FREISENBRUCH INSURANCE LIMITED

Financial Statements
(With Independent Auditor's Report Thereon)

Year ended December 31, 2022

KPMG Audit Limited
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Freisenbruch Insurance Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Freisenbruch Insurance Limited (the "Company"), which comprise the statement of financial position as at December 31, 2022, the statement of comprehensive income (loss), changes in shareholders' 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 December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 IFRS, 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 skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 27, 2023

FREISENBRUCH INSURANCE LIMITED

Statement of Financial Position

Year ended December 31, 2022
(Expressed in Bermuda Dollars)

	Note(s)	2022	2021
Assets			
Cash and cash equivalents	5(i), 11	$ 3,610,416	$ 3,318,546
Financial assets at fair value through profit or loss	5(ii) (iii), 11	5,676,742	5,858,008
Insurance balances receivable	7(a), 11	252,561	351,890
Reinsurance balances receivable	7(a), 11	271,784	581,303
Losses recoverable from reinsurers	4, 6, 7(a), 11	4,541,083	3,180,077
Reinsurers share of unearned premiums	7(a)	7,397,701	7,230,838
Deferred acquisition expenses	7(a), 13	3,073,105	3,031,160
Funds withheld	7(a), 11	4,719,398	4,639,993
Prepaid expenses and other assets		40,461	46,082
Total assets		$ 29,583,251	$ 28,237,897
Liabilities			
Outstanding losses and loss expenses	6, 11	$ 5,457,322	$ 3,974,956
Unearned premiums		9,535,950	9,337,515
Deferred commission income	7 (a)	2,468,036	2,432,955
Reinsurance balances payable	7(a), 11	517,153	618,934
Amounts due to related companies	7(a), 11	64,960	59,797
Insurance balances payable	11	145,486	114,516
Other liabilities	11	127,479	82,665
Total liabilities		18,316,386	16,621,338
Shareholders' equity			
Share capital	8	5,000,000	5,000,000
Retained earnings		6,266,865	6,616,559
Total equity attributable to equity holders of the Company		11,266,865	11,616,559
Total liabilities and shareholders' equity		$ 29,583,251	$ 28,237,897

See accompanying notes to financial statements

Approved for issuance on behalf of the Board of Directors of Freisenbruch Insurance Limited on April 27, 2023 by:

________________ Director   ________________ Director

FREISENBRUCH-MEYER INSURANCE LIMITED

Statement of Comprehensive Income (Loss)

Year ended December 31, 2022
(Expressed in Bermuda Dollars)

	Note(s)	2022	2021
Premiums written	3(d)(ii), 7(b)	$ 20,846,027	$ 20,170,846
Change in unearned premiums		(198,435)	(299,063)
Premiums earned		20,647,592	19,871,783
Reinsurance premiums ceded	3(d)(ii), 4, 7(b)	17,902,562	17,221,636
Change in reinsurer share of unearned premium	7(b)	(166,863)	(241,716)
Premiums ceded		17,735,699	16,979,920
Net premiums earned		2,911,893	2,891,863
Claims paid	6, 7(b)	3,122,791	2,155,013
Change in outstanding loss provisions	6	1,482,365	68,542
Claims recovered and recoverable from reinsurers	4, 6, 7(b)	(3,804,874)	(1,724,882)
Net claims incurred		800,282	498,673
Commission income	7(b)	5,550,526	5,876,427
Commission expense	7(b)	(6,420,517)	(6,246,221)
Other underwriting expenses		(787,917)	(1,170,558)
General and administrative expenses	7(b), 9	(509,245)	(495,531)
Net underwriting (loss) income		(55,541)	357,307
Net investment (loss) income	5(iv)	(294,153)	(51,535)
Net (loss) income, being total comprehensive (loss) income for the year (all attributable to equity holders of the Company)		$ (349,694)	$ 305,772

See accompanying notes to financial statements

FREISENBRUCH-MEYER INSURANCE LIMITED

Statement of Changes in Shareholders' Equity

Year ended December 31, 2022
(Expressed in Bermuda Dollars)

	Share capital (Note 8)	Retained earnings	Total equity attributable to equity holders of the Company
Balance at December 31, 2020	$ 5,000,000	$ 6,310,787	$ 11,310,787
Net income for the year, being total comprehensive income	-	305,772	305,772
Balance at December 31, 2021	$ 5,000,000	$ 6,616,559	$ 11,616,559
Net (loss) income for the year, being total comprehensive (loss) income	-	(349,694)	(349,694)
Balance at December 31, 2022	$ 5,000,000	$ 6,266,865	$ 11,266,865

See accompanying notes to financial statements

FREISENBRUCH-MEYER INSURANCE LIMITED

Statement of Cash Flows

Year ended December 31, 2022
(Expressed in Bermuda Dollars)

	Note(s)	2022	2022
Cash flows from operating activities			
Net (loss) income for the year		$ (349,694)	$ 305,772
Adjustments for:			
Interest income	5(iv)	(110,924)	(90,646)
Realised and unrealised (gains)/losses on financial assets at fair value through profit and loss	5(iv)	405,077	142,181
Cash generated before changes in working capital		(55,541)	357,307
Changes in assets and liabilities excluding cash:			
Prepaid expenses and other assets		5,621	2,325
Insurance balances receivable		99,329	(316,839)
Reinsurance balances receivable		254,836	560,390
Reinsurers share of unearned premiums		(166,863)	(241,716)
Deferred acquisition expenses		(41,945)	(92,474)
Losses recoverable from reinsurers		(1,361,006)	(34,897)
Funds withheld		(79,405)	(123,627)
Other liabilities		44,814	1,189
Amounts due to related companies		5,163	(400,601)
Insurance balance payable		30,970	(7,279)
Reinsurance balances payable		(47,098)	9,715
Unearned premiums		198,435	299,064
Deferred commission income		35,081	69,277
Outstanding losses and loss expenses		1,482,366	68,541
Net cash flows provided by operating activities		404,757	150,375
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss		(2,302,628)	(2,918,902)
Sale/maturity of financial assets at fair value through profit or loss		2,078,817	2,540,495
Interest received		110,924	90,646
Net cash flows (used in) provided by investing activities		(112,887)	(287,761)
Net increase (decrease) in cash and cash equivalents		291,870	(137,386)
Cash and cash equivalents at beginning of year		3,318,546	3,455,932
Cash and cash equivalents at end of year		$ 3,610,416	$ 3,318,546

See accompanying notes to financial statements

1. General

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

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

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

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

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

2. Basis of preparation

The company presents its assets and liabilities broadly in order of decreasing liquidity. As such the presentation provides information that is reliable and more relevant.

(a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), and their interpretations issued by the International Accounting Standards Board (“IASB”).

The financial statements were authorized for issue by the Board of Directors on April 26,2023.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis, except for financial assets at fair value through profit or loss, and cash equivalents which are stated at fair value.

The methods used to measure fair value are discussed further in Notes 3, 5 and 11.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

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

3. Summary of significant accounting policies

(a) Investments

Investments comprise U.S. Treasury bonds, and corporate bonds.

Investments are accounted for on the trade date (the date the Company enters into a commitment to buy or sell the investment).

The Company classifies its investments as fair value through profit or loss. Management determines the appropriate classification of its investments at the time of purchase.

Investments classified as financial assets at fair value through profit or loss are initially recognised at fair value in the statement of financial position and are subsequently re-measured at fair value based upon market quotations or counterparty prices.

Unrealised and realised gains and losses on financial assets at fair value through profit or loss are included in the determination of net income in the year in which they arise.

(b) Impairment

Financial assets (including receivables)

A financial asset is impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Financial assets carried at amortized cost include Insurance Balances receivable, Reinsurance Balances receivable, Losses Recoverable from reinsurers, and Funds Withheld. Financial liabilities carried at amortized cost are Reinsurance Balances payable, Amounts due to related parties and Insurance Balances payable. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between it is carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Losses are recognised in income or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income or loss in the statement of comprehensive income.

3. Summary of significant accounting policies (continued)

(c) Loss and loss expense reserves

Loss and loss expense reserves represent estimated losses and loss expenses determined from loss reports and individual cases not settled before the year-end together with a provision for losses incurred but not reported comprising actuarially determined estimates based on the claim's histories of the insureds and management's estimate of the Company's ultimate loss exposure. The loss reserves do not include a component for loss adjustment expenses. Loss adjustment expenses relating to the settlement of non-catastrophic claims are the responsibility of Freisenbruch Insurance Services Ltd., the management company of the Company. Loss adjustment expenses relating to catastrophic claims are included in loss reserves when the event has occurred.

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

(d) Insurance contracts

i) Classification

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

ii) Recognition and measurement

Premiums

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

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

iii) Reinsurance contracts held

Contracts entered by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts held. The benefits to which the Company is entitled under its reinsurance contracts are included in losses recoverable from reinsurers.

Amounts recorded as due from reinsurers comprise claims submitted to reinsurers and the reinsured portion of the reserves for losses on policies issued by the Company. The reinsured portion of the reserves for losses is estimated in a manner consistent with the estimation of reserves for losses on the policies issued by the Company.

The Company assesses amounts due from reinsurers for any indication of impairment on a quarterly basis. As of December 31, 2022, management is of the opinion that all amounts due from reinsurers are recoverable and there is no indication of impairment.

Under the terms of the Company's property catastrophe reinsurance program, additional reinsurance premiums are payable to reinstate the limit of coverage, in the event of loss or losses occurring under certain contracts, to its full amount from the time of such loss or losses until the expiration of the contract.

3. Summary of significant accounting policies (continued)

(d) Insurance contracts (continued)

Where this occurs, the reinstatement premiums are recorded as written and are recognised in the statement of comprehensive (loss) income proportionally over the period of coverage.

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

iv) Premiums receivable and payables related to insurance contracts

Premiums receivable and payables are recognised when due. These include amounts due to and from insurance contract holders, brokers and agents. Premiums receivables are assessed for doubtful accounts and impairment.

(e) Commissions, interest, and other expenses

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

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

The Company pays profit commission to the producing agency.

(f) Taxation

Under the laws of Bermuda there are presently no income, withholding or capital gains taxes payable by the Company.

(g) Related parties

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

(h) Provisions

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

(i) Cash and cash equivalents

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

3. Summary of significant accounting policies (continued)

(j) *New Accounting Standards and Interpretations effective after January 1, 2022 and have not yet been adopted by the Company*

In September 2016 the IASB published "Applying IFRS 9, Financial Instruments with IFRS 4, Insurance Contracts" (Amendments to IFRS 4). These amendments address the implications of the different effective dates for initial application of IFRS 9 and IFRS17. Under the so-called deferral approach provided for in the amendments, entities whose predominant activity is issuing insurance and reinsurance contracts within the scope of IFRS 4 are granted an optional temporary exemption from recognising their financial instruments in accordance with IFRS 9 until the recognition of insurance and reinsurance contracts has been finally settled, although this option may not be used after January 1, 2023. The Company qualifies for and has elected to apply the temporary exemption available to companies whose predominant activity is to issue insurance contracts. The exemption lasts until accounting periods beginning on or after January 1, 2023.

(k) *New Accounting Standards and Interpretations effective after January 1, 2022 and have not yet been adopted by the Company* (continued)

On November 19, 2021 the Board of Directors approved the decision to transition the Company's financial reporting framework to U.S. GAAP for the financial year-ended December 31, 2023. The company does not anticipate any material changes arising from the adoption of U.S. GAAP.

4. Underwriting policies and reinsurance agreements

The Company follows the policy of underwriting and reinsuring all contracts of insurance, which limit the retained liability of the Company to a maximum amount of $150,000 (2021 – $150,000) on any one individual loss. The Company also purchases reinsurance to cover losses greater than $300,000 arising from any one catastrophe event. The reinsurance of contracts does not, however, relieve the Company of its primary obligation to the policyholders.

In the event that the reinsurers are unable to meet their obligations under the reinsurance agreements, the Company would also be liable for the reinsured amount. The Company evaluates the financial condition of its reinsurers and monitors the credit risk of the reinsurers to minimize its exposure to significant losses from reinsurer insolvency.

5. Investments

(i) Cash and cash equivalents represent current account, Money Market account and demand deposit balances, with 100% (2021 – 100%) held by a Bermuda-based bank which currently holds a S&P credit rating of BBB+ (2021 – BBB+). The Money Market Fund of $1,143,177 (2021 – $1,128,475) is classified as a Level 1 in the Fair Value hierarchy.

(Expressed in Bermuda Dollars)

5. Investments (continued)

(ii) Financial assets at fair value through profit or loss comprise the following:

	December 31, 2022		December 31, 2021	
	Fair value	Cost	Fair value	Cost
US Treasury bonds	$ 4,681,755	$ 4,982,154	$ 2,628,424	$ 2,679,526
Bermuda Government bonds	-	-	536,953	500,000
Corporate bonds	994,987	1,045,120	2,692,631	2,664,194
Total	$ 5,676,742	$ 6,027,274	$ 5,858,008	$ 5,843,720

The US Treasury bonds have a coupon rate between 0.25% and 3.5% and mature between 2024 and 2030.

For corporate bonds the Company's largest concentration in any one investee is 3.5% of total investments (2021 – 3.29%). The bonds have fixed interest rates between 1.125% and 6.95% and mature between 2023 and 2029.

The investment portfolio is monitored by management and is subject to investment guidelines approved by the Board of Directors. At December 31, 2022, all investments hold credit ratings of BBB or above.

(iii) Fair value of investments

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

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

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

Level 1 – Quoted prices for identical instruments in active markets.

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

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

(Expressed in Bermuda Dollars)

5. Investments (continued)

(iii) Fair value of investments (continued)

Because of the inherent uncertainty in the valuation of these Level 3 investments, fair values of such investments may differ from the values that would have been used had a ready market for these investments existed, and the differences could be material. The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest level input that is significant to the fair value measurement in its entirety.

A review of the fair value hierarchy classifications is conducted on an ongoing basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets and liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the period in which the reclassifications occur.

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

Investments in securities	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
US Treasury bonds	$ 4,681,755	$ –	$ –	$ 4,681,755
Corporate bonds	–	994,987		994,967
Total	$ 4,681,755	$ 994,987	$ –	$ 5,676,742

The following table presents the Company's fair value hierarchy for those assets or liabilities measured at fair value as of December 31, 2021:

Investments in securities	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
US Treasury bonds	$ 2,628,424	$ –	$ –	$ 2,628,424
Bermuda Government bonds	–	536,953	–	536,953
Corporate bonds	–	2,692,631	–	2,692,631
Total	$ 2,628,424	$ 3,229,584	$ –	$ 5,858,008

(iv) Net investment income comprises the following:

	2022	2021
Interest income	$ 110,924	$ 90,646
Net unrealised and realised gains on investments	(405,077)	(142,181)
Total	$ (294,153)	$ (51,535)

(Expressed in Bermuda Dollars)

6. Outstanding losses and loss expenses

Movements in insurance liabilities and reinsurance assets are as follows:

	December 31, 2022			December 31, 2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Loss reserves:						
Notified claims	$ 2,912,840	$ (2,385,005)	$ 527,835	$ 2,757,482	$ (2,285,563)	$ 471,919
Incurred but not reported	1,062,116	(795,071)	267,045	1,148,933	(859,617)	289,316
Total at beginning of year	3,974,956	(3,180,076)	794,880	3,906,415	(3,145,180)	761,235
Movements during the year:						
Claims incurred – current year	4,999,248	(4,001,764)	997,484	2,919,210	(2,253,134)	666,076
Claims incurred – prior year	(394,093)	196,890	(197,203)	(695,656)	528,252	(167,404)
Total claims incurred	4,605,155	(3,804,874)	800,281	2,223,554	(1,724,882)	498,672
Claims settled in the year	3,122,791	(2,443,868)	678,923	2,155,013	(1,689,986)	465,027
Notified claims	4,598,251	(3,898,757)	699,494	2,912,840	(2,385,005)	527,835
Incurred but not reported	859,071	(642,326)	216,745	1,062,116	(795,071)	267,045
Total at end of year	$ 5,457,322	$ (4,541,083)	$ 916,239	$ 3,974,956	$ (3,180,076)	$ 794,880

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

In the current year loss development was fairly stable due to the absence of any large loss events. The prior year incurred losses experienced favorable development mainly attributable to lower expected settlements on the Property and Casualty line of business.

(Expressed in Bermuda Dollars)

6. Outstanding losses and loss expenses (continued)

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

Consequently, the establishment of the provision for outstanding losses and loss expenses relies on the judgment and opinion of a large number of individuals, on historical precedent and trends and on expectations as to future developments. The process of determining the provisions necessarily involves risks that the actual results will deviate, perhaps substantially, from the best estimates made.

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

Reporting year/period ended – gross:	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
At end of reporting year/period	$ 3,747,224	$ 19,132,673	$ 3,024,729	$ 6,946,542	$ 2,909,222	$ 3,058,922	$ 6,727,253	$ 3,499,387	$ 2,919,210	$ 4,999,248	$ 4,999,248
One year later	3,705,345	18,136,429	3,356,509	6,226,672	2,686,349	2,928,854	6,283,339	3,238,330	2,593,740	–	2,593,740
Two year later	3,557,947	17,777,078	3,272,522	6,191,547	2,545,305	2,761,875	6,128,613	3,111,512	–	–	3,111,512
Three years later	3,512,509	17,580,785	3,242,330	6,112,563	2,481,881	2,672,474	6,350,458		–	–	6,350,458
Four years later	3,502,270	17,559,841	3,225,679	6,105,721	2,438,104	2,630,039	–	–	–	–	2,630,039
Five years later	3,497,470	17,525,115	3,189,913	6,033,258	2,437,389	–	–	–	–	–	2,437,389
Six years later	3,525,058	17,515,403	3,183,924	5,985,232	–	–	–	–	–	–	5,985,232
Seven years later	3,447,979	17,450,757	3,116,707	–	–	–	–	–	–	–	3,116,707
Eight years later	3,447,979	17,450,757	–	–	–	–	–	–	–	–	17,450,757
Nine years later	3,444,784	–	–	–	–	–	–	–	–	–	3,444,784
Current estimate of ultimate claims	3,444,784	17,450,757	3,116,707	5,985,232	2,437,389	2,630,039	6,350,458	3,111,512	2,593,740	4,999,248	52,119,866
Cumulative payments to date	3,444,782	17,450,757	2,437,175	5,949,233	2,393,397	2,356,592	5,745,485	2,862,213	1,951,871	2,102,600	46,694,105
Reserve for accident years prior to 2013											31,560
Liability recognised in the statement of financial position											$ 5,457,322

(Expressed in Bermuda Dollars)

6. Outstanding losses and loss expenses (continued)

Reporting year/period ended – Net:	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
At the end of reporting year/period	850,581	1,789,497	712,137	1,315,573	662,783	689,715	1,116,672	716,067	666,076	997,485	997,485
One year later	780,383	1,692,350	631,017	1,156,930	603,356	655,278	1,071,982	647,682	559,830	–	559,830
Two years later	744,055	1,647,439	612,876	1,133,345	569,130	607,809	1,046,687	618,242	–	–	618,242
Three years later	732,799	1,617,231	607,209	1,114,019	556,328	586,682	1,027,042	–	–	–	1,027,042
Four years later	730,240	1,614,752	607,954	1,113,609	545,383	578,434	–	–	–	–	578,434
Five years later	729,040	1,606,071	598,657	1,097,538	545,205	–	–	–	–	–	545,205
Six years later	735,936	1,603,643	592,050	1,085,532	–	–	–	–	–	–	1,085,532
Seven years later	716,666	1,587,481	592,050	–	–	–	–	–	–	–	592,050
Eight years later	716,666	1,587,481	–	–	–	–	–	–	–	–	1,587,481
Nine years later	715,868	–	–	–	–	–	–	–	–	–	715,868
Current estimate of ultimate claims	715,868	1,587,481	592,050	1,085,532	545,205	578,434	1,027,042	618,242	559,830	997,485	8,307,169
Cumulative payments to date	715,868	1,587,481	542,597	1,082,832	534,207	513,921	949,001	557,450	456,492	456,940	7,396,789
Reserve for accident years prior to 2013											5,859
Liability recognised in the statement of financial position											$ 916,239

(Expressed in Bermuda Dollars)

7. Related party transactions

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

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

The amounts due to and from companies related through common control are unsecured, repayable on demand and bear interest at 0% (2021 – 0%) per annum.

	2022 Asset (liability)	2021 Asset (liability)
Due from (to) related parties		
Insurance balances receivable	$ 252,561	$ 351,890
Reinsurance balances receivable	244,237	548,636
Reinsurers share of unearned premiums	6,414,749	6,320,031
Deferred acquisition expenses	3,073,105	3,031,160
Losses recoverable from reinsurers	3,120,411	2,292,049
Funds withheld	4,719,398	4,639,993
Deferred commission income	(2,373,457)	(2,338,412)
Amounts due to related companies	(64,960)	(59,797)

(b) In the normal course of business, the Company conducts business with several related companies under common control. The income and expenses for the years ending December 31, 2022 and 2021 arising from transactions with these companies not disclosed elsewhere, are included in the following balances listed below.

	2022 Income (expense)	2021 Income (expense)
Premiums written	$ 171,392	$ 170,058
Reinsurance premiums ceded	(13,966,328)	(13,777,587)
Change in prepaid reinsurance premiums	(94,718)	(172,041)
Commission expense	(6,360,115)	(6,208,749)
Commission income	4,826,179	4,748,397
Claims paid	(2,036,771)	(1,350,639)
Claims recovered or recoverable from reinsurers	(3,018,993)	(1,373,304)
General and administrative expenses	(125,000)	(125,000)

(c) Related party risks written by the Company are at standard commercial rates and are subject to the normal reinsurance protections purchased by the Company. Included in insurance balances receivable are premiums of $39,838 (2021 – $37,577) due from related companies.

(Expressed in Bermuda Dollars)

8. Share capital

	2022	2021
Authorized, issued and fully paid share capital of par value US$1 each:		
5,000,000 (2021 – 5,000,000) ordinary shares	$ 5,000,000	$ 5,000,000

9. General and administrative expenses

	2022	2021
General and administrative expenses	$ 2,700	$ 2,040
Internal audit	7,500	6,000
Advertising	135,314	121,444
Professional and legal fees	133,790	128,797
Management fees	125,000	125,000
Licenses and government fees	83,885	89,478
Professional liability insurance	21,056	22,772
Total general and administration expenses	$ 509,245	$ 495,531

10. Statutory requirements

The Company must at all times maintain a solvency margin and an enhanced capital requirement in accordance with the provisions of the Insurance Act, 1978 of Bermuda.

Each year the Company is required to file with the Bermuda Monetary Authority (the “Authority”) a capital and solvency return within four months of its relevant financial year end (unless specifically extended).

The prescribed form of capital and solvency return comprises the Company’s Bermuda Solvency Capital Requirement (“BSCR”) model, a schedule of fixed income investments by rating category, a schedule of net loss and loss expense provision by line of business, a schedule of premiums written by line of business, a schedule of risk management and a schedule of fixed income securities.

As a Class 3A insurer, the Company is required to maintain available statutory capital and surplus in an amount that is equal to or exceeds the target capital levels based on enhanced capital requirements (“ECR”) calculated using the BSCR model. The BSCR model is a risk-based capital model introduced by the Authority that measurers risk and determines ECR and a target capital level (defined as 120% of the ECR) based on the Company’s statutory financial statements. In circumstances where the Authority concludes that the Company’s risk profile deviates significantly from the assumptions underlying the ECR or the Company’s assessment of its management policies and practices, it may issue an order requiring that the Company adjust its ECR.

During the year ended and as of December 31, 2022, Freisenbruch Insurance Limited met the target capital level required under the BSCR.

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

(Expressed in Bermuda Dollars)

10. Statutory requirements (continued)

The Company is required by its license to maintain capital and surplus greater than a minimum statutory amount. At December 31, 2022 the Company is required to maintain a minimum statutory capital and surplus of $1,000,000 (2021 – $1,000,000). Actual statutory capital and surplus excluding long-term business share capital is $10,999,759 (2021 – $11,348,330), calculated as follows:

Statutory capital and surplus comprises:

Shareholders' equity	$ 11,266,865
Less non-admitted assets:	
Prepaid expenses	17,106
Long-term business share capital	250,000
Statutory capital and surplus	$ 10,999,759

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

At December 31, 2022, the Company was required to maintain relevant assets of at least $4,643,899 (2021 – $4,542,482). At that date, relevant assets were $14,118,519 (2021 – $14,373,812) and the minimum liquidity ratio was therefore met.

11. Risk management and financial instruments

The activities of the Company involve the use of insurance contracts and financial instruments. As such, the Company is exposed to insurance risks and financial risks. This note presents information about the Company's exposure to each of the above risks, the objectives, policies, and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Investment Committee, the Risk Management Committee, the Audit Committee, and the Reinsurance Committee which along with the President of the Company are responsible for developing and monitoring the Company's risk management policies. The committees and President report regularly to the Board of Directors on their activities.

The risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee of the Company has agreed upon terms of reference and assists the Board in fulfilling its oversight responsibilities relating to the financial reporting process, internal accounting and financial controls, audit and risk review process, risk assessment and risk management and compliance with legal and regulatory requirements. All the above sub-committees established by the Board will meet at least four times per annum and report to the Board on their performance with respect to their respective terms of reference.

The principles used by the Company in managing its insurance risks are set out below.

11. Risk management and financial instruments (continued)

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random and the actual number and number of claims will vary from year to year from the level established using statistical techniques.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. The Company ensures the risks of individuals located in Bermuda therefore there is no diversification of geographic risk. There is a concentration of industry risk which is managed through its underwriting strategy and reinsurance arrangements. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

As outlined in Note 1 to the financial statements, the Company uses reinsurance to manage its insurance risk.

The following factors are likely to affect the sensitivity of the Company's reserves:

- changes to the loss ratios for the underlying business
- changes to the reporting pattern of losses
- changes to the severity of losses

The Company predominantly funds its net insurance liabilities (net of reinsurance recoveries) through its cash and in the normal course of its operations. In the event of a catastrophe, the net insurance liabilities may require to be funded through the disposal of the Company's portfolio of investments.

The mean duration of liabilities is calculated using historical claims data to determine the expected settlement pattern for claims arising from insurance contracts in force at the statement of financial position date (both incurred claims and future claims arising from the unexpired risks at the statement of financial position date). The mean durations are:

	December 31, 2022	December 31, 2021
Net short-term insurance liabilities – property risk	3 months to 3 yrs	3 months to 3 yrs.
Net short-term insurance liabilities – casualty risk	3 months to 8 yrs	3 months to 8 yrs.

Short-term insurance liabilities are estimated using standard actuarial claims projection techniques. These methods extrapolate the claims development for each underwriting year based on the observed development of earlier years. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historic claims development on which the projections are based.

As such, the sensitivity of short-term insurance liabilities is based on the financial impact of changes to the reported loss ratio.

(Expressed in Bermuda Dollars)

11. Risk management and financial instruments (continued)

Insurance risk (continued)

The sensitivity analyses below are based on a change in one assumption while holding all other assumptions constant.

Sensitivity factor	Description of sensitivity factor applied
Expenses	The impact of a change in underwriting expenses by 5%
Loss ratios	the impact of a change in loss ratios by 5%

	Underwriting expenses +5%	Underwriting expenses -5%	Loss ratios +5%	Loss ratios -5%
	Increase/ (Decrease)			
On December 31, 2022				
Impact on profit*	$ (108,358)	$ 108,358	$ (145,595)	$ 145,595
Impact on shareholders' equity*	(108,358)	108,358	(145,595)	145,595
At December 31, 2021				
Impact on profit*	$ (101,794)	$ 101,794	$ (144,593)	$ 144,593
Impact on shareholders' equity*	(101,794)	101,794	(144,593)	144,593

* Net of reinsurance

Financial risk

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The nature and extent of the financial instruments outstanding at the statement of financial position date and the risk management policies of the Company are discussed below.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered with the Company. The Company's maximum credit risk exposure is the carrying value of assets less any provisions for irrecoverable amounts. The Company is exposed to credit risk in the following areas:

Cash and investments

Investment asset allocation is determined by the Company's investment manager who manages the distribution of the assets to achieve the Company's investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Company's Board of Directors. Details of concentrations of cash and cash equivalents and investments are disclosed in Note 5.

Insurance balances receivable

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

As of December 31, 2022, all receivables due to the Company were from related companies. Management is of the opinion that this concentration will not have a significant impact on the Company's financial condition.

(Expressed in Bermuda Dollars)

11. Risk management and financial instruments (continued)

Credit risk (continued)

Due from reinsurers

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of its reinsurers to minimize the exposure to significant losses from reinsurer insolvencies. On December 31, 2022, losses recoverable from reinsurers were due from nine reinsurers who all have an AM Best rating of at least A-.

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

Amounts due from reinsurers are assessed regularly for any indication of impairment. On December 31, 2022, there is no significant credit risk associated with any of the Company's reinsurers.

Related party and other receivables

Amounts due from related parties and other receivables are assessed and monitored monthly for any indication of impairment. As of December 31, 2022, $10,477,057 (2021 – $9,851,477) of amounts due from related parties was due from Chubb Bermuda Insurance Limited representing 68% (2021 – 67%) of total amounts due from related parties. As of December 31, 2022, all amounts are collectible.

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

	Insurance balances receivable	Reinsurance balances receivable	Recoverable from reinsurers	Funds withheld	Total Receivables
Installments not currently due					
Up to 30 days	$ 252,561	$ 271,784	$ 4,541,083	$ 4,719,398	$ 9,784,826
31 – 60 days	–	–	–	–	–
61 – 90 days	–	–	–	–	–
Over 90 days	–	–	–	–	–
Total	$ 252,561	$ 271,784	$ 4,541,083	$ 4,719,398	$ 9,784,826

The following table analyses the aging of the Company's receivables as of December 31, 2021:

	Insurance balances receivable	Reinsurance balances receivable	Recoverable from reinsurers	Funds withheld	Total Receivables
Installments not currently due					
Up to 30 days	$ 35,577	$ 581,303	$ 3,180,077	$ 4,639,993	$ 8,436,950
31 – 60 days	–	–	–	–	–
61 – 90 days	–	–	–	–	–
Over 90 days	–	–	–	–	–
Total	$ 35,577	$ 581,303	$ 3,180,077	$ 4,639,993	$ 8,436,950

(Expressed in Bermuda Dollars)

11. Risk management and financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company is exposed to daily calls on its available cash resources for the payment of claims and operating expenses. To manage liquidity, management seeks to maintain levels of cash and short-term deposits sufficient to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following summarizes the expected recovery or settlement of other assets held (within 12 months from the statement of financial position date) and the maturity profile of the Company's liabilities relating to financial instruments and insurance contracts: current

	December 31, 2022,			December 31, 2021		
	Within 12 months	Beyond 12 months	Total	Within 12 months	Beyond 12 months	Total
Financial assets						
Cash and cash equivalents	$ 3,610,416	$ –	$ 3,610,416	$ 3,318,546	$ –	$ 3,318,546
Financial assets at fair value through profit or loss	199,271	5,477,471	5,676,742	826,175	5,031,833	5,858,008
Insurance balances receivable	252,561	–	252,561	35,577	–	35,577
Reinsurance balances receivable	271,784	–	271,784	581,303	–	581,303
Funds withheld	4,719,398	–	4,719,398	4,639,993	–	4,639,993
Losses recoverable from reinsurers	2,318,120	2,222,963	4,541,083	1,366,869	1,813,207	3,180,077
Total	$ 11,371,550	$ 7,700,434	$ 19,071,984	$ 10,768,464	$ 6,845,040	$17,613,504
Financial liabilities						
Outstanding losses and loss expenses	$ 2,839,731	$ 2,617,591	$ 5,457,322	$ 1,756,181	$ 2,218,775	$ 3,974,956
Reinsurance balances payable	517,153	–	517,153	618,934	–	618,934
Amounts due to related companies	64,960	–	64,960	59,797	–	59,797
Insurance balances payable	145,486	–	145,486	114,516	–	114,516
Other liabilities	127,479	–	127,479	82,665	–	82,665
Total	$ 3,694,809	$ 2,617,591	$ 6,312,400	$ 2,632,093	$ 2,218,775	$ 4,850,868
Liquidity margin	$ 7,676,741	$ 5,082,843	$ 12,759,584	$ 8,136,371	$ 4,626,265	$ 12,762,636

11. Risk management and financial instruments (continued)

Market risk

Market risk is the risk that changes in market prices such as interest rates and foreign exchange rates will affect the value of the Company's assets, the amount of its liabilities and or the Company's income. The Company currently has no significant exposure to market risk.

Interest-rate risk

The Company invests in US Treasury bonds and corporate bonds, the fair values of which are affected by changes in interest rates. The coupon rates associated with the U.S. Treasury and corporate bonds held by the Company are disclosed in Note 5(ii).

Sensitivity analysis on interest rates has not been performed given the low rates earned on a relatively small portfolio, any change in the rates would not have a material impact on the financial statements.

Currency risk

Most the Company's financial assets and liabilities are denominated in Bermuda dollars therefore the Company is not exposed to significant currency risk.

Limitations of sensitivity analysis

The sensitivity information included in this note demonstrates the estimated impact of a change in a major input assumption while other assumptions remain unchanged. There are normally significant levels of correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results. Furthermore, estimates of sensitivity may become less reliable in unusual market conditions such as instances when risk free interest rates fall towards zero.

12. Capital management

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

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

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

13. Deferred acquisition expenses

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

	2022	2021
Balance on January 1,	$ 3,031,160	$ 2,938,686
Recognised deferred acquisition costs	6,462,462	6,338,695
Amortization charge through income	(6,420,517)	(6,246,221)
Balance at December 31,	$ 3,073,105	$ 3,031,160