

ELECTRA INSURANCE LIMITED  
CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS  
31 DECEMBER 2022

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors,  
Electra Insurance Limited

### Opinions

We have audited the accompanying condensed financial statements of Electra Insurance Limited (the "Company"), which comprise the condensed balance sheet and condensed statement of capital and surplus as of December 31, 2022, and the related condensed statement of income for the year then ended, including the related notes (collectively referred to as the "condensed financial statements").

### Unmodified opinion on regulatory basis of accounting

In our opinion, the accompanying condensed financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations for the year then ended 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").

### Adverse opinion on U.S. generally accepted accounting principles

In our opinion, because of the significance of the matter discussed in the Basis for adverse opinion on U.S. generally accepted accounting principles section of our report, the accompanying condensed financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2022, or the results of its operations for the year then ended.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the condensed financial statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Basis for adverse opinion on U.S. generally accepted accounting principles

As described in Note 3 to the condensed financial statements, the condensed financial statements are prepared by the Company on the basis of the financial reporting provisions of the Legislation, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Bermuda Monetary Authority.

The effects on the condensed financial statements of the variances between the regulatory basis of accounting described in Note 3 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

## INDEPENDENT AUDITORS' REPORT *(continued)*

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

Management is responsible for the preparation and fair presentation of the condensed financial statements in accordance with the financial reporting provisions of the Legislation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the condensed financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the condensed financial statements are available to be issued.

### **Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the condensed financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the condensed financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the condensed financial statements.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the condensed financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Chartered Professional Accountants  
Hamilton, Bermuda  
April 24, 2023

*Independent auditors' report on the Condensed Financial Statements of Electra Insurance Limited as of and for the year ended December 31, 2022*

# CONDENSED BALANCE SHEET

Electra Insurance Limited

As at

31 December 2022

expressed in ['000s]

United Kingdom Pounds

| STMT.<br>LINE No. |   | General & Long-Term Business |                                  |
|-------------------|---|------------------------------|----------------------------------|
|                   |   | Consolidated                 |                                  |
|                   |   | 2022<br>(('000s))            | 2021<br>(('000s))<br>(UNAUDITED) |
| 1.                | CASH AND CASH EQUIVALENTS                                       | 34,680                       | 14,400                           |
| 2.                | QUOTED INVESTMENTS:   |                              |                                  |
| (a)               | Bonds and Debentures  |                              |                                  |
|                   | i. Held to maturity   | -                            | -                                |
|                   | ii. Other   | -                            | 13,511                           |
| (b)               | Total Bonds and Debentures                                      | -                            | 13,511                           |
| (c)               | Equities  |                              |                                  |
|                   | i. Common stocks  | -                            | -                                |
|                   | ii. Preferred stocks  | -                            | -                                |
|                   | iii. Mutual Funds   | -                            | 3,761                            |
| (d)               | Total equity investments  | -                            | 3,761                            |
| (e)               | Other quoted investments  | -                            | -                                |
| (f)               | Total quoted investments  | -                            | 17,272                           |
| 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 equity investments  | -                            | -                                |
| (e)               | Other unquoted investments                                      | -                            | -                                |
| (f)               | Total unquoted investments                                      | -                            | -                                |
| 4.                | INVESTMENTS IN AND ADVANCES TO AFFILIATES (EQUITY METHOD):      |                              |                                  |
| (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 (equity method)                 | -                            | -                                |
| (g)               | Advances to affiliates  | -                            | -                                |
| (h)               | Total investments in and advances to affiliates (equity method) | -                            | -                                |
| 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                                       | -      | 68     |
| 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  | 4,038  | 1,700  |
| (e)   | Total reinsurance balances receivable                                   | 4,038  | 1,700  |
| 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 - others             | -      | -      |
| (d)   | Segregated accounts companies - general business                        | -      | -      |
| (e)   | Deposit assets  | -      | -      |
| (f)   | Deferred acquisition costs  | -      | -      |
| (g)   | Net receivables for investments sold                                    | -      | -      |
| (h)   | ESCROW CASH   | 2,318  | 2,686  |
| (i)   | EIROS receivable  | -      | -      |
| (j)   | Other Sundry Assets (Specify)   | -      | -      |
| (k)   | Total sundry assets   | 2,318  | 2,686  |
| 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   | 41,037 | 36,127 |
| INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS |   |        |        |
| INSURANCE RESERVES  |   |        |        |
| 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 reserves   | -      | -      |

|  |   |        |        |
|--|---|--------|--------|
| 17.  | LOSS AND LOSS EXPENSE PROVISIONS:                 |        |        |
| (a)  | Gross loss and loss expense provisions            | 22,454 | 24,300 |
| (b)  | Less : Reinsurance recoverable balance            |        |        |
|  | i. Foreign affiliates                             | -      | -      |
|  | ii. Domestic affiliates                           | -      | -      |
|  | iii. Pools & associations                         | -      | -      |
|  | iv. All other insurers                            | -      | -      |
| (c)  | Total reinsurance recoverable balance             | -      | -      |
| (d)  | Net loss and loss expense provisions              | 22,454 | 24,300 |
| 18.  | OTHER INSURANCE RESERVES                          | -      | -      |
| 19.  | TOTAL GENERAL BUSINESS - INSURANCE RESERVES       | 22,454 | 24,300 |
| <b>LONG-TERM BUSINESS INSURANCE RESERVES</b> |   |        |        |
| 20   | RESERVES FOR REPORTED CLAIMS                      | -      | -      |
| 21   | RESERVES FOR UNREPORTED CLAIMS                    | -      | -      |
| 22   | POLICY RESERVES - LIFE                            | -      | -      |
| 23   | POLICY RESERVES - ACCIDENT AND HEALTH             | -      | -      |
| 24   | POLICYHOLDER'S FUNDS ON DEPOSIT                   | -      | -      |
| 25   | LIABILITY FOR FUTURE POLICYHOLDER 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:            |        |        |
|  | (i) Foreign Affiliates                            | -      | -      |
|  | (ii) Domestic Affiliates                          | -      | -      |
|  | (iii) Pools and Associations                      | -      | -      |
|  | (iv) All Other Insurers                           | -      | -      |
| (c)  | Total Reinsurance Recoverable Balance             | -      | -      |
| (d)  | <b>Net Long-Term Business Insurance Reserves</b>  | -      | -      |
| <b>OTHER LIABILITIES</b>                     |   |        |        |
| 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          | 75     | 121    |
| 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) | Other sundry liabilities (specify)                        | -      | -      |
| (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                                   | 75     | 121    |
| 39. | TOTAL INSURANCE PROVISIONS AND OTHER LIABILITIES          | 22,529 | 24,421 |
|     | <b>STATUTORY CAPITAL AND SURPLUS</b>                      |        |        |
| 40. | TOTAL STATUTORY CAPITAL AND SURPLUS                       | 18,507 | 11,706 |
| 41. | TOTAL   | 41,036 | 36,127 |
|     |   | TRUE   | TRUE   |
|     | Difference  | -      | -      |

# CONDENSED STATEMENT OF INCOME

Electra Insurance Limited

For the year ending  
expressed in ['000s]

31 December 2022  
United Kingdom Pounds

STMT.  
LINE No.

| General and Long-Term Business |         |
|--------------------------------|---------|
| Consolidated                   |         |
| 2022                           | 2021    |
| ('000s)                        | ('000s) |
| (UNAUDITED)                    |         |

## 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                   | - | 1,700 |
| 7. |  | - | 1,700 |

## GENERAL BUSINESS UNDERWRITING EXPENSES

|     |  |         |         |
|-----|--|---------|---------|
| 8.  | NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED | (4,370) | (2,901) |
| 9.  | COMMISSIONS AND BROKERAGE                          | -       | -       |
| 10. |  | (4,370) | (2,901) |
| 11. | NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS  | 4,370   | 4,601   |

## LONG-TERM BUSINESS UNDERWRITING 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. |   | - | - |

## 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. |  | -     | -     |
| 26. | INCREASE (DECREASE) IN POLICY RESERVES:                                    |       |       |
|     | (a) Life   | -     | -     |
|     | (b) Annuities  | -     | -     |
|     | (c) Accident and health  | -     | -     |
|     | (d) Total increase (decrease) in policy reserves                           | -     | -     |
| 27. |  | -     | -     |
| 28. | <b>NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS</b>                 | -     | -     |
| 29. | <b>COMBINED NET UNDERWRITING PROFIT (LOSS) BEFORE THE UNDERNOTED ITEMS</b> | 4,370 | 4,601 |
|     | <b>UNDERNOTED ITEMS</b>  |       |       |
| 30. | COMBINED OPERATING EXPENSES:   |       |       |
|     | (a) General and administrative   | 418   | 231   |
|     | (b) Personnel Costs  | -     | -     |
|     | (c) Other  | -     | -     |
|     | (d) Total combined operating expenses                                      | 418   | 231   |
| 31. | COMBINED INVESTMENT INCOME - NET   | 323   | 35    |
| 32. | COMBINED OTHER INCOME (DEDUCTIONS)   | 4     | 0     |
| 33. | COMBINED INCOME BEFORE TAXES   | 4,279 | 4,405 |
| 34. | COMBINED INCOME TAXES (IF APPLICABLE):                                     |       |       |
|     | (a) Current  | -     | -     |
|     | (b) Deferred   | -     | -     |
|     | (c) Total  | -     | -     |
| 35. | COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)                             | 4,279 | 4,405 |
| 36. | COMBINED REALIZED GAINS (LOSSES)   | 1,851 | (194) |
| 37. | COMBINED INTEREST CHARGES  | -     | -     |
| 38. | NET INCOME   | 6,130 | 4,210 |

# CONDENSED STATEMENT OF CAPITAL AND SURPLUS

Electra Insurance Limited

For the year ending 31 December 2022

expressed in ['000s] United Kingdom Pounds

STMT.

LINE No.

General and Long-Term Business

Consolidated

2022

2021

('000s)

('000s)

(UNAUDITED)

## 1. STATUTORY CAPITAL

### (a) Capital Stock

#### (i) Common Shares

authorized 92,024 shares of par  
value \$ 1.000 each issued and  
fully paid 92,024 shares

92

5,000

#### (ii) Preferred Shares

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

7,408

-

### (c) Any other fixed capital

#### (i) Hybrid capital instruments

-

-

#### (ii) Guarantees and others

-

-

#### (iii) Total any other fixed capital

-

-

### (d) Total Statutory Capital

7,500

5,000

## 2. STATUTORY SURPLUS:

### (a) Statutory Surplus - Beginning of Year

6,706

2,089

### (b) Add: Income for Year

6,130

4,210

### (c) Less: Dividends paid and payable

-

(15,000)

### (d) Add (Deduct): Change in unrealized appreciation

(1,828)

407

### (e) Add (Deduct): Change in non-admitted assets

-

-

### (f) Add (Deduct): Change in appraisal of real estate

-

-

### (g) Add (Deduct): Change in any other statutory capital

-

15,000

|         |  |                      |                      |
|---------|--|----------------------|----------------------|
| (h)     | Statutory Surplus - End of Year            | <u>11,007</u>        | <u>6,706</u>         |
| 3.      | <b>MINORITY INTEREST</b>                   | <div>-</div>         | <div>-</div>         |
| 4.      | <b>TOTAL STATUTORY CAPITAL AND SURPLUS</b> | <u><u>18,507</u></u> | <u><u>11,706</u></u> |
| Line 2g | Change in any other statutory capital      | <div></div>          |                      |
| Line 4  | Total Statutory Capital & Surplus          |                      |                      |

# **ELECTRA INSURANCE LIMITED**

## **NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

**(Expressed in Pounds Sterling)**

#### **PART I – GENERAL NOTES TO THE FINANCIAL STATEMENTS**

##### **1. General**

Electra Insurance Limited, (“the Company”) was incorporated in Bermuda on 16 March 1990 and is a wholly owned subsidiary of Acumen Holdings IV Ltd. (the “Parent”), a company incorporated in Bermuda. Effective 31 January 2022, the 100% ownership of Electra Insurance Limited was transferred from its previous parent company RWE Generation UK PLC (“RWE”) to Acumen Holdings IV Ltd, through the sale and transfer of 5,000,000 shares, comprising all the issued share capital of the Company on that date. The ultimate parent is Xitus Insurance Holdings Ltd., a company incorporated in Bermuda. The Company’s license was changed from a class 1 to a class 3A insurer effective 31 January 2022. The Parent has the ultimate power to control the Company.

##### **2. Business underwritten**

The Company wrote a 100% quota share in 2001 for the property damage and business interruption (excluding terrorism) of RWE. The coverage limits were £135 million any one event, in excess of the insured's retained liability of £15 million per occurrence, limited to £40 million in the annual aggregate. This program is fully reinsured. This program was terminated in 2002.

The Company insured 100% of the legal liability risks including professional indemnity (excluding employer’s liability and motor) of RWE. The coverage limits were £150 million any one event in excess of the insured's retained liability (ranging from £10,000 to £250,000). This program is fully reinsured. This program was terminated in 2002.

The Company also insured, without reinsurance protection, increased deductibles imposed by market underwriters on RWE for the property and business interruption risks plus its UK terrorism exposure. These deductibles were £15 million per location and this coverage (including terrorism) has a loss limit of £15 million and an annual aggregate limit of £40 million. This program was terminated in 2002.

The Company also insured RWE’s residual liability in respect of employers’ liability for the period from 1 April 1977 to 30 March 1989, and public liability for the period from 1 April 1977 to 31 March 1990. The limits of this policy are £100 million in the aggregate, with a sub- limit of £40 million in the aggregate with respect to claims arising from cervical spondylosis. A single premium was received in respect of this policy during the year ended 29 March 1992. Effective 15 July 1994, this cover was extended to include indemnification of RWE’s legal liability for compensation payable, damages and expenses incurred in respect of:

- (1) Accidental personal injury to employees or third parties during the above periods of coverage; and
- (2) Disease incurred by employees and third parties prior to 25 December 1949. A single premium was received for this cover.

Mesothelioma claims are funded 50% by the pool insurers, founded in 1949 to provide the Central Electricity Generating Board (“CEGB”) with employee liability and public liability cover. RWE (and as a result, the Company) is one of the successor companies to the CEGB which was privatized in 1990. The pool insurers are managed by Electricity Industry Run-Off Services Limited (“EIROS”). The Company has always funded claims 100%, acting effectively as claims administrators for RWE.

In 2002, the Company ceased all underwriting activities.

# **ELECTRA INSURANCE LIMITED**

## **NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

**(Expressed in Pounds Sterling)**

#### **3. Accounting standards**

These condensed general purpose financial statements are prepared in accordance with financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Accounts Rules 2016 with respect to condensed general purpose financial statements (the “Legislation”). The recognition and measurement principles applied are based upon accounting principles generally accepted in the United States of America (“US GAAP”), but are in accordance with the reporting requirements of the Legislation, which varies in certain respects from US GAAP. The guidance prescribed under the Legislation differs from US GAAP in certain respects as follows:

- The presentation and classification of the financial statement line items is in accordance with schedules IX and X of the Insurance Accounts Rules 2016 and differ from the expected presentation and classification under US GAAP.
- A statement of cash flows is not included.
- 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 US GAAP.
- A statement of comprehensive income is not included.
- Reserves for loss and loss adjustment expenses and unearned premiums are to be reported net of reinsured amounts.

#### **4. Significant accounting policies**

The accompanying condensed general purpose financial statements are prepared in conformity with the financial reporting provisions of The Act and reflect the following policies.

##### **(a) *Use of estimates***

To prepare the condensed general purpose financial statements, the Company has to make estimates and assumptions that affect the book value of assets and liabilities, income and expenses, and data disclosed in the notes to the condensed general purpose financial statements.

All estimates are subjective in nature and could materially influence the condensed general purpose financial statements. Accordingly, management makes these estimates and assessments on an ongoing basis according to past experience and various factors that are deemed reasonable and which constitute the basis for these assessments. The amounts shown in the Company’s future condensed general purpose financial statements are likely to differ from these estimates in accordance with changes in assumptions or different conditions.

The principal significant estimates made by the Company’s management primarily affect the provision for losses and loss adjustment expenses and reinsurance balances receivable.

##### **(b) *Investment and commission income***

Investments are recorded on a settlement date basis. Management determines the appropriate classification of its investments at the time of the purchase. Investments may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or equity prices. Bonds and debentures are carried at the lower of cost and market value. Mutual funds are valued using the net asset value (“NAV”) reported by the fund administrator as a practical expedient of fair value.

Investment and commission income are recorded on an accrual basis.

**ELECTRA INSURANCE LIMITED**

**NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

**(Expressed in Pounds Sterling)**

**(c) *Losses and loss expenses provisions***

Losses and loss expenses paid, and outstanding loss reserves are recorded when advised by the insured and loss adjuster. The provision for losses incurred but not reported is estimated by management based on the past loss experience of the Company and RWE and the recommendations of an independent actuary.

A significant proportion of the reserves at the year end relates to industrial diseases which are difficult to quantify. The nature of latent diseases means that the diseases manifest themselves many years after the person was exposed to the cause. Therefore, not only is it difficult to determine the reporting patterns and reserves of the diseases currently known due to the significant period between exposure and the manifestation of the disease or its symptoms, but it is also extremely difficult to determine reserves for diseases that have yet to be identified. Similar difficulties are encountered in assessing potential asbestos related claims.

Management believes, based on the past loss experience of the Company and RWE, and the recommendations of the independent actuary, that the provision for outstanding losses and loss expenses will be adequate to cover the ultimate net cost of losses incurred to the condensed balance sheet date, but the provision is necessarily an estimate and may ultimately be settled for a greater or lesser amount. It is at least reasonably possible that management will revise this estimate significantly in the near term. Any subsequent revisions arising are recorded in the period in which they are determined.

**(d) *Cash and cash equivalents***

Cash and cash equivalents include investment in time deposits which are highly liquid short-term investments with maturity of 90 days or less from the date of acquisition.

**(e) *Investments***

Fixed income securities are recorded at the lower of cost and market value, and equities are recorded using NAV as reported by the fund administrator as a practical expedient of market value. Management regularly reviews fixed income investments, and a full provision is made where a decline in market value below cost is considered to be other than temporary. Impairment is recognized when market value falls below cost for fixed income securities. All such impairment losses are reflected on Line 31 within the Condensed Statement of Income.

Realized gains or losses on sales of investments are recorded on line 36 within the Condensed Statement of Income.

**(f) *General and administrative expenses***

General and administrative expenses are recorded on the accrual basis.

**(g) *Income Taxes***

As a Company organized under the laws of Bermuda, the Company is not subject to taxation in Bermuda, as Bermuda does not impose any forms of taxation on receipts, dividends, capital gains, gifts or net income. In the event that such taxes are levied, the Company has received an assurance from the Bermuda government to be exempted from all such taxes until March 31, 2035.

**ELECTRA INSURANCE LIMITED**

**NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

**(Expressed in Pounds Sterling)**

**5. Recognition of premium, investment, and commission income**

See Note 4(b) for investment and commission income. There is no premium income.

**6. Transactions denominated in foreign currencies**

Transactions in foreign currencies were translated into Pounds Sterling at the rates of exchange prevailing at the dates of the transactions. Balances in foreign currencies are translated to Pounds Sterling at the rates of exchange prevailing at the year end. Translation gains and losses are included in determining net earnings in the year in which they arise.

**7. Foreign exchange restrictions**

The Company is not affected by any foreign exchange control restrictions.

**8-14. Not applicable.**

**15. Related party transactions**

There were no related party transactions recorded during the year ended 31 December 2022 or 2021.

**16. Subsequent events**

Effective 24 February 2023, the Company's name was changed from Electra Insurance Limited to Xitus Re Ltd.

Effective 24 February 2023, the Parent's name was changed from Acumen Holdings IV Limited to Xitus Holdings Bermuda Ltd.

See Part III - Notes to the Condensed Balance Sheet - Note 11 for disclosure of the reinsurance balances receivable. In the first quarter of 2023, the Company received a further £3,744,571 from EIROS related to the receivable held at year end, with a further £293,799 to be received.

**17. Other information**

In February 2022, all investments with Schroders with a value of £18 million were disinvested. The investments were in a profitable position and the disinvestment led to the realization of gains of £1.8 million. The proceeds from the disinvestment have been kept in cash until a new investment manager is identified and appointed. No investments are held at 31 December 2022.

**ELECTRA INSURANCE LIMITED**

**NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

**(Expressed in Pounds Sterling)**

**PART II - NOTES TO THE CONDENSED STATEMENT OF CAPITAL AND SURPLUS**

**1(a) Capital stock**

(a) Authorized capital

**Ordinary shares:**

Authorized, issued, and fully paid 92,024 shares (2021: 5,000,000 shares (unaudited)) of par value £1 each:

£92,024 (2021: £5,000,000 (unaudited))

**1(b) Contributed surplus**

Contributed surplus increased during the year ended 31 December 2022 due to £4,907,976 related to the reduction in share capital, as disclosed in note 2 (c)(a), and a cash contribution of £2,500,000.

**2(c). Dividends paid and payable**

No dividends were declared or paid in the year ended 31 December 2022. A £15,000,000 dividend was declared and paid in the year ended 31 December 2021 (unaudited).

(a) Effective 31 January 2022, the Company's authorized share capital was reduced from 5,000,000 shares to 92,024 shares at £1 per share, with the excess of £4,907,976 transferred to contributed surplus. A further £2,500,000 cash injection was made to contributed surplus during 2022 to comply with the enhanced capital requirement ("ECR") on 31 January 2022.

Effective 30 May 2021, the Company's authorized share capital was reduced from 50,000,000 shares to 5,000,000 shares at £1 per share. Further, it was resolved that issued share capital will be reduced from 20,000,000 shares to 5,000,000 at £1 per share. The reduction in issued share capital was resolved to be paid out as a dividend effective 19 August 2021, and a dividend was then declared and paid of £15,000,000 in August 2021. (unaudited)

(b) – (c) Not applicable.



**ELECTRA INSURANCE LIMITED**

**NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

(Expressed in Pounds Sterling)

**PART III - NOTES TO THE CONDENSED BALANCE SHEET**

**1. Cash and cash equivalents**

There are no encumbrances on cash and cash equivalents.

**2. Investments**

There are no encumbrances on investments.

3-10. Not applicable.

**11. Reinsurance balances receivable**

The reinsurance balance receivable relates to claims paid on behalf of EIROs by the Company. The receivable was identified during the due diligence process undertaken during acquisition of the Company by Acumen Holdings IV Ltd. The receivable was initially estimated to be £1.7 million however, after further investigation of open claims and the agreement with EIROs, the estimate was increased to £6.5 million on 30 September 2022.

£2.3 million of the total receivable related to a dispute with EIROs over the application of a claim trigger, which led to the Company settling claims in which EIROs had an obligation to pay their share. Depending on the trigger length applied, being a 5 or 10-year period, the calculated amount owed to the Company is £3.0 million if the 5-year trigger is applied or £1.7 million if the 10-year trigger is applied. The lower end of the calculation was initially recorded as the receivable on 31 December 2021, however £2.3 million was finally accepted as a full settlement of the disputed £3.0 million balance and was recorded as receivable on 30 September 2022. This amount was received in December 2022.

The remaining £4.2 million relates to historic claims paid by the Company in full and have never been recovered from EIROs. These claims were identified as open in the claims data and a percentage share was applied at a per claim level based on the agreement with EIROs.

A signed settlement agreement was reached with EIROs on 22 December 2022, with £2.4 million received by December 31, 2022. See Part I note 16 for the recoveries received after 31 December 2022.

**12.** Not applicable.

**13.** (a) Sundry assets are comprised of escrow cash maintained with SLS Crawford, the Company's claims administrator, to fulfil all claim payments on behalf of the Company.

(b) Not applicable.

**14-16.** Not applicable.

**ELECTRA INSURANCE LIMITED**

**NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

(Expressed in Pounds Sterling)

17. (a)

|   | <b>2022</b>              | <b>(unaudited)<br/>2021</b> |
|---|--------------------------|-----------------------------|
| Gross loss and loss expense provisions at beginning of year | 24,300,000               | 29,000,000                  |
| Less: Reinsurance recoverable at beginning of year          | -                        | -                           |
| Net loss and loss expense provisions at beginning of year   | <u>24,300,000</u>        | <u>29,000,000</u>           |
| Net incurred losses and loss expenses related to:           | -                        | -                           |
| Current year  | -                        | -                           |
| Prior years   | (4,369,958)              | (2,900,527)                 |
| Total net incurred losses and loss expenses                 | <u>(4,369,958)</u>       | <u>(2,900,527)</u>          |
| Net losses and loss expenses paid or payable related to:    | -                        | -                           |
| Current year  | -                        | -                           |
| Prior years   | 2,523,636                | (1,799,473)                 |
| Total losses and loss expenses paid or payable              | <u>2,523,636</u>         | <u>(1,799,473)</u>          |
| Foreign exchange and other                                  | -                        | -                           |
| Net loss and loss expense provisions at end of year         | <u>22,453,678</u>        | <u>24,300,000</u>           |
| Add: Reinsurance recoverable at end of year                 | -                        | -                           |
| Gross loss and loss expense provisions at end of year       | <u><u>22,453,678</u></u> | <u><u>24,300,000</u></u>    |

No additional premiums or return premiums have been accrued as a result of the prior period effects. See Part I - General Notes to the Financial Statements, Note 4 (c) for full discussion of the estimation methods and significant uncertainties associated with loss and loss expense provisions.

(b) Given the Company is in runoff, all developments impact prior underwriting years. A loss provision of £22,453,678 is recognized at 31 December 2022 (2021: £24,300,000 (unaudited)) in alignment with actuarial projections. The actuarial projections decreased year on year as a result of changes in the assumptions in respect of ongoing medical costs associated with the treatment of the insured. These assumptions are reviewed on an annual basis and projections can increase or decrease as a result of any changes.

(c) Not applicable.

20-32. Not applicable.

33. As at 31 December 2022, the Company had accrued liabilities of £75k (2021: £121k (unaudited)) in respect of professional fees incurred on behalf of the Company.

34-37. Not applicable.

**ELECTRA INSURANCE LIMITED**

**NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

**(Expressed in Pounds Sterling)**

**PART IV - NOTES TO THE CONDENSED STATEMENT OF INCOME**

**6.** Other insurance income of £1,700,000 for the year ended 31 December 2021 relates to the recoverable amount from EIROS. See Part III – Notes to the Condensed Balance Sheet, Note 11 (unaudited).

**15.** Not applicable.

**32. Other income (deductions)**

In 2022, the Company recognized £4k of other income, which relates to an over accrual of investment management fees.

**36. Realized gains (losses)**

In 2022 and 2021 (unaudited), realized gains include realized gains and losses on the sale of investments.