



**XL Insurance  
Reinsurance**

**CATLIN (NORTH AMERICAN) HOLDINGS LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED**  
**31 DECEMBER 2021**

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COMPANIES HOUSE

# **CATLIN (NORTH AMERICAN) HOLDINGS LTD**

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**CATLIN (NORTH AMERICAN) HOLDINGS LTD**

**COMPANY INFORMATION**

Directors and officers at the date that the report is signed:

**DIRECTORS**

Mark R. Cummings  
Clynton J. Luttig  
Christopher J. Read

**COMPANY SECRETARY**

Marie L. Rees

**REGISTERED NUMBER**

05562639

**REGISTERED OFFICE**

20 Gracechurch Street  
London  
EC3V 0BG

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London  
SE1 2RT

# **CATLIN (NORTH AMERICAN) HOLDINGS LTD**

## **STRATEGIC REPORT YEAR ENDED 31 DECEMBER 2021**

The directors present their strategic report for the year ended 31 December 2021.

### **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company and also holds a buildings lease commitment on behalf of some of the AXA XL division companies, the costs of which are allocated out to other AXA XL division companies.

### **BUSINESS REVIEW**

The Company made a loss before taxation of \$446.56 million during the year (2020: profit \$0.73 million). Despite the significant loss in the period, the Company continues to have shareholders' funds of \$700.94 million (2020: \$1,649.04 million) as at 31 December 2021. Management conducted an impairment analysis on its investments in subsidiaries and consequently recorded a total impairment of \$594.16 million (2020: \$nil) in the statement of profit or loss since it found that the carrying value of the Company's investments in various subsidiaries as listed in note 8(iv) were not supported by adequate net asset value. During the year, the Company received no capital contributions (2020: \$100 million) but increased its investments in subsidiaries by \$3 (2020: \$100 million).

The Company distributed an interim dividend of \$502.22 million to its parent during the year. Subsequently, management identified an impairment charge in the amount of \$553.90 million to the Company's investment in Catlin Syndicate Ltd., the main subsidiary of the Company. These transactions have resulted in a negative net retained earnings position as at 31 December 2021. On 16 December 2022, the directors have taken the necessary steps to rectify the negative net retained earnings position through share premium reduction into a separate reserve after the balance sheet date.

### **FINANCIAL KEY PERFORMANCE INDICATORS**

Due to the nature of the Company and the low number of transactions during the year, the directors monitor the performance and results of the Company with basic KPIs including profit/loss for the year, total assets and total shareholder's funds.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The process of risk management is addressed through a framework of policies, procedure and internal controls. The Company has developed a risk and control framework in line with the wider AXA XL division which is built on an Enterprise Risk Management Model that aims to integrate existing risk programs into a more holistic embedded AXA XL division wide risk and capital management framework.

### **STATEMENT BY THE DIRECTORS ON THEIR PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH SECTION 172(1) OF THE COMPANIES ACT 2006**

The Board of Directors of the Company consider that both individually and collectively, they have discharged their statutory duties under Section 172 of the Companies Act 2006 by acting in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the Company's relevant stakeholders and matters set out in Section 172 of the Companies Act) in the decisions taken during the year ended 31 December 2021.

When discharging their duties and making decisions, Section 172 of the Companies Act requires the directors to have regard, amongst other things, to the:

- likely consequences of any decision in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and the environment;
- desirability of the company maintaining a reputation for high standards of business conduct;
- need to act fairly as between members of the company.

## CATLIN (NORTH AMERICAN) HOLDINGS LTD

### STRATEGIC REPORT (CONTINUED) YEAR ENDED 31 DECEMBER 2021

#### STATEMENT BY THE DIRECTORS ON THEIR PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH SECTION 172(1) OF THE COMPANIES ACT 2006 (CONTINUED)

The Company's key stakeholders are its shareholder, subsidiaries and the community within which it operates.

The Company operates within the framework of AXA XL's service company model and is the recipient of services provided by one of its sister companies. The Company has no direct employees. Board meetings are held periodically when the directors consider the Company's activities and make decisions.

The Company follows the policies and procedures of the AXA XL division, including those relating to the community and the environment, standards of business conduct and its interactions with key stakeholders. However, while being a member of the AXA XL division, the Company makes autonomous Board decisions on each transaction's own merits after due consideration of the long-term success of the Company, Section 172 factors and the stakeholders impacted. The views and the impact of the Company's stakeholders are an important consideration for the Directors when making relevant decisions.

#### Community and the Environment

In alignment with other entities in the AXA XL division, the Company has regard for the impact its operations have on the community and the environment.

As part of the AXA Group, the Company contributes to the AXA for Progress Index, a tool to measure progress and reinforce the impact of the AXA Sustainability strategy built around climate and inclusive protection with seven measurable commitments:

- Achieve Carbon Neutrality by 2025.
- Make employees leaders of the transformation by training our teams in Climate issues by 2025.
- Increase our share of green insurance products.
- Promote inclusive insurance for vulnerable populations.
- Reach EUR 25Bn in green investments by 2023.
- Decrease the carbon footprint of AXA's general account assets by 20% by 2025.
- Maintain AXA's position in the Dow Jones Sustainability Index.

Striving to achieve a balance between economic, social, and environmental activity is in the long-term interests of the Company, the wider AXA XL division, and the communities in which the Company operates.

As part of the AXA XL Division, the following initiatives demonstrate the Company's commitment to its local communities:

- The annual "AXA Week for Good", event brings colleagues across all AXA entities together to support social and environmental causes. In 2021, this included AXA XL's Global Day of Giving, where colleagues are encouraged to donate time and skills in support of non-profit organisations in their communities and around the globe. In 2021, 308 UK colleagues took part in 30 Global Day of Giving projects.
- The colleague-led "Hearts in Action" charity committees empowers colleagues to manage charitable giving for their locations, including grant-giving, fundraising and awareness raising. The UK Committee donated USD \$95,000 in 2021 to charities supporting young people with diverse needs as well as senior citizen care.
- AXA XL's Matching Gifts programme offers colleagues the opportunity to have their donations to non-profit organizations matched up to a total of USD \$800 per colleague per year.
- The Company also has a Volunteering Leave Policy, designed to enable colleagues to donate time and skills to local communities at a time of their choosing. Colleagues are entitled to take time to volunteer in addition to annual participation in the company's volunteering day (Global Day of Giving).

#### Shareholder

The Company's ultimate shareholder is AXA SA, a company incorporated in France. Within the AXA XL division, various initiatives were pursued throughout the year, including working with colleagues at AXA GI in the UK to demonstrate a combined offering as "One AXA" and to assess opportunities for mutual growth.

**CATLIN (NORTH AMERICAN) HOLDINGS LTD**

**STRATEGIC REPORT (CONTINUED)  
YEAR ENDED 31 DECEMBER 2021**

**STATEMENT BY THE DIRECTORS ON THEIR PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH SECTION 172(1) OF THE COMPANIES ACT 2006 (CONTINUED)**

**Suppliers, customers and others in a business relationship with the company**

The Company believes that fostering business relationships with these stakeholders is important to the Company's success and the Company's strategy to provide risk management solutions and claim handling services. The Company is committed to acting conscientiously and advancing processes to make certain that responsible procurement is central to all its purchases. As part of the AXA XL division, the Company benefits from the use of the AXA XL responsible procurement guidelines which are embedded in the AXA XL procurement policy.

**Maintaining a reputation for high standards of business conduct**

The Company's commitment to ethical conduct is set out in more detail in the AXA Group Compliance and Ethics Code and AXA XL division's Code Supplement ("Code of Conduct"). Policies with respect to anti-corruption and anti-bribery are contained in the Code of Conduct. Failure to comply with these policies is taken very seriously and may result in disciplinary action, including but not limited to dismissal.

This report was approved by the Board and signed on its behalf by:



**Clynton J. Luttig**  
Director  
21 December 2022

## **CATLIN (NORTH AMERICAN) HOLDINGS LTD**

### **DIRECTORS' REPORT YEAR ENDED 31 DECEMBER 2021**

The directors present their report and the audited financial statements for the year ended 31 December 2021.

#### **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company and also holds a buildings lease commitment on behalf of some of the AXA XL division companies, the costs of which are allocated out to other AXA XL division companies.

#### **RESULTS AND DIVIDENDS**

The results for the year and the state of the Company's position as at 31 December 2021 are shown in the financial statements. The Company declared and distributed an interim dividend of \$502.2 million (2020: \$nil). The directors do not propose a final dividend (2020: \$nil).

#### **DIRECTORS**

Company directors who hold office at the date of this report are listed on page 1. No directors were appointed and no directors have resigned during the financial year and up to the date of this report.

#### **COMPANY SECRETARY**

The Company Secretary in office at the date of this report is shown on page 1.

#### **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company's financial risk management policies and objectives are established and managed by the Board. The Company is exposed to interest rate risk due to LIBOR linked loan that it holds. However, as the Company acts as a management and holding company, it has minimal financial assets or liabilities, largely consisting of balances due to or from group undertakings and investments in subsidiaries. Therefore, the Board consider the Company to have minimal exposure to other financial risks.

The Company's policy for management of risk is to match assets and liabilities by currency. The Company has minimal cash resources and its majority of assets and liabilities are balances due to, or from, fellow UK AXA XL division companies.

#### **INDEPENDENT AUDITORS**

The shareholders have dispensed with the requirements to hold Annual General Meetings and appoint auditors annually, through an elective resolution. The auditors, PricewaterhouseCoopers LLP, were in office during the reported period for which these financial statements cover and at the date of signing.

#### **WAR IN UKRAINE**

On 24 February 2022, Russia invaded Ukraine, triggering a war and worldwide geopolitical tensions, leading the United States, Europe and some other countries to impose unprecedented financial and trade sanctions on the Russian economy, including asset freezes and restrictions on individuals and institutions, notably the Russian Central Bank. As a consequence, the Russian economy is facing a major crisis with repercussions on the global economy.

Under a new law signed by Russia in early March 2022, Russian insurers have been banned from entering into transactions with foreign insurers, reinsurers and brokers from a group of "unfriendly countries" that includes every EU state, Japan, Switzerland, the UK and the US. The ban also applies to the transfer of funds by Russian insurers under contracts that were agreed prior to the new rules coming into effect. The newly introduced law will currently be in effect until 31 December 2022. Management does not believe that the conflict has a material impact on the financial statements and will continue to monitor the Company's exposure.

## **CATLIN (NORTH AMERICAN) HOLDINGS LTD**

### **DIRECTORS' REPORT (CONTINUED) YEAR ENDED 31 DECEMBER 2021**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland", and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that financial year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITORS**

Each of the persons who is a director at the time when this Directors' Report is approved has confirmed that:

- as far as each director is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2021 of which the auditors are unaware; and
- that each director has taken all the steps that ought to have been taken as a director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This report was approved by the Board and signed on its behalf by:



**Clynton J. Luttig**  
Director  
21 December 2022

# **Independent auditors' report to the members of Catlin (North American) Holdings Ltd**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, Catlin (North American) Holdings Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements ("the Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2021; the Statement of Profit or Loss and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the 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 remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

# **Independent auditors' report to the members of Catlin (North American) Holdings Ltd (Continued)**

## **Reporting on other information (Continued)**

In connection with our audit 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 we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

## **Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine 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, the directors are 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **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 (UK) 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

# Independent auditors' report to the members of Catlin (North American) Holdings Ltd (Continued)

## Auditors' responsibilities for the audit of the financial statements (Continued)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches in tax legislation and the Companies Act 2006 requirements, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate transactions to increase the assets or reduce the liabilities of the company. Audit procedures performed by the engagement team included:

- Discussions with management over consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Identifying and testing transactions in the year, in particular any transactions with unusual activity; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

**ANDREW BOX**

**Andrew Box** (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

21 December 2022

**CATLIN (NORTH AMERICAN) HOLDINGS LTD**

**STATEMENT OF PROFIT OR LOSS  
YEAR ENDED 31 DECEMBER 2021**

		<b>2021</b>	<b>2020</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Turnover</b>		13,784,981	13,231,725
Impairment on investment in subsidiaries	8	(594,169,899)	—
Administrative expenses	2	(13,833,569)	(13,203,362)
Other operating (expense)/income	2	(2,057,819)	791,024
<b>OPERATING (LOSS)/PROFIT</b>		<u><b>(596,276,306)</b></u>	<u><b>819,387</b></u>
Income from shares in group undertakings	8	149,754,194	—
Interest receivable and similar income	5	2,335	13,715
Interest payable and similar expenses	6	(41,044)	(102,966)
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		<u><b>(446,560,821)</b></u>	<u><b>730,136</b></u>
Tax on (loss)/profit	7	671,641	(119,913)
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		<u><u><b>(445,889,180)</b></u></u>	<u><u><b>610,223</b></u></u>

**CATLIN (NORTH AMERICAN) HOLDINGS LTD**

**STATEMENT OF CHANGES IN EQUITY  
YEAR ENDED 31 DECEMBER 2021**

	Called up share capital	Share premium account	Contributed Surplus	Profit and loss account	Total
Note	\$	\$	\$	\$	\$
<b>Balance as at 1 January 2020</b>	67	760,935,737	918,024,243	(130,526,939)	1,548,433,108
Capital Contribution during the year	—	—	100,000,000	—	100,000,000
Profit for the financial year	—	—	—	610,223	610,223
<b>Balance as at 31 December 2020</b>	67	760,935,737	1,018,024,243	(129,916,716)	1,649,043,331
Dividend distributed during the year	—	—	(502,215,904)	—	(502,215,904)
Loss for the financial year	—	—	—	(445,889,180)	(445,889,180)
<b>Balance as at 31 December 2021</b>	67	760,935,737	515,808,339	(575,805,896)	700,938,247

**CATLIN (NORTH AMERICAN) HOLDINGS LTD**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021**

	Note	2021 \$	2020 \$
<b>FIXED ASSETS</b>			
Investments	8	1,047,780,465	1,641,950,361
<b>CURRENT ASSETS</b>			
Debtors	9	18,871,937	102,429,349
Cash at Bank and in Hand		1,737,777	1,214
		<u>20,609,714</u>	<u>102,430,563</u>
Bank Loans and Overdrafts		—	(17,581,850)
<b>CREDITORS: amount falling due within one year</b>	10	<u>(348,966,089)</u>	<u>(65,027,119)</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(328,356,375)</u>	<u>19,821,594</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>719,424,090</u>	<u>1,661,771,955</u>
<b>CREDITORS: amounts falling due after more than one year</b>	11	<u>(18,485,843)</u>	<u>(12,728,624)</u>
<b>NET ASSETS</b>		<u><u>700,938,247</u></u>	<u><u>1,649,043,331</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	67	67
Share premium account		760,935,737	760,935,737
Contributed Surplus	12	515,808,339	1,018,024,243
Profit and loss account		(575,805,896)	(129,916,716)
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u><u>700,938,247</u></u>	<u><u>1,649,043,331</u></u>

The financial statements on pages 10 to 21 were approved by the Board of Directors and signed on its behalf by:

  
**Clayton J. Luttig**  
 Director  
 21 December 2022

## **CATLIN (NORTH AMERICAN) HOLDINGS LTD**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **1 ACCOUNTING POLICIES**

##### **1.1 Basis of preparation of the financial statements**

Catlin (North American) Holdings Ltd (the "Company") is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The address of its registered office is 20 Gracechurch Street, London, EC3V 0BG.

The entity financial statements have been prepared under the historical cost convention, as modified by the measurement of certain financial assets and liabilities at fair value through profit or loss.

These financial statements have been prepared on the going concern basis, in accordance with applicable UK accounting standards including Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") issued by the Financial Reporting Council and in compliance with the other requirements of the Companies Act 2006.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the previous years presented, unless otherwise stated.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 401 of the companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

##### **1.2 Exemption from preparing the Cash flow Statement**

The Company has availed itself of the exemption under FRS 102 section 1 on 'Reduced disclosures for subsidiaries' on the grounds that it is a wholly-owned subsidiary whose ultimate parent is AXA SA (incorporated in France) which prepares a group consolidated cash flow statement in its group consolidated financial statements that are publicly available.

##### **1.3 Exemption from disclosing related party transactions**

As the Company is a wholly-owned subsidiary whose ultimate parent AXA SA is incorporated in France, the Company has taken advantage of the exemption contained in FRS 102 section 33 'Related Party Disclosures' from disclosing related party transactions with entities which form part of AXA SA Group.

##### **1.4 Interest**

Interest income and charges are accrued up to the Statement of Financial Position date.

##### **1.5 Investments**

With the adoption of FRS 102, the Company has chosen to use the carrying value to be the deemed cost of its investments in group undertakings and participating interests. This carrying value at transition date is the most recent net asset valuation of the subsidiaries. Investments are written down where necessary to reflect any impairment to its carrying value. The change in the carrying value, measured by the movement in the net asset value, is recognised in the Statement of Profit or Loss.

## CATLIN (NORTH AMERICAN) HOLDINGS LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1 ACCOUNTING POLICIES (CONTINUED)

##### 1.6 Operating leases

###### *(i) Operating leased assets*

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on straight-line basis over the period of the lease.

###### *(ii) Lease Incentives*

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

##### 1.7 Foreign currencies

The Company's financial statements are presented in US Dollars which is the same as its functional currency. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at rates of exchange ruling at the Balance Sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at rates of exchange ruling at the time of the original transactions and are not re-translated at each year end. Transactions in foreign currencies are translated into US Dollars at the previous month's closing rates as a proxy for the transactional rates. Exchange gains and losses are recognized in the Statement of Profit or Loss.

##### 1.8 Inter-company loans

The inter-company loan payable is initially measured at fair value representing the transaction price and is subsequently measured at amortised cost using the effective interest method.

##### 1.9 Turnover

Expenses that are contractually the obligation of the Company but borne by other AXA XL division entities are reported as administrative expenses, with an approximately equal and opposite amount reported as turnover.

##### 1.10 Use of estimates and judgments

The preparation of these financial statements required management to make judgements, estimates and assumptions on discount rates including future profit growth rate of subsidiaries as part of evaluating the investment in subsidiaries for impairment. This affects the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

##### 1.11 Financial instruments

The Company has adopted Sections 11 and 12 of FRS 102 in respect of financial instruments. Cash and cash equivalents include cash at banks. Cash and cash equivalents are initially measured at transaction price. Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as due within one year if payment is due within one year or less. If not, they are presented as falling due after more than one year. Trade creditors are recognised initially at transaction price.

# CATLIN (NORTH AMERICAN) HOLDINGS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 2 OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after (charging)/crediting the following:

	2021	2020
	\$	\$
Turnover	13,784,981	13,231,725
Other operating (expense)/income	(2,057,819)	791,024
Bank charges	(438)	(234)

The auditors' remuneration (fee for audit only) for the year \$31,318 (2020: \$27,493) has been borne by another AXA XL division company, XL Catlin Services SE.

Other operating (expense)/income relates to the foreign exchange movement resulting from the revaluation of assets and liabilities held in currencies other than the functional currency at the appropriate year end closing rates.

### 3 STAFF COSTS

The Company has no employees (2020: *nil*).

The Company incurred no staff costs during the year (2020: \$*nil*).

### 4. DIRECTORS' EMOLUMENTS

Executive directors do not receive emoluments for their appointment as all employment costs are borne by other AXA XL division companies. As employees of AXA SA Group companies, executive directors are eligible to participate in group defined contribution pension and long-term incentive schemes available to employees. The Company has no non-executive directors.

### 5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021	2020
	\$	\$
Bank Interest receivable	2,335	13,715
	<u>2,335</u>	<u>13,715</u>

### 6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021	2020
	\$	\$
Bank interest payable	(41,044)	(102,966)
	<u>(41,044)</u>	<u>(102,966)</u>

**CATLIN (NORTH AMERICAN) HOLDINGS LTD**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**7 TAX ON (LOSS)/PROFIT**

**(a) Tax expense/(benefit) included in profit or loss**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Current tax:</b>		
UK corporation tax on (loss)/profit of the financial year	(404,422)	119,913
Adjustment in respect of prior financial years	<u>(267,219)</u>	<u>—</u>
<b>Total current tax (credit)/charge</b>	<b><u>(671,641)</u></b>	<b><u>119,913</u></b>

**(b) Reconciliation of tax charge**

The table below reconciles the accounting profit before tax at the standard rate of corporation tax in the UK for the year ended 31 December 2021 of 19% (2020: 19%) to the actual tax charge/(credit) for the year.

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
(Loss)/profit before tax	(446,560,821)	730,136
(Loss)/Profit before tax multiplied by the standard rate of tax in the UK of 19% (2020: 19%)	(84,846,556)	138,726
<b>Effects of:</b>		
Expenses not deductible for tax purposes	3,150	(18,813)
Impairment on investment in subsidiary not deductible for tax purposes	112,892,281	—
Corporate dividend received - UK Dividend exemption for tax purposes	(28,453,297)	—
Adjustments to tax charge in respect of prior years	<u>(267,219)</u>	<u>—</u>
<b>Tax (credit)/charge for the financial year</b>	<b><u>(671,641)</u></b>	<b><u>119,913</u></b>

**(c) Tax rate changes**

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Legislation was substantively enacted on 24 May 2021 and the rate rise has been taken into account in calculating the net assets of the company at 31 December 2021.

**(d) Deferred Tax**

There are no unused tax losses (2020: \$nil).

The Company had no deferred tax provision at 31 December 2021 (2020: \$nil)

**CATLIN (NORTH AMERICAN) HOLDINGS LTD**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**8. INVESTMENTS**

**(i) Cost or valuation**

	<b>Investments in subsidiary undertakings \$</b>
<b>Carrying amount</b>	
At 1 January 2021	2,152,651,343
Capital contribution	3
At 31 December 2021	<u><u>2,152,651,346</u></u>
<b>Impairment</b>	
At 1 January 2021	510,700,982
impairment recorded during the year	594,169,899
At 31 December 2021	<u><u>1,104,870,881</u></u>
<b>Net book value</b>	
At 31 December 2020	1,641,950,361
At 31 December 2021	1,047,780,465

**(ii) Details of capital contributions made in 2021**

<b>Date of transaction</b>	<b>Investment made to subsidiaries</b>	<b>Purpose</b>	<b>Form of Contribution</b>	<b>Amount \$</b>
31 March 2021	Dornoch Limited (USD)	Organisational restructure-Purchase of the legal entity	Cash	1
17 June 2021	XL India Business Serv.PVT.Ltd	Organisational restructure-Purchase of one share from XL Services Switzerland Ltd	Cash	1
5 August 2021	XL London Market Ltd	Organisational restructure - Purchase of the legal entity	Cash	1
<b>Total Investment made in 2021</b>				<u><u>3</u></u>

**(iii) Subsidiary undertakings**

The following were the subsidiary undertakings of the Company:

<b>Name</b>	<b>Class of shares</b>	<b>Holding</b>
Catlin Investment Holdings (Jersey) Limited, 13 Castle Street, St Helier JE4 5UT, Jersey	Ordinary	100 %
*Catlin Holdings Limited, 20 Gracechurch Street, London, EC3V 0BG	Ordinary	100 %
Catlin Holdings (UK) Limited, 20 Gracechurch Street, London, EC3V 0BG	Ordinary	100 %
Catlin (PUL) Limited, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN	Ordinary	100 %
Catlin (Underwriting) UK Limited, 20 Gracechurch Street, London, EC3V 0BG	Ordinary	100 %
Catlin (One) Limited, 20 Gracechurch Street, London, EC3V 0BG	Ordinary	100 %
Catlin Syndicate Limited, 20 Gracechurch Street, London, EC3V 0BG	Ordinary	100 %
Dornoch Limited, 20 Gracechurch Street, London, EC3V 0BG	Ordinary	100 %
XL London Market Ltd, 20 Gracechurch Street, London, EC3V 0BG	Ordinary	100 %

\*On 17 December 2021, Catlin Holdings (UK) Limited, one of the subsidiaries of the Company sold its subsidiary, Catlin Holdings Limited to Catlin (North American) Holdings Ltd, the parent of the former Company at the book value.

## CATLIN (NORTH AMERICAN) HOLDINGS LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

#### 8. INVESTMENTS (CONTINUED)

Catlin Investment Holdings (Jersey) Limited is incorporated in Jersey, Catlin (PUL) Limited in Scotland and the remaining subsidiaries are incorporated in England and Wales.

Liquidation process is completed in 2022 in respect of the subsidiary Catlin (PUL) Limited, and is progressing in respect of the following subsidiaries, Catlin Investment Holdings (Jersey) Limited, Catlin Holdings (UK) Limited and Catlin (Underwriting) UK Limited.

#### (iv) Impairments

The Company made detailed impairment analysis on its main investment in its subsidiary, Catlin Syndicate Limited. Management used assumptions that are consistent with those used in preparing the XL Bermuda Ltd (parent of the Company) financial statements of 0% growth rate and hence an amount of \$553.90 million is recognised as impairment in the income statement.

The Company also conducted impairment analysis on all the other subsidiaries including the liquidating entities and recorded impairments wherever it is found that the carrying value of the investments in these subsidiaries were not supported by adequate fair value/net asset value.

The details of impairments recorded in respect of various subsidiaries are listed in the below table:

Name of the subsidiaries	Impairment recorded in \$
Catlin Syndicate Limited	553,899,881
Catlin Investment Holdings (Jersey) Limited	28,957,672
Catlin Underwriting (UK) Limited	6,259,699
Catlin (PUL) Limited	5,052,647
<b>Total</b>	<b>594,169,899</b>

The directors also confirm that the carrying value of the investments in other subsidiaries are supported by their underlying net assets.

**CATLIN (NORTH AMERICAN) HOLDINGS LTD**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**8. INVESTMENTS (CONTINUED)**

**(v) Dividends received**

The Company received dividends during the year as listed below from its subsidiaries:

<b>Date</b>	<b>Name of the subsidiaries</b>	<b>Nature of dividend</b>	<b>Amount declared in £</b>	<b>Amount accounted in \$</b>
10 June 2021	Catlin (PUL) Limited	Pre-liquidation dividend	3,994	5,654
14 June 2021	Catlin Investment Holdings (Jersey) Limited	Pre-liquidation dividend	13,567,287	19,202,460
17 December 2021	Catlin Holdings (UK) Limited	Pre-liquidation dividend	25,761,526	35,661,680
17 December 2021	Dornoch Limited (USD)	Interim dividend	71,000,000	94,884,400
<b>Total dividends received</b>				<b>149,754,194</b>

**9 DEBTORS**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Due within one year</b>		
Amounts owed by group undertakings	18,485,843	102,149,321
Corporation Tax receivable	284,510	280,028
Other debtors	101,584	—
	<b>18,871,937</b>	<b>102,429,349</b>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**10 CREDITORS: Amounts falling due within one year**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Amounts owed to group undertakings	137,647,938	65,025,075
VAT Payable	—	2,044
Loan from group undertaking	211,284,304	—
Other Creditors	33,847	—
	<b>348,966,089</b>	<b>65,027,119</b>

**CATLIN (NORTH AMERICAN) HOLDINGS LTD**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**10 CREDITORS: Amounts falling due within one year (CONTINUED)**

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The loan of \$211.28 million (£158.10 million) (2020: \$nil) from group undertaking is a short-term interest free intercompany loan repayable on demand granted on 15 December 2021 by Dornoch Limited, one of the subsidiaries of the Company.

**11 CREDITORS: Amounts falling due after more than one year**

	2021	2020
	\$	\$
Accruals and deferred income	18,485,843	12,728,624
	<u>18,485,843</u>	<u>12,728,624</u>

**12 CALLED UP SHARE CAPITAL**

	2021	2020
	\$	\$
<b>Allotted, called up and fully paid</b>		
6,732 (2020:6,732) Ordinary shares of \$0.01 each	67.32	67.32

**Contributed Surplus**

During the year, the Company declared and distributed Interim dividends out of contributed surplus as listed below:

Date	Name of the Parents	Nature of dividend	Amount declared in £	Amount accounted in \$
15 December 2021	XL Bermuda Ltd	Interim dividend	349,112,708	466,554,224
17 December 2021	XL Bermuda Ltd	Interim dividend	25,761,526	35,661,680
<b>Total interim dividend declared and paid</b>				<u><u>502,215,904</u></u>

## CATLIN (NORTH AMERICAN) HOLDINGS LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

#### 13 OPERATING LEASE COMMITMENTS

At 31 December the Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Land and buildings	
	2021	2020
	\$	\$
Within one year	13,942,811	6,971,405
Between 2 and 5 years	57,165,525	56,468,384
After more than 5 years	74,663,753	89,303,703
	<u>145,772,089</u>	<u>152,743,492</u>

The Company holds land and buildings lease commitments on behalf of the group.

#### 14 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company is a wholly owned subsidiary of XL Bermuda Ltd ("XLB"), a company registered in Bermuda. The Company's ultimate parent undertaking is AXA SA, a company registered in France.

The smallest undertaking for which the Company is a member and for which group financial statements are prepared is XLB, a company registered in Bermuda, and the largest group is AXA SA. The results of the Company are consolidated within the financial statements of AXA SA and XLB. Copies of the audited consolidated financial statements of XLB can be obtained from O'Hara House, One Bermudiana Road, Hamilton HM 11, Bermuda. Copies of the audited consolidated financial statements of AXA SA can be obtained from 25 Avenue Matignon, 75008 Paris, France.

#### 15. WAR IN UKRAINE

On 24 February 2022, Russia invaded Ukraine, triggering a war and worldwide geopolitical tensions, leading the United States, Europe and some other countries to impose unprecedented financial and trade sanctions on the Russian economy, including asset freezes and restrictions on individuals and institutions, notably the Russian Central Bank. As a consequence, the Russian economy is facing a major crisis with repercussions on the global economy.

Under a new law signed by Russia in early March 2022, Russian Insurers have been banned from entering into transactions with foreign insurers, reinsurers and brokers from a group of "unfriendly countries" that includes every EU state, Japan, Switzerland, the UK and the US. The ban also applies to the transfer of funds by Russian insurers under contracts that were agreed prior to the new rules coming into effect. The newly introduced law will currently be in effect until 31 December 2022. Management does not believe that the conflict has a material impact on the financial statements and will continue to monitor the Company's exposure.

#### 16. SUBSEQUENT EVENTS

On 6 May 2022, Catlin Holdings Limited, a Wholly owned subsidiary of the Company decided to sell three subsidiaries of the that company, AXA XL Underwriting Agencies Limited, Catlin Syndicate 6112 Limited and Catlin Syndicate 6121 Limited to the Company at the book value by way of a distribution of dividend in specie.

On 27 June 2022, the Company received interim dividends of \$144 million from Catlin Syndicate Limited and \$106 million from AXA XL Underwriting Agencies Limited. Accordingly, the Company made a payment to its parent of \$250 million (\$50 million in cash and \$200 million by way of assets transfer).

As indicated in the strategic report, under the heading "Business Review" on page 2, on 16 December 2022, the directors have taken the necessary steps to rectify the negative net retained earnings position through share premium reduction into a separate reserve after the balance sheet date.