

**Artex SAC Limited**

**Condensed General Purpose Financial Statements**

**For the financial period ended**

**December 31, 2020**

# Contents

Artex SAC Limited

As at December 31, 2020

- 1 Contents
- 2 Auditors Report
- 3 December 31, 2020
- 4 Income Statement
- 5 Statement of Capital and Surplus
- 6 Notes to the Condensed General Purpose Financial Statements



# Arthur Morris & Company Limited

Chartered Professional Accountants

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## Independent auditor's report

To the Board of Directors of Artex SAC Limited

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### Our opinion

In our opinion, the condensed financial statements of Artex SAC Limited (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, 2020;
  - the condensed statement of income for the year then ended;
  - the condensed statement of capital and surplus as at December 31, 2020; and
  - the notes to the condensed financial statements, which include a summary of significant accounting policies.
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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 Ethics Standards Board for Accountants' Code of Ethics for Professional 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 International Financial Reporting Standards.

### **Responsibilities of management and those charged with governance 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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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.
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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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*Arthur Morris + Company Limited*

**Chartered Professional Accountants  
Hamilton, Bermuda  
April 30, 2021**

**CONDENSED BALANCE SHEET**

Artex SAC Limited

As at **December 31, 2020**

expressed in **United States Dollars**

LINE No.		2020 ('000s)	2019 ('000s)
1.	CASH AND CASH EQUIVALENTS		
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other		
(b)	Total Bonds and Debentures	-	-
(c)			
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other quoted investments		
(f)	Total quoted investments	-	-
3.	UNQUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other		
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other unquoted investments		
(f)	Total unquoted investments	-	-
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES		
(a)	Unregulated entities that conduct ancillary services		
(b)	Unregulated non-financial operating entities		
(c)	Unregulated financial operating entities		
(d)	Regulated non-insurance financial operating entities		
(e)	Regulated insurance financial operating entities		
(f)	Total investments in affiliates	-	-
(g)	Advances to affiliates		
(h)	Total investments in and advances to affiliates	-	-
5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a)	First liens		
(b)	Other than first liens		
(c)	Total investments in mortgage loans on real estate	-	-
6.	POLICY LOANS		
7.	REAL ESTATE:		
(a)	Occupied by the company (less encumbrances)		
(b)	Other properties (less encumbrances)		
(c)	Total real estate	-	-
8.	COLLATERAL LOANS		
9.	INVESTMENT INCOME DUE AND ACCRUED		
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection		
(b)	Deferred - not yet due		
(c)	Receivables from retrocessional contracts		
(d)	Total accounts and premiums receivable	-	-
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates		
(b)	Domestic affiliates		
(c)	Pools & associations		
(d)	All other insurers		
(e)	Total reinsurance balance receivable	-	-

**CONDENSED BALANCE SHEET**

Artex SAC Limited

As at **December 31, 2020**

expressed in **United States Dollars**

LINE No.		2020 ('000s)	2019 ('000s)
12.	FUNDS HELD BY CEDING REINSURERS		
13.	SUNDRY ASSETS:		
(a)	Derivative instruments		
(b)	Segregated accounts companies - long-term business - variable annuities		
(c)	Segregated accounts companies - long-term business - other	-	-
(d)	Segregated accounts companies - general business		
(e)	Deposit assets		
(f)	Deferred acquisition costs		
(g)	Net receivables for investments sold		
(h)	Long-Term Business Funding	500	500
(i)	Other Sundry Assets (Specify)		
(j)	Prepaid expenses		
(k)	Total sundry assets	500	500
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	500	500
	<b>TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS</b>		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves		
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other insurers		
(c)	Total ceded unearned premium reserve	-	-
(d)	Net unearned premium reserve	-	-
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions		
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other reinsurers		
(c)	Total reinsurance recoverable balance	-	-
(d)	Net loss and loss expense provisions	-	-
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES		
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	-	-
	<b>LONG-TERM BUSINESS INSURANCE RESERVES</b>		
20.	RESERVE FOR REPORTED CLAIMS		
21.	RESERVE FOR UNREPORTED CLAIMS		
22.	POLICY RESERVES - LIFE		
23.	POLICY RESERVES - ACCIDENT AND HEALTH		
24.	POLICYHOLDERS' FUNDS ON DEPOSIT		
25.	LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS		
26.	OTHER LONG-TERM BUSINESS INSURANCE RESERVES		

**CONDENSED BALANCE SHEET**

Artex SAC Limited

As at **December 31, 2020**

expressed in **United States Dollars**

LINE No.		2020 ('000s)	2019 ('000s)
27.	TOTAL LONG-TERM BUSINESS INSURANCE RESERVES		
(a)	Total Gross Long-Term Business Insurance Reserves	-	-
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign Affiliates		
	(ii) Domestic Affiliates		
	(iii) Pools and Associations		
	(iv) All Other Insurers		
(c)	Total Reinsurance Recoverable Balance	-	-
(d)	<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		
30.	LOANS AND NOTES PAYABLE		
31.	(a) INCOME TAXES PAYABLE		
	(b) DEFERRED INCOME TAXES		
32.	AMOUNTS DUE TO AFFILIATES		
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:		
35.	DIVIDENDS PAYABLE		
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments		
(b)	Segregated accounts companies	-	-
(c)	Deposit liabilities		
(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	-	-
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	-	-
	<b>CAPITAL AND SURPLUS</b>		
40.	TOTAL CAPITAL AND SURPLUS	500	500
41.	TOTAL	500	500



**CONDENSED STATEMENT OF INCOME**

Artex SAC Limited

As at December 31, 2020  
expressed in United States Dollars

LINE No.		2020 ('000s)	2019 ('000s)
	<b>GENERAL BUSINESS UNDERWRITING INCOME</b>		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written		
	(b) Assumed gross premiums written		
	(c) Total gross premiums written	-	-
2.	REINSURANCE PREMIUMS CEDED		
3.	NET PREMIUMS WRITTEN	-	-
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS		
5.	NET PREMIUMS EARNED	-	-
6.	OTHER INSURANCE INCOME		
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	-	-
	<b>GENERAL BUSINESS UNDERWRITING EXPENSES</b>		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED		
9.	COMMISSIONS AND BROKERAGE		
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	-	-
11.	NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS	-	-
	<b>LONG-TERM BUSINESS INCOME</b>		
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	-	-
	<b>LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES</b>		
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	-	-

31/12/2020

**CONDENSED STATEMENT OF INCOME**

Artex SAC Limited

As at December 31, 2020  
expressed in United States Dollars

LINE No.		2020 ('000s)	2019 ('000s)
26.	INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES):		
	(a) Life		
	(b) Annuities		
	(c) Accident and health		
	(d) Total increase (decrease) in policy reserves	-	-
27.	TOTAL LONG-TERM BUSINESS EXPENSES	-	-
28.	NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS	-	-
29.	COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS	-	-
	UNDERNOTED ITEMS		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration		
	(b) Personnel cost		
	(c) Other		
	(d) Total combined operating expenses	-	-
31.	COMBINED INVESTMENT INCOME - NET		
32.	COMBINED OTHER INCOME (DEDUCTIONS)		
33.	COMBINED INCOME BEFORE TAXES	-	-
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current		
	(b) Deferred		
	(c) Total	-	-
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	-	-
36.	COMBINED REALIZED GAINS (LOSSES)		
37.	COMBINED INTEREST CHARGES		
38.	NET INCOME	-	-

**CONDENSED STATEMENT OF CAPITAL AND SURPLUS**

Artex SAC Limited

As at December 31, 2020  
expressed in United States Dollars

LINE No.		2020 ('000s)	2019 ('000s)
1.	<b>CAPITAL:</b>		
(a)	Capital Stock		
	(i) Common Shares		
	authorized	500,000	
	value	\$ 1,000	
	fully paid	500,000	
	#####		
	(ii)		
	(A) Preferred shares:		
	authorized		
	value		
	fully paid		
	aggregate liquidation value for –		
	2020	('000s)	
	2019	('000s)	
	(B) Preferred shares issued by a subsidiary:		
	authorized		
	value		
	fully paid		
	aggregate liquidation value for –		
	2020	('000s)	
	2019	('000s)	
	(iii) Treasury Shares		
	repurchased		
	value		
(b)	Contributed surplus		
(c)	Any other fixed capital		
	(i) Hybrid capital instruments		
	(ii) Guarantees and others		
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	500	500
2.	<b>SURPLUS:</b>		
(a)	Surplus - Beginning of Year	-	-
(b)	Add: Income for the year	-	-
(c)	Less: Dividends paid and payable		
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments		
(e)	Add (Deduct) change in any other surplus		
(f)	Surplus - End of Year	-	-
3.	<b>MINORITY INTEREST</b>		
4.	<b>TOTAL CAPITAL AND SURPLUS</b>	500	500

# NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

Artex SAC Limited

As at December 31, 2020

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

### 1. General information

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

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

### 2. Nature of Business

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

### 3. The accounting standards and principles (IFRS)

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

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

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

## NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

Artex SAC Limited

As at December 31, 2020

### 4. Significant Accounting Policies

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

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

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

### 6. Translation of Foreign Currencies

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

### 7-15. Not Applicable

### 16. Post Balance Sheet Events

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

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen that have had serious and adverse consequences to business conditions around the globe following December 31, 2020. The COVID-19 outbreak has resulted in limitations on travel, transportation, education, production of goods, provision of services and businesses operations generally. Further, the equity and other securities markets have experienced significant volatility, with substantial losses in the equity markets as compared to year end. Although the long-term economic fallout of COVID-19 is difficult to predict, the challenging business conditions currently faced by the Company are highly likely to have adverse effects on their financial performance and, as a result, likely to adversely impact valuations of the Company's investments for future periods, which may be material. At the current time, we are unable to quantify the

### 17. potential effects of this pandemic on future statutory financial statements.

## NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

Artex SAC Limited

As at December 31, 2020

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

**1(a) Capital Stock**

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

**1(b). Not Applicable**

**2(a-c). Not Applicable**

### Matters to be set forth in Notes to the Balance Sheet

**1-12. Not Applicable**

**13 Sundry Assets**

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

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

**14-37 Not Applicable**

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

**6, 16, 32, 36 Not Applicable**