



## Independent auditor's report

To the Board of Directors of Augmented Re Ltd.

### Our opinion

In our opinion, the condensed financial statements of Augmented Re Ltd. (the Company) are prepared, in all material respects, in accordance 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').

### What we have audited

The Company's condensed financial statements comprise:

- the condensed balance sheet as at December 31, 2022;
- the condensed statement of income for the period then ended;
- the condensed statement of capital and surplus as at December 31, 2022; and
- the notes to the condensed financial statements, which include significant accounting policies and other explanatory information.

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### 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 condensed financial statements* section of our report.

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

### Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the condensed financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

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### Emphasis of matter – basis of accounting

Without modifying our opinion, we note that the condensed financial statements have been prepared in accordance with the financial reporting provisions of the Legislation. The accounting policies used and the disclosures made are not intended to, and do not, comply with all of the requirements of FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts".



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## **Responsibilities of management for the condensed financial statements**

Management is responsible for the preparation of the condensed financial statements in accordance with the financial reporting provisions of the Legislation, and for such internal control as management determines is necessary to enable the preparation of condensed financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed 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.

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## **Auditor's responsibilities for the audit of the condensed financial statements**

Our objectives are to obtain reasonable assurance about whether the condensed 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 condensed 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 condensed 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 condensed 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.



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.

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*PricewaterhouseCoopers Ltd.*

**Chartered Professional Accountants**  
Hamilton, Bermuda

April 27, 2023

**CONDENSED BALANCE SHEET****Augmented Re Ltd.**

As at

**December 31, 2022**

expressed in ['000s]

**United States Dollars****LINE No.****2022**

1. CASH AND CASH EQUIVALENTS

28,426

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

-

-

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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

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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

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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

5,392

5,392

11. REINSURANCE BALANCES RECEIVABLE:

(a) Foreign affiliates

(b)	Domestic affiliates	
(c)	Pools & associations	
(d)	All other insurers	
(e)	Total reinsurance balance receivable	-
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	
(d)	Segregated accounts companies - general business	
(e)	Deposit assets	
(f)	Deferred acquisition costs	205
(g)	Net receivables for investments sold	
(h)	Other Sundry Assets (Specify)	
(i)	Other Sundry Assets (Specify)	
(j)	Other Sundry Assets (Specify)	
(k)	Total sundry assets	205
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	34,023
TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS		
16.	UNEARNED PREMIUM RESERVE	
(a)	Gross unearned premium reserves	4,188
(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	4,188
17.	LOSS AND LOSS EXPENSE PROVISIONS:	
(a)	Gross loss and loss expense provisions	2,070
(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	2,070
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES	
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	6,258
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	
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)	<b>Total Net Long-Term Business Insurance Reserves</b>	-
	<b>OTHER LIABILITIES</b>	
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE	350
30.	LOANS AND NOTES PAYABLE	
31.	(a) INCOME TAXES PAYABLE	
	(b) DEFERRED INCOME TAXES	
32.	AMOUNTS DUE TO AFFILIATES	1,569
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	70
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:	
35.	DIVIDENDS PAYABLE	
36.	SUNDRY LIABILITIES:	
(a)	Derivative instruments	
(b)	Segregated accounts companies	
(c)	Deposit liabilities	
(d)	Net payable for investments purchased	
(e)		
(f)	Other sundry liabilities (specify)	
(g)	Other sundry liabilities (specify)	
(h)	Total sundry liabilities	-
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	1,989
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	8,247
	<b>CAPITAL AND SURPLUS</b>	
40.	TOTAL CAPITAL AND SURPLUS	25,776
41.	TOTAL	34,023
		<b>TRUE</b>
		-

CONDENSED STATEMENT OF INCOME

Augmented Re Ltd.

For the period  
expressed in ['000s]

February 10 2022 to December 31 2022  
United States Dollars

LINE No.

2022

GENERAL BUSINESS UNDERWRITING INCOME

1.	GROSS PREMIUMS WRITTEN	
	(a) Direct gross premiums written	
	(b) Assumed gross premiums written	7,306
	(c) Total gross premiums written	7,306
2.	REINSURANCE PREMIUMS CEDED	
3.	NET PREMIUMS WRITTEN	7,306
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	(4,188)
5.	NET PREMIUMS EARNED	3,118
6.	OTHER INSURANCE INCOME	
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	3,118

GENERAL BUSINESS UNDERWRITING EXPENSES

8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	2,070
9.	COMMISSIONS AND BROKERAGE	145
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	2,215
11.	NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS	903

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	-
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.	<b>NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS</b>	-
29.	<b>COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS</b>	903
	<b>UNDERNOTED ITEMS</b>	
30.	COMBINED OPERATING EXPENSE	
	(a) General and administration	127
	(b) Personnel cost	
	(c) Other	
	(d) Total combined operating expenses	127
31.	COMBINED INVESTMENT INCOME - NET	
32.	COMBINED OTHER INCOME (DEDUCTIONS)	
33.	COMBINED INCOME BEFORE TAXES	776
34.	COMBINED INCOME TAXES (IF APPLICABLE):	
	(a) Current	
	(b) Deferred	
	(c) Total	-
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	776
36.	COMBINED REALIZED GAINS (LOSSES)	
37.	COMBINED INTEREST CHARGES	
38.	NET INCOME	776



CONDENSED STATEMENT OF CAPITAL AND SURPLUS

Augmented Re Ltd.

As at

expressed in ['000s]

December 31, 2022

United States Dollars

LINE No.

2022

1.

CAPITAL:

(a)

Capital Stock

(i) Common Shares

120

authorized 120,000 shares of par  
value \$ 1.000 each issued and  
fully paid shares

(ii)

(A) Preferred shares:

authorized shares of par  
value each issued and  
fully paid shares  
aggregate liquidation value for —

2022

2021

(B) Preferred shares issued by a subsidiary:

authorized shares of par  
value each issued and  
fully paid shares  
aggregate liquidation value for —

2022

2021

(iii) Treasury Shares

repurchased shares of par  
value each issued

(b)

Contributed surplus

24,880

(c)

Any other fixed capital

(i) Hybrid capital instruments

(ii) Guarantees and others

(iii) Total any other fixed capital

-

(d)

Total Capital

25,000

2.

SURPLUS:

(a)

Surplus - Beginning of Year

(b)

Add: Income for the year

776

(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

776

3.

MINORITY INTEREST

4.

TOTAL CAPITAL AND SURPLUS

25,776

## NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

### GENERAL

1. Augmented Re Ltd. (the “Company”) was incorporated on 10<sup>th</sup> February 2022 and registered effective 19<sup>th</sup> April 2022 as a Class 3A insurer under the Insurance Act 1978, as amended. The Company is wholly owned by Envelop Bermuda Holdings Ltd. (“EBHL”), a Bermuda limited liability company formed in 2022. The ultimate parent is Envelop Risk Analytics Ltd (UK).
2. The Company provides reinsurance via a quota share contract for cyber risks assumed by MS Amlin AG (Bermuda branch). The Company’s affiliate, Envelop Risk (Bermuda) Ltd., acts as insurance agent for the cyber risks assumed by the cedant.
3. The Company’s 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 the Financial Reporting Standard applicable in the UK and the Republic of Ireland (“FRS 102”) and Insurance Contracts (“FRS 103”) but are in accordance with the reporting requirements of the Legislation, which varies in certain respects from FRS 102 and FRS 103. 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 FRS 102 and FRS 103; 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 FRS 102 and FRS 103.
4. Significant accounting policies

The preparation of financial statements requires management to make estimates and assumptions that affect the amount of reported assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates reflected in the Company’s financial statements include, but are not limited to, net loss and loss expense provisions.

#### (a) *Premiums and related acquisition costs*

Premiums written are recorded at the inception of the policy. Premiums are estimated based on information received from brokers, ceding companies and reinsured parties, and any subsequent differences arising on such estimates are recorded in the periods in which they are determined.

For losses occurring reinsurance contracts, the earnings period is generally the same as the term of the related contract or policy. For reinsurance contracts written on a risks attaching basis, the earnings period is based on the terms of the underlying contracts and policies and is generally 24

months. The portion of the premiums written applicable to the unexpired terms of the underlying contracts and policies in force is recorded as unearned premiums.

Insurance and reinsurance premiums are recorded on the accruals basis and are included in income on a pro-rata basis over the terms of the underlying contracts assumed, with the unearned portion deferred in the balance sheet. Unearned premiums represent the amounts of premiums applicable to the unexpired terms of the underlying contracts.

Acquisition costs incurred as part of securing premiums via reinsurance agreements are incurred upfront but deferred over the life of the related policy under the same method in which the related premium is earned.

(b) *Incurred but not reported reserves, outstanding loss reserves and loss expenses*

Losses and loss expenses paid are recorded when advised by the ceding insurance companies. Outstanding loss estimates comprise the amount of reported losses and loss expenses received from cedants plus a provision for losses incurred but not yet reported (“IBNR”).

IBNR reserves are estimated by management using various actuarial methods, output from various industry loss models, industry loss experience, underwriters’ experience, general market trends and management’s judgement.

These estimates are continually reviewed and are subject to the impact of future changes in such factors as claim severity and frequency. While management believes that the amount is adequate, the ultimate liability may be materially in excess of, or less than, the amounts provided and any adjustment will be reflected in the periods in which they become known.

(c) *Cash and Cash Equivalents*

Cash and cash equivalents include cash on deposits with banks and restricted cash held by Lloyd’s of London pursuant to reinsurance agreements.

(d) *Income Taxes*

Under current Bermuda law the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being imposed the Company will be exempted from taxation until the year 2035.

5. The basis for recognition of premium income is as noted in 4(a) above. Commission income is recorded on the accruals basis and included in income on a pro-rated basis over the period in which the related premiums are earned.
6. The Company's functional currency has been determined to be in USD. Foreign currency monetary items are subsequently translated in the functional currency at the exchange rate applicable at the end of the reporting period. Non-monetary items are carried at the historic rate and non-monetary items measured at fair value are translated at the rate of the date when the fair value is re-measured.

7-14. Not Applicable

#### 15. Related Party Transactions

During the period, an affiliate company, Envelop Risk (Bermuda) Ltd., settled some legal, professional and regulatory fees on behalf of the Company, totaling USD 56k.

In addition, during the period the ultimate holding company, Envelop Risk Analytics Ltd (UK), transferred USD 1,512k to the Company for use as held funds to engage in reinsurance activities in 2023. These transactions appear as amounts due to affiliates in the condensed balance sheet as a total of USD 1,569k .

The premium assumed from the cedant under the quota share arrangement are assumed by the cedant via the Company's affiliate Envelop Risk (Bermuda) Ltd. who acts as insurance agent for the cedant.

16. Not applicable

17. Not applicable

## PART II - Notes to the Statement of Capital and Surplus

- 1 (a). Common stock, authorized, issued and fully paid – 120,000 shares of par value \$1 each.
- 1 (b). Contributed surplus represents amounts contributed by its parent company, Envelop Bermuda Holdings Ltd in cash in addition to their subscription to issued share capital.
- 2 (c). In 2022, the Company declared and paid \$ nil in dividends.

## Part III - Notes to the Balance Sheet

1. Cash – Encumbered cash is as follows: (i) \$20,000k is held in a bank account and facilitates the Company's reinsurance business with MS Amlin AG (Bermuda branch), (ii) \$1,470k is on deposit with Lloyd's of London.

2 - 9 N/A

10. Premiums Receivables arising from the reinsurance agreement in the amount of \$5,392k are due from MS Amlin, the reinsured.

11-12 N/A

13. Deferred acquisition costs in the amount of \$205k represent acquisition costs incurred upfront in acquiring reinsurance business and subsequently deferred on a similar basis to which the related premium are earned, over the policy period of the reinsurance agreement.

14. N/A

17. Loss and Loss Expense Provisions:

General Business:

	\$000
Gross Loss and Loss Expense Provisions at 10 <sup>th</sup> February 2022	-
Net losses incurred and net loss expenses incurred related to:	
Current year	2 070
Prior years	-
Total net incurred losses & loss expenses	2 070
Net losses incurred and net loss expenses paid or payable related to:	
Current year	-
Prior years	-
Total losses & loss expenses paid or payable	-
Foreign exchange and other	-
Net loss and loss expense provisions at end of year	2 070
Add: Reinsurance recoverable at end of year	-
Gross Loss and Loss Expense Provisions at 31 <sup>st</sup> December 2022	2,070

20-28 N/A

29. Commission expense payable represents a 3.50% overriding commission allowed to the Reinsured , calculated on Gross Written Premium and amounting to \$350k of which \$145k was expensed in the period.

30-31 N/A

32 Amounts due to affiliates are outstanding at the period end and attract no interest or penalties beyond this date. There are no collateral requirements for debt incurred and owing to affiliates.

33. Accounts Payable represent fees payable to the Company's insurance manager and principal representative, Artex Risk Solutions (Bermuda), Limited for services relating to incorporation and ongoing facilitation of the company's operations.

34-37 N/A

#### Part IV - Notes to the Statement of Income

6. N/A

15. N/A

32. NA

36. NA