

Financial Statements of

PHOEBE PUTNEY INDEMNITY, LTD.

July 31, 2023 and 2022

PHOEBE PUTNEY INDEMNITY, LTD.

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Independent Auditors' Report to the Board of Directors

Opinion

We have audited the financial statements of Phoebe Putney Indemnity, Ltd (the "Company"), which comprise the balance sheets as at July 31, 2023 and 2022, and the related statements of operations, changes in shareholders equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audits of the financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

Management is responsible for the other information. The other information comprises the required supplementary information ("RSI") under Accounting Standards Update 2015-09, *Disclosures about Short-Duration Contracts* labeled as Unaudited in note 5. U.S. GAAP requires that the RSI labeled as Unaudited in note 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the U.S. Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Independent Auditors' Report to the Board of Directors (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG

October 4, 2023

PHOEBE PUTNEY INDEMNITY, LTD.

Balance Sheets

July 31, 2023 and 2022

(stated in United States dollars)

	Note	2023	2022
Assets			
Cash and cash equivalents	3	2,951,371	3,518,800
Investments	4	76,663,993	73,751,140
Interest receivable		-	2,232
Due from reinsurer		1,563,909	5,433,586
Reinsurance recoverable	5	14,008,677	8,565,146
Prepaid expenses		36,040	13,008
Total assets	US\$	95,223,990	91,283,912
Liabilities and shareholder's equity			
Liabilities			
Provision for outstanding claims	5	77,562,180	71,691,301
Losses payable		3,870,541	310,194
Ceded premiums payable		2,677,551	2,707,338
Payable to investments		-	2,213
Accounts payable and accrued expenses		44,452	42,833
		84,154,724	74,753,879
Shareholder's equity			
Share capital	6	1	1
Additional paid-in capital		11,074,700	11,074,700
(Accumulated deficit)/retained earnings		(5,435)	5,455,332
		11,069,266	16,530,033
Total liabilities and shareholder's equity	US\$	95,223,990	91,283,912

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors on October 4, 2023.

PHOEBE PUTNEY INDEMNITY, LTD.

Statements of Operations

For the year ended July 31, 2023 and 2022
(stated in United States dollars)

	Note	2023	2022
Underwriting income			
Premium written		19,699,237	15,739,044
Reinsurance premiums ceded		(4,967,015)	(3,570,667)
		14,732,222	12,168,377
Underwriting expenses			
Claims paid	5	25,803,633	16,781,219
Reinsurance recoveries	5	(2,482,107)	(5,538,465)
Movement in provision for outstanding claims		5,870,879	4,305,199
Movement in reinsurance recoverable		(5,443,531)	(1,641,535)
		23,748,874	13,906,418
Net underwriting loss		(9,016,652)	(1,738,041)
Net investment income/(loss)	7	3,932,028	(6,755,812)
Administration expenses	8	(376,143)	(276,582)
Net loss for the year		US\$ (5,460,767)	(8,770,435)

See accompanying notes to financial statements.

PHOEBE PUTNEY INDEMNITY, LTD.

Statements of Changes in Shareholder's Equity

For the year ended July 31, 2023 and 2022

(stated in United States dollars)

	Share capital	Additional paid-in capital	(Accumulated deficit)/retained earnings	Total
Balance at July 31, 2021	1	11,074,700	22,225,767	33,300,468
Dividend paid	-	-	(8,000,000)	(8,000,000)
Net loss for the year	-	-	(8,770,435)	(8,770,435)
Balance at July 31, 2022	1	11,074,700	5,455,332	16,530,033
Net loss for the year	-	-	(5,460,767)	(5,460,767)
Balance at July 31, 2023	1	11,074,700	(5,435)	11,069,266

See accompanying notes to financial statements.

PHOEBE PUTNEY INDEMNITY, LTD.

Statements of Cash Flows

For the year ended July 31, 2023 and 2022
(stated in United States dollars)

	2023	2022
Cash provided by/(applied in):		
Operating activities		
Net loss for the year	(5,460,767)	(8,770,435)
(Deduct)/add: Items not involving movement of cash:		
Net realized gains on disposal of investments	(543,326)	(1,495,039)
Movement in net unrealized (gain)/loss on trading investments	(3,410,492)	8,156,489
Add/(deduct): Net changes in operating assets and liabilities:		
Due from reinsurer	3,869,677	(5,428,001)
Reinsurance recoverable	(5,443,531)	(1,641,535)
Prepaid expenses	(23,032)	0
Interest receivable	2,232	(2,232)
Losses payable	3,560,347	215,448
Ceded premiums payable	(29,787)	(734,066)
Accounts payable and accrued expenses	1,619	9,403
Payable to investments	(2,213)	2,213
Provision for outstanding claims	5,870,879	4,305,199
	(1,608,394)	(5,382,556)
Investing activities		
Purchases of investments	(2,195,900)	(3,800,000)
Proceeds from disposal of investment	3,236,865	6,344,983
Receivable from investment sale	-	82,308
	1,040,965	2,627,291
Financing activities		
Dividends paid	-	(8,000,000)
	-	(8,000,000)
Decrease in cash and cash equivalents during the year	(567,429)	(10,755,265)
Cash and cash equivalents at beginning of year and period	3,518,800	14,274,065
Cash and cash equivalents at end of the year	US\$ 2,951,371	3,518,800

See accompanying notes to financial statements.

PHOEBE PUTNEY INDEMNITY, LTD.

Notes to Financial Statements

July 31, 2023 and 2022

(stated in United States dollars)

1. Incorporation and background information

Phoebe Putney Indemnity, Ltd. ("the Company") was incorporated on November 14, 2018, as an exempted company under the Companies Act of the Cayman Islands and holds a Class "B(i)" Insurer's Licence under Section 4(3)(b) of the Cayman Islands Insurance Act. The Company is a wholly-owned subsidiary of Phoebe Putney Health System ("the Parent"), a not-for-profit corporation, organized under Section 501(c)(3) of the Internal Revenue Code. The Company provides general liability, professional liability, personal injury liability, advertising injury liability, contractual liability and auto physical damage coverage to the Parent.

With effect from January 31, 2019, the Company merged with Phoebe Putney Indemnity, LLC ("PPI LLC") with the Company remaining as the surviving entity. PPI LLC was organized on August 1, 2006 as a single parent captive under the captive insurance laws of the state of South Carolina to insure the risks of the Parent in Southwest Georgia. Upon merger, the rights, the property of every description including choses in action, and the business, undertaking, goodwill, benefits, immunities, powers and privileges of PPI LLC immediately vested to the Company. The Company continued the business of PPI LLC to provide insurance coverage to the Parent.

The Company issues a claims-made policy with a per occurrence limit of \$15,000,000 (2022: \$2,000,000) and no annual aggregate (2022: \$32,000,000) as respects to Medical Incidents, which is excess of a per occurrent limit of \$5,000,000 (2022: \$5,000,000) and no annual aggregate (2022: \$32,000,000) covering professional and general liabilities, personal injury, advertising injury liability, and contractual liability risks of the Parent.

The Company purchases annual excess of loss reinsurance coverage in order to limit its financial exposure to large claims relating to employed physicians and surgeons. Under the per risk coverage, the reinsurer shall pay up to \$600,000 (2022: \$600,000) per loss, per insured, in excess of \$400,000 (2022: \$400,000) per loss, per insured. In the prior year, clash coverage was in place whereby the reinsurer shall pay up to \$600,000 per loss occurrence in excess of \$400,000 per loss occurrence. However, this was not continued in the current policy period. The maximum amount recoverable for both of these coverage's combined shall not exceed 250% (2022: 300%) of the maximum subject premium or \$6,000,000 (2022: \$6,000,000), whichever is greater. Under the excess of limits coverage, the reinsurer shall pay up to \$2,000,000 (2022: \$6,000,000) per loss, per insured, in excess of \$1,000,000 (2022: \$1,000,000), per loss, per insured. The maximum amount recoverable for this coverage shall not exceed \$6,000,000 (2022: \$12,000,000). During the current period, there is a second excess limits coverage, the reinsurer shall pay up to \$4,000,000 per loss, per insured, in excess of \$3,000,000 per loss per insured. The maximum amount recoverable for this coverage shall not exceed \$8,000,000. The reinsurance treaty provides for adjustable premiums based on ceded losses up to a stated maximum. Such adjustments are recorded in the period when they become known.

The Company issues a policy covering automobile physical damage for the Parent owned vehicles. Under the policy, the limit of liability for the physical damage comprehensive coverage is for the actual cash value or cost of the repair, whichever is less.

PHOEBE PUTNEY INDEMNITY, LTD.

Notes to Financial Statements (continued)

July 31, 2023 and 2022

(stated in United States dollars)

2. Summary of significant accounting policies

These financial statements are prepared in accordance with U.S. generally accepted accounting principles and the significant accounting policies adopted by the Company are as follows:

(a) Fair value measurements

The fair value of a financial asset or liability is defined using an "exit price" definition. It is the amount that would be received to sell the asset or the amount that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of fair value hierarchy are described below.

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant inputs not observable in the market. These unobservable inputs reflect the Company's own assumptions about the inputs market participants would use in pricing the assets or liabilities.

(b) Premium written and reinsurance premiums ceded

Premiums written for prospective insurance are recognised as earned on a pro-rata basis over the risk periods of the policies written and any unearned portion at the balance sheet dates is transferred to unearned premiums. Reinsurance premiums ceded are similarly recognised on a pro-rata basis with any unexpensed portion at the balance sheet dates transferred to deferred reinsurance premiums ceded.

(c) Provision for outstanding claims and reinsurance recoverable

The Company determines its provision for known cases on the basis of the claims reported to it by the Parent. The Company has engaged the services of independent consulting actuaries to advise on the required level of total outstanding claims and claims adjustment expenses. The provision for outstanding claims and claims adjustment expenses is therefore based upon the advice of these actuaries and management's best estimate for the ultimate development of claims reported.

Changes in estimates of outstanding claims and claims adjustment expenses resulting from the continuous review process and differences between estimates and payments are recognised in the statements of operations and comprehensive income in the period in which they are determined.

PHOEBE PUTNEY INDEMNITY, LTD.

Notes to Financial Statements (continued)

July 31, 2023 and 2022

(stated in United States dollars)

2. Summary of significant accounting policies (continued)

(c) Provision for outstanding claims and reinsurance recoverable (continued)

The Company records its estimated liabilities gross of any amounts recoverable under its own reinsurance, which amounts, if any, are recorded separately in the balance sheet. In the event that the Company's reinsurers are unable to meet their obligations under the reinsurance agreements, the Company would be liable to pay all claims under the reinsurance assumed but would only receive reimbursement to the extent that the reinsurers can meet their obligations.

(d) Investments and net investment income

The Company's investments are recorded in the balance sheets at their fair values. Fair values are based on various valuation techniques and input. See note 11.

The Company uses the net asset value as a practical expedient in determining the fair value of its investment in certain funds and limited partnerships in accordance with U.S. GAAP. The Company has adopted the amendment under ASU 2015-07 'Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)' which removes the requirement to categorize these investments within the fair value hierarchy outlined in note 2(b). Accordingly, no fair value hierarchy information is disclosed in note 11 for investments where the practical expedient has been used to determine fair value.

Unrealised gains or losses are determined by comparing the fair value of the securities with their cost/adjusted cost. Changes in unrealised gain or losses are recorded in the statements of operations. Realised gains and losses on the sale of investments are included in the statements of operations and are derived using the specific identification method for determining the cost of securities sold.

(e) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid money market funds and balances in a current account.

(f) Use of estimates

The preparation of the financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual results could differ from these estimates.

(g) Other comprehensive income

The Company has no comprehensive income other than the net income disclosed in the statements of income. Therefore, a separate statement of comprehensive income has not been prepared.

PHOEBE PUTNEY INDEMNITY, LTD.

Notes to Financial Statements (continued)

July 31, 2023 and 2022

(stated in United States dollars)

2. Summary of significant accounting policies (continued)

(h) Comparative figures

Certain comparative amounts have been reclassified to conform to the presentation adopted in current year.

3. Cash and cash equivalents

	2023	2022
Money market funds	1,917,037	1,870,956
Current account	1,034,334	1,647,844
	US\$ 2,951,371	3,518,800

4. Investments

The cost, unrealized gains and losses, and fair value of investments which are classified as investments measured at fair value through net income as of July 31, 2023 are as follows:

	Cost	Gross unrealized gain	Gross unrealized loss	Fair value
Morgan Stanley Offshore Emerging Mutual fund	4,099,793	221,667	-	4,321,460
Hudson Bay International Fund	1,300,000	134,848	-	1,434,848
Aetos Capital Multi-Strategy Arbitrage Cayman Fund	3,199,071	815,505	-	4,014,576
Aetos Capital Distressed Investment Strategies Cayman Fund	1,104,596	-	(326,214)	778,382
Aetos Capital Long/Short Strategies Cayman Fund	2,051,276	1,287,701	-	3,338,977
Vanguard Global Stock Market Index Fund	16,726,337	6,832,937	-	23,559,274
Walter Scott Global Equity – NCS Institutional Fund Global Equity Mutual Fund	4,081,162	2,025,893	-	6,107,055
Davidson Kempner International BVI	3,000,000	534,342	-	3,534,342
Parametric Global Defensive Equity Fund	2,500,000	685,409	-	3,185,409
Vanguard U.S. Government Bond Index Fund	15,730,915	-	(2,009,264)	13,721,651
Doubleline (Nordea) Total Return Fund	10,000,000	-	(780,223)	9,219,777
Legg Mason Brandywine Global Fixed Income Fund	4,000,000	-	(551,758)	3,448,242
Total alternative investments funds	US\$ 67,793,150	12,538,302	(3,667,459)	76,663,993

PHOEBE PUTNEY INDEMNITY, LTD.

Notes to Financial Statements (continued)

July 31, 2023 and 2022

(stated in United States dollars)

4. Investments (continued)

The cost, unrealized gains and losses, and fair value of investments which are classified as investments measured at fair value through net income as of July 31, 2022 are as follows:

	Cost	Gross unrealized gain	Gross unrealized loss	Fair value
Morgan Stanley Offshore Emerging Mutual fund	4,099,793	-	(216,341)	3,883,452
Hudson Bay International Fund	1,300,000	60,922	-	1,360,922
Aetos Capital Multi-Strategy Arbitrage Cayman Fund	4,476,010	787,917	-	5,263,927
Aetos Capital Distressed Investment Strategies Cayman Fund	1,803,311	-	(566,183)	1,237,128
Aetos Capital Long/Short Strategies Cayman Fund	2,543,106	1,454,693	-	3,997,799
Vanguard Global Stock Market Index Fund	14,726,337	4,138,153	-	18,864,490
Walter Scott Global Equity – NCS Institutional Fund Global Equity Mutual Fund	4,111,317	1,269,295	-	5,380,612
Davidson Kempner International BVI	3,000,000	385,620	-	3,385,620
Parametric Global Defensive Equity Fund	2,500,000	397,305	-	2,897,305
Vanguard U.S. Government Bond Index Fund	15,730,915	-	(1,432,611)	14,298,304
Doubleline (Nordea) Total Return Fund	10,000,000	-	(344,884)	9,655,116
Legg Mason Brandywine Global Fixed Income Fund	4,000,000	-	(473,535)	3,526,465
Total alternative investments funds	US\$ 68,290,789	8,493,905	(3,033,554)	73,751,140

PHOEBE PUTNEY INDEMNITY, LTD.

Notes to Financial Statements (continued)

July 31, 2023 and 2022

(stated in United States dollars)

4. Investments (continued)

The Company invested in the following alternative investment funds as at July 31, 2023 each with a value in excess of 1% of total assets, which use the net asset value ("NAV") as a practical expedient to measure fair value:

- (a) The Morgan Stanley Offshore Emerging Mutual Fund is registered under the Mutual Funds Law of the Cayman Islands and is regulated by the Cayman Islands Monetary Authority. The investment objective of the fund is long-term capital appreciation primarily by investing in emerging country equity securities. Shares of the Fund may be redeemed at any time by transmitting an irrevocable redemption request. There are no unfunded commitments at year end.
- (b) The Hudson Bay International Fund investment is an exempted company incorporated under the Companies Act of the Cayman Islands in November 2008 to operate as a private investment fund for persons who are not "US Persons" or are Permitted US Persons. The Fund invests all of its investable assets in Hudson Bay Intermediate Fund Ltd., which in turn invests all of its investable assets in Hudson Bay Master Fund, Ltd., a Cayman Islands exempted Company incorporated in June 2005. The investment objective of the Master Fund is to target traditional and non-traditional sources of alpha by employing a diverse set of absolute return strategies that are intended to be uncorrelated to each other and to the major indices. Investors must give written notice of 65 days prior to the applicable redemption date in order to redeem some or all of its shares. There are no unfunded commitments at year end.
- (c) The Aetos Capital Multi-Strategy Arbitrage Cayman Fund is intended to be a vehicle by which investors can access a portfolio of high-quality arbitrage strategies, investing in both U.S. and non-U.S. securities and instruments, constructed and monitored using dedicated resources and disciplined methodologies. Investors are given the option to liquidate their investment in this fund quarterly and must give 60 days' notice prior to liquidating. There are no unfunded commitments at year end.
- (d) The Aetos Capital Distressed Investment Strategies Cayman Fund is intended to be a vehicle by which investors can access a portfolio of high-quality distressed investment strategies, constructed and monitored using dedicated resources and disciplined methodologies. Investors are given the option to liquidate their investment in this fund quarterly and must give 60 days' notice prior to liquidating. There are no unfunded commitments at year end.
- (e) The Aetos Capital Long/Short Strategies Cayman Fund is intended to be a vehicle by which investors can access a portfolio of high quality long/short strategies, constructed and monitored using dedicated resources and disciplined methodologies. Investors are given the option to liquidate their investment in this fund quarterly and must give 60 days' notice prior to liquidating. There are no unfunded commitments at year end.

PHOEBE PUTNEY INDEMNITY, LTD.

Notes to Financial Statements (continued)

July 31, 2023 and 2022

(stated in United States dollars)

4. Investments (continued)

- (f) The NCS Institutional Global Equity US\$ Fund's investment manager will be authorized to allocate the assets attributable to the Global Equity US\$ Fund without limitation among geographic regions and individual countries throughout the world based on its analysis of global economic, political and financial conditions; provided no more than 15% of the assets attributable to the Global Equity US\$ Fund may be invested in securities issued by companies located in Emerging Markets Countries. Investors are given the option to redeem on any valuation day upon the delivery of a Redemption notice and must be given before 12 Noon (Irish Time) at least two business days prior to the Valuation Day. There are no unfunded commitments at year end.
- (g) The Davidson Kempner International (BVI), Ltd is a multi-strategy fund with an event driven focus, seeking to exploit situations in which announced or anticipated event create opportunities to invest in securities and other financial instruments at a discount to their exit values. Investors are given the option to liquidate their investment in this fund quarterly and must give 60 days' notice prior to liquidating. There are no unfunded commitments at year end.
- (h) The Parametric Global Defensive Equity Fund is a Sub-Fund of Eaton Vance International (Ireland) Funds plc. The investment objective of the Fund is to provide a defensive equity exposure that is expected to provide favorable risk adjusted performance relative to the MSCI All Country World Index in USD over the long term. Investors may redeem their shares on every Dealing Day or any Business Day. There are no unfunded commitments at year end.
- (i) The Legg Mason Brandywine Global Fixed Income Fund is part of an umbrella fund with segregated liability between funds, established as an open-ended, variable capital investment company incorporated with limited liability under the laws of Ireland. The Fund's investment objective is to maximize total return consisting of income and capital appreciation. Shares of the Fund may be redeemed at any time up to the Valuation Point on each Dealing Day with the Fund's Administrator or with Dealers. There are no unfunded commitments at year end.

As of July 31, 2023 and July 31, 2022, all investments of the Company are measured at fair value through net income.

PHOEBE PUTNEY INDEMNITY, LTD.

Notes to Financial Statements (continued)

July 31, 2023 and 2022

(stated in United States dollars)

5. Provision for outstanding claims and reinsurance recoverable

	2023	2022
Provision for reported claims	55,972,950	56,360,958
Provision for adverse claims development and incurred but not reported claims	21,589,230	15,330,343
	US\$ 77,562,180	71,691,301

The Company has engaged independent consulting actuaries Willis Towers Watson to advise on the necessary level of outstanding claims and claim adjustment expenses. In their report dated August 3, 2023, the actuaries estimated the Company's net retained liabilities as at July 31, 2023, on an undiscounted basis at expected level to be US\$63,553,503 (2022: US\$63,126,153). Outstanding liabilities are recorded at the expected level, undiscounted for the periods ended July 31, 2023 and 2022. The actuaries also estimated the provision in the reinsured layers at July 31, 2023, on an undiscounted basis to be US\$14,008,677 (2022: US\$8,565,146). The Company has recorded US\$77,562,180 (2022: US\$71,691,301) on a gross basis and US\$63,553,503 (2022: US\$63,126,155) on a net basis as its best estimate of outstanding claims and claims adjustment expenses.

Should the Company's reinsurers be unable to reimburse the Company for recoverable losses, then the Company would still be liable to pay the losses but would only receive reimbursement to the extent possible from the reinsurers.

PHOEBE PUTNEY INDEMNITY, LTD.

Notes to Financial Statements (continued)

July 31, 2023 and 2022

(stated in United States dollars)

5. Provision for outstanding claims and reinsurance recoverable (continued)

Movement in the provision for outstanding claims and outstanding claims recoverable is summarised as follows:

	2023	2022
Gross Balance at beginning of the period	71,691,301	67,386,102
Less: reinsurance recoverable	(8,565,146)	(6,923,611)
	63,126,155	60,462,491
Incurred, net related to:		
Current period	15,565,000	16,885,000
Prior years	10,098,874	(1,868,582)
Tail	(1,915,000)	(1,110,000)
	23,748,874	13,906,418
Paid, net related to:		
Current period	(697,018)	(2,629,173)
Prior years	(22,624,508)	(8,613,581)
	(23,321,526)	(11,242,754)
Net balance at end of period	63,553,503	63,126,155
Add: reinsurance recoverable	14,008,677	8,565,146
Balance at end of period	US\$ 77,562,180	71,691,301

The movement in incurred losses in relation to prior years is as a result of changes in underlying estimates and assumptions inherent in the loss reserving process. Consistent with most companies with similar insurance operations, the Company's provision for claims and claim adjustment expenses is ultimately based on management's reasonable expectations of future events. It is reasonably possible that the expectations associated with these amounts could change in the near term (i.e. within one year) and that the effects of such changes could be material to the financial statements.

Methodology for determining the provision for outstanding claims

The provision for outstanding claims represents management's estimate of the ultimate liability for unpaid losses and loss expenses for claims that have been reported and adverse loss development on those claims ("ALD") as at the balance sheet date. The provision for outstanding losses does not represent an exact calculation of the liability, but instead represents management's best estimate, utilizing actuarial expertise and projection methods that develop estimates for the ultimate cost of losses and loss expenses.

PHOEBE PUTNEY INDEMNITY, LTD.

Notes to Financial Statements (continued)

July 31, 2023 and 2022

(stated in United States dollars)

5. Provision for outstanding claims and reinsurance recoverable (continued)

Methodology for determining the provision for outstanding claims (continued)

The establishment of the provision for outstanding claims is an inherently uncertain process involving estimates and judgment, and as such may change in future periods. The Company reflects changes to the provision for outstanding claims in the statements of operations and comprehensive income in the period the estimates are changed.

Cumulative amounts paid and the provision for reported loss at July 31, 2023, are subtracted from the estimate of the ultimate cost of claim and claim adjustment expenses to derive ALD. Accordingly, ALD includes development on known claims and re-opened claims.

The following estimation and analysis methods are principally used by the Company's consulting actuaries to estimate the provision for outstanding claims. These estimation and analysis methods are typically referred to as conventional actuarial methods.

- The expected pure premium/loss ratio method uses a prior measure of anticipated losses based on longer-term trends in loss experience, relative to the Company's exposures or premiums. Actual losses are not considered in this method.
- The Bornhuetter-Ferguson method uses an initial estimate of ultimate losses based on the expected pure premium/loss ratio method and the development patterns from the paid loss and reported loss development methods.

Methodology for determining the number of reported claims

A claim file is created when the Company is notified of an actual demand for payment, notified of an event that may lead to a demand for payment, or when it is determined that a demand for payment could possibly lead to a future demand for payment on another coverage on the same policy or on another policy. Claim files are generally created for a policy at the claimant level, by coverage, depending on the facts and circumstances of the underlying loss event. For the purposes of the loss development tables below, only reported claims with incurred amounts are considered.

The reconciliation of the net incurred and paid claims development tables to the provision for outstanding claims in the balance sheet is as follows:

	2023	2022
Undiscounted provision for outstanding claims, net	63,553,504	63,126,155
Discount	(1)	-
Provision for outstanding claims, net	63,553,503	63,126,155
Add: reinsurance recoverable on unpaid claims	14,008,677	8,565,146
Total gross provision for outstanding losses	US\$ 77,562,180	71,691,301

PHOEBE PUTNEY INDEMNITY, LTD.

Notes to Financial Statements (continued)

July 31, 2023 and 2022
(stated in United States dollars)

5. Provision for outstanding claims and reinsurance recoverable (continued)

Medical Professional and Patient General Liability

Professional and General Liability

A.	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>		
	Incurred claims and allocated claim adjustment expenses, net of reinsurance											
	Unaudited											
<u>Report/Fiscal</u>											<u>IBNR Reserves</u>	<u>Cumulative</u>
<u>Year</u>											<u>7/31/2023</u>	<u>number of</u>
											\$0	<u>reported claims</u>
												<u>7/31/2023</u>
2014	20,561,932	18,825,498	11,755,117	9,442,468	9,543,534	9,475,756	10,605,016	10,308,892	10,308,892	10,308,892	0	31
2015		20,724,532	15,715,046	13,497,868	12,303,341	12,063,646	11,624,931	11,265,623	11,069,863	10,916,065	0	27
2016			10,366,891	10,875,846	7,209,596	5,705,909	5,114,230	5,780,565	5,678,851	5,435,394	0	41
2017				13,229,274	15,830,078	10,777,177	10,194,060	10,359,863	9,257,035	8,752,659	0	46
2018					12,974,254	18,336,542	14,319,231	12,811,403	11,186,898	11,421,774	0	25
2019						12,947,393	15,106,215	11,853,904	13,615,000	16,716,862	(3,194,804)	35
2020							14,508,591	15,406,758	11,165,000	11,530,000	1,332,657	28
2021								21,647,333	20,860,000	22,900,000	5,301,863	38
2022									16,885,000	18,300,000	(2,905,807)	65
2023										15,565,000	(1,323,355)	57
Tail				13,274,450	13,518,400	14,339,500	14,274,326	15,345,050	14,005,000	15,920,000	15,920,000	0
								<i>Total</i>		<u>147,766,646</u>		

PHOEBE PUTNEY INDEMNITY, LTD.

Notes to Financial Statements (continued)

July 31, 2023 and 2022
(stated in United States dollars)

5. Provision for outstanding claims and reinsurance recoverable (continued)

Medical Professional and Patient General Liability (continued)

B.	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	
	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance										
	Unaudited										
<u>Report/Fiscal Year</u>											
2014	69,707	4,272,195	6,462,017	6,733,855	8,386,803	8,508,661	10,308,892	10,308,892	10,308,892	10,308,892	
2015		2,243,425	3,470,283	4,523,591	6,207,151	6,656,999	10,564,709	10,582,400	10,912,367	10,916,065	
2016			333,993	1,006,071	2,765,287	2,905,915	3,810,844	5,316,044	5,435,395	5,435,394	
2017				331,718	4,274,066	5,878,278	7,723,838	8,592,455	8,751,413	8,752,659	
2018					746,977	1,980,040	2,963,990	4,441,414	6,712,761	11,421,774	
2019						186,876	1,762,525	2,968,292	3,800,517	12,718,224	
2020							575,684	697,741	1,301,930	5,748,409	
2021								6,770,299	11,052,938	15,447,646	
2022									2,629,173	2,767,061	
2023										697,018	
Tail	0	0	0	0	0	0	0	0	0	0	
									Total	84,213,143	
											Undiscounted Liability for claims and allocated claim adjustment expenses, net of reinsurance
											2014-2023
											Before 2014
											\$0
											Total net liability
											\$63,553,504

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Average annual percentage payout of incurred claims by age, net of reinsurance									
Unaudited									
9.22%	16.68%	15.23%	14.03%	19.99%	21.54%	4.96%	1.01%	0.02%	0.00%

PHOEBE PUTNEY INDEMNITY, LTD.

Notes to Financial Statements (continued)

July 31, 2023 and 2022

(stated in United States dollars)

6. Share capital

		2023	2022
Authorised:			
50,000 ordinary shares of US\$1.00 each	US\$	50,000	50,000
Issued and fully paid			
1 ordinary	US\$	1	1

The Company is subject to a minimum net worth required as established by the Cayman Islands Monetary Authority ("CIMA"). Under the terms of its license, the Company is required to maintain a minimum statutory net worth in accordance with the Company's approved business plan with CIMA of US\$100,000. At July 31, 2023 and 2022, the Company is in compliance with these requirements.

7. Net investment income

		2023	2022
Realized gain on money market funds		543,325	1,495,039
Interest income		77,317	4,607
Investment management and custody fees		(99,106)	(98,969)
Movement in unrealized gains/(losses) on investments		3,410,492	(8,156,489)
	US\$	3,932,028	(6,755,812)

8. Administration expenses

	Note	2023	2022
Professional fees		152,208	145,460
Software expenses		100,875	64,475
Management fees		50,000	50,000
Government fees		13,659	12,439
Miscellaneous expenses		2,836	3,208
Travel and meeting expenses		56,565	1,000
	US\$	376,143	276,582

PHOEBE PUTNEY INDEMNITY, LTD.

Notes to Financial Statements (continued)

July 31, 2023 and 2022

(stated in United States dollars)

9. Taxation

Under the Cayman Islands Tax Concessions Act, the Governor in Cabinet issued an undertaking to the Company exempting it from all local income, profit or capital gains taxes until November 19, 2038. The undertaking has been issued for a period of twenty years and at the present time, no such taxes are levied in the Cayman Islands. Accordingly, no provision for taxes is made in these financial statements.

Management does not consider the Company to be engaged in a United States trade or business and therefore it is not subject to United States income taxes. If the Company should be considered to be engaged in a United States trade or business, it could be subject to federal income tax, Federal alternative minimum tax and branch profits tax.

Management is required to determine whether an income tax position is more likely than not to be sustained upon examination by the applicable taxing authority based on the technical merits of the position. Management has evaluated all income tax positions and does not consider the Company to be engaged in trade or business in any jurisdiction other than the Cayman Islands and therefore is not subject to income taxes. If the Company should be considered to be engaged in a trade or business in a jurisdiction outside of the Cayman Islands, it could be subject to income taxes.

Management does not believe there are any income tax positions taken by the Company that are subject to uncertainty and as a result, no provisions are made in these financial statements.

10. Related party transactions

As outlined in note 1, with the exception of reinsurance contracts entered into with third parties, all insurance business relates to contracts underwritten to the Parent or its affiliates, and therefore all related transactions and balances are with related parties.

Included in general and administration expenses are travel and meeting expenses for directors incurred during the period ended July 31, 2023, amounting to US\$55,665 (2022: US\$0). As at July 31, 2023 and 2022, US\$10,728 expenses remain payable.

PHOEBE PUTNEY INDEMNITY, LTD.

Notes to Financial Statements (continued)

July 31, 2023 and 2022

(stated in United States dollars)

11. Financial instruments

Fair value

At July 31, 2023 and 2022, the following methods and assumptions were used by management to estimate the fair value of each class of financial instruments:

(a) Cash and cash equivalents

The carrying amount approximates fair value. The company considers its cash and cash equivalents to be Level 1 assets in the fair value hierarchy.

(b) Due from reinsurer, interest receivable, losses payable, ceded premiums payable, accounts payable and accrued expenses

The above items are substantially short term, and do not bear interest. As such, their carrying amount approximates their fair value.

(c) Provision for outstanding claims and outstanding reinsurance recoverable

As noted in note 2(c), the provisions for outstanding losses and outstanding losses recoverable are based upon management's best estimate and rely upon the advice of risk managers and independent consulting actuaries. Due to the uncertainty surrounding these provisions, it is not practicable to estimate the final amount and dates of settlement of these losses with sufficient accuracy, which would be necessary in order to determine a reliable fair value for the provisions.

(d) Investments

The following tables present the financial instruments measured at fair value on a recurring basis carried on the balance sheets by caption and by level within the valuation hierarchy as at July 31, 2023:

Fair Value Measurements at Reporting Date Using				
	Level 1	Level 2	Level 3	Total
Alternative investment funds with readily determinable fair value	0	46,500,702	0	46,500,702
Alternative investment funds measured using NAV as a practical expedient to fair value	0	30,163,291	0	30,163,291
Total investments	0	76,663,993	0	76,663,993

PHOEBE PUTNEY INDEMNITY, LTD.

Notes to Financial Statements (continued)

July 31, 2023 and 2022

(stated in United States dollars)

11. Financial instruments (continued)

As of July 31, 2022, all investments held by the Company were measured using NAV as a practical expedient to fair value.

		Fair Value Measurements at Reporting Date Using			
		Level 1	Level 2	Level 3	Total
Alternative investment funds with readily determinable fair value		0	42,817,910	0	42,817,910
Alternative investment funds measured using NAV as a practical expedient to fair value		0	0	0	30,933,230
Total investments	US\$	0	42,817,910	0	73,751,140

In the normal course of business, the Company purchases and sells various financial instruments which may result in both market and credit risks, the amount of which is not apparent from the financial statements.

Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates and equity markets will affect the fair value of positions held by the Company. The Company is exposed to market risk on its money market funds and its investments which are carried at fair value. Specifically, a risk exists that the ultimate selling price of investments or the money market fund may differ from their fair values as at the balance sheet dates. Management does not anticipate any material losses from this exposure. The Company manages this exposure to market risk by appointing a reputable investment manager to monitor its investment positions. In addition, management actively reviews the performance of its investment manager and market values of its investments.

Credit risk

Credit risk is the risk of counterparty default. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for the non-exchange traded financial instrument is not backed by an exchange clearing house. Financial assets which potentially expose the Company to credit risk consist of cash and cash equivalents, investments, interest receivable, due from broker, reinsurance recoverable and amounts due from reinsurer. However, since all cash and cash equivalents, investments, due from broker and interest receivable are held at or due from reputable financial institutions, management does not anticipate any material losses from these exposures. The Company manages its exposure to credit risk with regards to reinsurance recoverable and amounts due from reinsurer by actively reviewing the insurance ratings of its reinsurers.

PHOEBE PUTNEY INDEMNITY, LTD.

Notes to Financial Statements (continued)

July 31, 2023 and 2022

(stated in United States dollars)

11. Financial instruments (continued)

Credit risk (continued)

A concentration of credit risk exists as all of the cash balances and investments are held with one bank in the Cayman Islands and one bank in the United States. Management does not anticipate any losses as a result of this concentration. The Company's exposure to credit risk is limited to the amounts in the balance sheet.

12. Subsequent events

In preparing these financial statements, management has evaluated subsequent events up to October 4, 2023, which is the date that the financial statements were approved and available to be issued.