date of approval of the condensed financial statements which necessitate revision of the figures included in the financial statements or the inclusion of a note thereto.

17. Not Applicable

NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

Artex SAC Limited

As at December 31, 2017

Matters to be set forth in notes to The Statement Of Capital And Surplus

1(a) Capital Stock

	Authorised	Issued
Common Shares - par value US\$1.00 each	500,000	500,000
Total	<u>500,000</u>	<u>500,000</u>

1(b). Not Applicable

2(a-c). Not Applicable

Matters to be set forth in Notes to the Balance Sheet

1-12. Not Applicable

13 Sundry Assets

Segregated Account Assets are those of the segregated accounts and are legally segregated.

Long-Term Business funding, is the Class C minimum capital requirement, held in the Company's general account. The Company has issued and paid \$500,000 of ordinary share capital for the Class C portion of the business.

14-37 Not Applicable

Matters to be set forth in Notes to the Statement of Income

6, 16, 32, 36 Not Applicable