Barents Re Reinsurance Company, Inc. and subsidiary

Consolidated financial statements for the year ended December 31, 2022 and Independent Auditors' Report of June 20, 2023

Barents Re Reinsurance Company, Inc. and subsidiary

Independent Auditors' Report and 2022 consolidated financial statements

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Barents Re Reinsurance Company, Inc. and Subsidiary

Opinion

We have audited the consolidated financial statements of **Barents Re Reinsurance Company, Inc. and Subsidiary** (the "Company") which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended (all expressed in United States dollars), and related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and its results of operations and cash flows for the year ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other matters

As disclosed in Note 2, as of December 31, 2022, the consolidated financial statements are presented in conformity with accounting principles generally accepted in the United States of America ("USGAAP"). These consolidated financial statements are the first that the Company has prepared in accordance with USGAAP. The effects of this adoption are presented in Note 6.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Deloitte & Touche LLP

June 20, 2023

Barents Re Reinsurance Company, Inc. and subsidiary

Consolidated statement of financial position
at December 31, 2022
(In United States of America dollars)

	Notes	2022	2021
Assets			
Cash and bank deposits	7,8	146,010,403	104,584,713
Premiums receivable, net	9	161,647,762	87,309,502
Securities available for sale	10	463,813,833	490,872,945
Investment in associate	7,14	13,073,781	10,151,608
Trust agreements	13	14,119,844	16,107,687
Notes and accounts receivable - related parties	7	33,857,910	23,279,029
Accounts receivable - retrocessions	19	88,075,289	81,018,278
Accounts receivable	12	11,982,254	12,503,362
Other accounts receivable	7	5,135,185	5,489,468
Commissions receivable		10,428,025	8,192,884
Unrealized retroceded premium	17	147,779,176	81,089,234
IBNR of retroshare	18	181,922,754	169,071,157
Retroshare of claims outstanding	18	135,191,441	102,384,847
Deferred acquisition costs	18	28,152,277	28,060,406
Property, furniture, equipment and improvements, net	11	513,353	604,378
Right-of-use assets	15	950,576	-
Other assets	16	9,026,830	7,406,763
Total assets		1,451,680,693	1,228,126,261
Liabilities and equity			
Liabilities			
Claims outstanding reserve	18	247,570,687	184,606,166
Unrealized premium reserve	17	233,828,425	156,654,156
Commissions payable		5,884,308	8,291,107
IBNR reserves	18	304,719,808	268,101,076
Unearned retroceded commission		4,706,514	4,605,706
Loans payable	20	279,304	400,362
Lease liability	15	950,576	-
Repurchase agreement	21	13,000,000	18,000,000
Reinsurers accounts payable		36,470,439	31,795,621
Deposits received from reinsurance companies	22	161,768	169,590
Accounts payable and accrued expenses	23	4,148,266	4,873,543
Total liabilities		851,720,095	677,497,327
Equity			
Common shares	27	404,988,405	404,988,405
Net changes in securities available for sale		1,542,088	(101,980)
Capital reserve	28	72,505,820	50,022,726
Change in foreign currency translation		(8,946,254)	(5,314,046)
Legal reserve		169,771	169,771
Retained earnings		97,734,337	74,981,626
Equity attributable to owners of the Company		567,994,167	524,746,502
Non-controlling interest	26	31,966,431	25,882,432
Total equity		599,960,598	550,628,934
Total liabilities and equity		1,451,680,693	1,228,126,261
		-	-

The accompanying notes are an integral part of these consolidated financial statements.

Barents Re Reinsurance Company, Inc. and subsidiary

Consolidated statement of profit or loss
for the year ended December 31, 2022
(In United States of America dollars)

	Notes	2022	2021
Net income from premiums:			
Gross written premiums	25	373,876,179	319,149,846
Retroceded premiums		(139,876,256)	(143,767,513)
Change in unearned premium	17	(69,772,718)	(20,681,617)
Change in unearned retro premium (URP)	17	59,288,392	12,575,524
Net earned premium		223,515,597	167,276,240
Change in claims outstanding	18	(68,407,974)	(34,566,528)
Change in retro outstanding	18	38,250,079	(4,415,544)
Change in IBNR	18	(36,618,732)	33,655,966
Change in retrocession of IBNR	18	12,851,597	(33,694,287)
Gross claims paid		(87,145,123)	(89,190,932)
Retroshare of claims paid		14,970,621	16,983,018
Net incurred claims		(126,099,532)	(111,228,307)
Change in unearned retrocession commission		(100,808)	(8,449,294)
Change in deffered acquisition costs	18	646,988	14,980,104
Commissions received		7,163,984	14,377,173
Commissions paid		(52,733,142)	(35,137,555)
Net commission paid		(45,022,978)	(14,229,572)
Other incomes (expenses):			
Interests income, net		1,885,986	1,184,101
Allowance for doubtful receivables	9, 19	(9,488,778)	(2,607,359)
Risk analysis cost		-	(100,313)
Share of results of associates	14	2,922,173	2,371,100
Gain in securities available for sale	10	20,373,583	14,514,946
Reinsurance commisions and profit participation		1,298,479	675,732
Other income		5,942,261	5,405,503
Total income, net		75,326,791	63,262,071
General and administrative expenses:			
Salaries and other employee benefits		7,091,669	6,715,220
Professional fees		5,531,976	4,520,810
Depreciation expense	11,15	698,440	162,428
Other expenses	24	7,896,663	10,568,911
Total general and administrative expenses		21,218,748	21,967,369
Profit before income tax		54,108,043	41,294,702
Income tax	29	2,788,238	1,761,768
Net profit		51,319,805	39,532,934
Net profit attributable to:			
Owners of the Company		45,235,806	35,980,319
Non-controlling interests	26	6,083,999	3,552,615
Net profit		51,319,805	39,532,934

The accompanying notes are an integral part of these consolidated financial statements.

Barents Re Reinsurance Company, Inc. and subsidiary

Consolidated statement of comprehensive income
for the year ended December 31, 2022
(In United States of America dollars)

	Notes	2022	2021
Net profit		51,319,805	39,532,934
Other comprehensive income:			
Realized gain transferred to income	10	(20,373,583)	(14,514,946)
Net changes in securities available for sale	10	22,017,651	14,315,152
Total other comprehensive income		1,644,068	(199,794)
Total net comprehensive income of the year		52,963,873	39,333,140
Comprehensive income attributable to:			
Owners of the Company		46,879,874	35,780,525
Non-controlling interests	26	6,083,999	3,552,615
Total comprehensive income for the year		52,963,873	39,333,140

The accompanying notes are an integral part of these consolidated financial statements.

Barents Re Reinsurance Company, Inc. and subsidiary

Consolidated statement of changes in equity
for the year ended December 31, 2022
(In United States of America dollars)

	Attributable to owners of the Company								
	Common shares	**Net changes in securities available for sale**	**Change in foreign currency translation**	**Legal reserve**	**Capital reserve**	**Retained earnings**	**Equity attributable to owners of the Company**	**Non- controlling interest**	**Total equity**
Balance at January 1, 2021 (Adjusted)	404,988,405	97,814	(774,114)	169,771	-	89,031,280	493,513,156	22,329,817	515,842,973
Other comprehensive income comprised of:									
Net profit	-	-	-	-	-	36,554,238	36,554,238	3,552,615	40,106,853
Realized gain transferred to income	-	(14,514,946)	-	-	-	-	(14,514,946)	-	(14,514,946)
Net changes in fair value of securities available for sale	-	14,315,152	-	-	-	-	14,315,152	-	14,315,152
Total net comprehensive income for the year	-	(199,794)	-	-	-	36,554,238	36,354,444	3,552,615	39,907,059
Transactions attributable to shareholders:									
Capital reserve	-	-	-	-	50,022,726	(50,022,726)	-	-	-
Exclusion of affiliate from consolidation	-	-	-	-	-	-	-	-	-
Participation in asociated						-	-		-
Legal reserve	-	-	-	-	-	-	-	-	-
Change in foreign currency translation	-	-	(4,501,412)	-	-	-	(4,501,412)	-	(4,501,412)
Other equity transactions:									
Adjustments for US GAAP adoption	-	-	(38,520)	-	-	(581,167)	(619,687)	-	(619,687)
Balance at December 31, 2021 (Adjusted)	404,988,405	(101,980)	(5,314,046)	169,771	50,022,726	74,981,626	524,746,502	25,882,432	550,628,934
Other comprehensive income comprised of:									
Net profit	-	-	-	-	-	45,235,806	45,235,806	6,083,999	51,319,805
Realized gain transferred to income	-	(20,373,583)	-	-	-	-	(20,373,583)	-	(20,373,583)
Net changes in fair value of securities available for sale	-	22,017,651	-	-	-		22,017,651	-	22,017,651
Total net comprehensive income for the year	-	1,644,068	-	-	-	45,235,806	46,879,874	6,083,999	52,963,873
Transactions attributable to shareholders:									
Capital reserve	-	-	-	-	22,483,094	(22,483,094)	-	-	-
Change in foreign currency translation	-	-	(3,632,208)	-	-	-	(3,632,208)	-	(3,632,208)
Balance at December 31, 2022	404,988,405	1,542,088	(8,946,254)	169,771	72,505,820	97,734,337	567,994,167	31,966,431	599,960,598

The accompanying notes are an integral part of these consolidated financial statements.

Barents Re Reinsurance Company, Inc. and subsidiary

Consolidated statement of cash flows
for the year ended December 31, 2022
(In United States of America dollars)

	Notes	2022	2021
Cash flows from operating activities:			
Net income		51,319,805	39,532,934
Adjustment for:			
Share of results of associates	14	(2,922,173)	(2,371,100)
Gain on sale of securities available for sale	10	(20,373,583)	(14,514,946)
Allowance for doubtful receivables	9	9,488,778	2,607,359
Provision outstanding claims reserve	18	62,964,521	57,950,218
Retrocession outstanding claims	18	(32,806,594)	(18,968,146)
Provision of unrealized premium (UPR)	17	77,174,269	28,747,236
Retrocession of unrealized premium (UPR) reserve	17	(66,689,942)	(20,641,144)
Provision of IBNR	18	36,618,732	(33,655,966)
Retrocession of IBNR reserve	18	(12,851,597)	33,694,287
Unearned retroceded commission		100,808	8,449,294
Deferred adquisition cost	18	(91,871)	(16,609,762)
Commisions payables		(2,406,799)	2,749,187
Depreciation	11	144,989	162,428
Disposal and adjustments of property, furniture, equipment and improvements		28,361	48,662
Interest income		(2,326,257)	(1,756,164)
Income tax		2,788,238	1,761,768
Interest expenses		440,271	572,063
Depreciation from right of use asset	15	553,451	-
Net changes in operating assets and liabilities:			
Decrease in deposits with maturities greater than 90 days		-	450,499
Increase in premiums receivable		(81,278,283)	(29,449,404)
Decrease in deposits in ceding companies		-	46,506,056
Increase in accounts receivable retrocessions		(9,605,766)	(18,756,637)
Increase in other accounts receivable		354,283	565,744
Decrease in commissions receivable		(2,235,141)	(8,192,884)
Decrease in accounts receivable		521,108	3,176,049
Increase in other assets		(4,140,494)	(4,766,497)
Decrease in deposits received from reinsurance companies		(7,822)	(14,725)
Increase in reinsurers account payable		4,674,818	10,787,433
Increase (decrease) in accounts payable and accrued expenses		1,707,847	(1,310,270)
Interests earned		1,885,986	1,184,101
Income tax expense	29	(2,788,238)	(1,761,768)
Net cash provided by operating activities		10,241,705	66,175,905
Cash flows from investing activities:			
Acquisition of securities available for sale	10	(535,771,976)	(556,163,573)
Sale of securities available for sale	10	584,848,739	556,939,079
Gain on sale of real state in trust		(1,318,560)	250,318
Gain on sale of investment in trust		(636,099)	(694,263)
Notes and accounts receivable related parties		(10,578,881)	3,881,331
Acquisition of furniture and office equipment	11	(82,326)	(56,364)
Net cash provided by investing activities		36,460,897	4,156,528
Cash flows from financing activities			
Proceeds from new loans	20	-	97,956
Payments to loans	20	(121,058)	(85,799)
Repurchase agreements		(5,000,000)	-
Payments on lease liability		(155,854)	(230,819)
Capital contribution	23	-	(60,171)
Net cash (used in) provided by financing activities		(5,276,912)	(278,833)
Net increase in cash		41,425,690	70,053,600
Cash at the beginning of the year	8	104,584,713	34,531,113
Cash at end of the year	8	146,010,403	104,584,713
Non- monetary transactions:			
Trust agreement	13	(1,987,843)	(562,125)
Acquisition of property, furniture, equipment and improvements	13	(82,326)	(250,318)
Right of use asset	15	204,235	-
Lease liability	15	204,235	-

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of business, basis of presentation and functional currency

Nature of business: Barents Re Reinsurance Company, Inc. (the "Company") was initially incorporated in accordance with the laws of the Republic of Panama in 1996 and started operations as a Reinsurance Company, duly authorized by the Superintendency of Insurance and Reinsurance of Panama.

In March 2018, by Resolution of the shareholders of the Company it was resolved to redomicile the Company by way of continuation to The Cayman Islands. Consequently, on June 8, 2018, the Company completed the process of registration by way of continuation of the Company from the jurisdiction of Panama to The Cayman Islands obtaining a Class D (Reinsurance) License, granted and supervised by The Cayman Islands Monetary Authority (CIMA).

A Class D License authorizes the Company to carry out reinsurance business and is the highest regulated reinsurance license issued in accordance with Cayman Islands laws. A Class D Licensee is required to maintain a Minimum Capital Requirement ("MCR") of US$50,000,000, as well as sufficient economic substance within The Cayman Islands. The reinsurance operations in The Cayman Islands are regulated by the Cayman Islands Insurance Act of 2010, its amendments and other supplementary and accessory regulations. The main office of the Company is located at 978 South Church Street, Block 7D, Parcel #41, Georgetown, Grand Cayman, Cayman Islands.

Standard Capital Shareholdings, Inc. (B.V.I.) is the owner of all the issued and outstanding shares of the Company.

On August 11, 2016, the shareholders of the Company acquired 51% of the issued and outstanding shares of Barents Reinsurance S.A. (Luxembourg), a Company duly incorporated and existing in accordance with the laws of the Principality of Luxembourg, possesses a Reinsurance License, granted and supervised by the Commissariat Aux Assurances of Luxembourg (Insurance Commissioner of Luxembourg) and operates under Solvency II.

Basis of presentation: The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although management believes the estimates and assumptions used in the preparation of these consolidated financial statements were appropriate in the circumstances, actual results could differ from those estimates and assumptions.

Consolidation of financial statements: The consolidated financial statements include the consolidated financial statements of Barents Reinsurance S.A. (Luxembourg). Investments in which the Company has the ability to exercise significant influence but not control are accounted for using the equity method. All significant intercompany transactions and balances have been eliminated in consolidation. The consolidated financial statements incorporate the financial statements of the Company and its controlled entities (subsidiaries) until December 31 of each year. The Company's policy is to consolidate all entities in which it has a voting interest of more than 50% percent and asserts control.

Non-controlling interests are classified as a separate component in the consolidated balance sheets and consolidated statements of changes in Shareholders' equity. Additionally, net income and comprehensive income attributable to non-controlling interests are reflected separately from consolidated net income and comprehensive income on the consolidated statement of income and consolidated statement of changes in Shareholders' equity. Any change in ownership of a subsidiary while the controlling financial interest is retained is accounted for as an equity transaction between the controlling and non-controlling interests. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized in equity and attributed to the shareholders' equity of the Company.

Foreign currency consolidated financial statements: The items included in the consolidated financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in dollars (US$), the functional and presentation currency of the Company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions are recognized in profit or loss. Gains and losses from the translation at year end of assets and liabilities denominated in foreign currencies are recognized as a separate component of equity.

2. Significant accounting policies

The significant accounting principles and practices applied in the recording of transactions and preparation of the accompanying consolidated financial statements are as follows:

2.1 Cash equivalents

The Company considers all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

The Company did not recognize any credit loss on the cash and cash equivalent in the years ended December 31, 2022 and 2021.

2.2 Investments in marketable securities

The Company classifies investments as trading, held-to-maturity, or available-for-sale at the time of purchase and reassesses such classifications as of each balance sheet date.

Investments classified as trading securities are acquired and held principally for the purpose of selling them in the near term. Trading securities are stated at fair value with any unrealized gains or losses recognized within earnings. Held-to-maturity investments are those which the Company has both the ability and intent to hold until maturity and are carried at amortized cost. Available-for-sale securities include investments in debt securities that are classified neither as trading nor held-to-maturity and are stated at fair value with any unrealized gains and losses recorded as a component of other comprehensive income within stockholders' equity and reclassified to current earnings upon their sale or maturity.

When the fair value of a debt security classified as held-to-maturity and available-for-sale is less than its amortized cost basis, the Company evaluates if any events have occurred or economic conditions exist that would indicate that an impairment loss exists and if such loss is other than temporary. The Company considers (i) management's intent to sell the security, (ii) whether it is more likely than not that the Company will be required to sell the security before recovery of the security's amortized cost basis, and (iii) whether the Company expects to recover the entire amortized cost basis of the security. If the reduction in fair value is other than temporary, an impairment charge is recognized in earnings.

Investments in equity securities that are not accounted for by the equity method are recorded at fair value through profit and loss.

2.3 Property, furniture, equipment and improvements

The property, furniture, equipment and improvements are stated at cost of acquisition, net of accumulated depreciation and amortization. Significant improvements are capitalized, while minor repairs and maintenance that do not extend the life or improve the asset are charged to expenses as incurred.

The depreciation and amortization are charged to current operations on a straight-line method, based on the estimated useful life of the assets:

Furniture and office equipment	3 - 10 years
Computer equipment	3 - 7 years
Building and improvements	30 years

Assets subject to amortization are reviewed for impairment as long as changes in the circumstances indicate that the carrying value is not recoverable. The carrying value of the assets is immediately reduced to the recoverable amount, which is the higher of fair value less cost and used value.

Impairment or disposal of long-lived assets are accounted in accordance with ASC 360-10-15.

Any item of property, furniture, equipment and improvement is written off at the time of its eventual disposal or when no future economic benefit arising from the continued use of the asset is expected.

Any gain or loss arising on the disposal or retirement of an item of furniture, equipment and improvement are determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of profit or loss.

2.4 Lease accounting

The Company determines if an arrangement is a lease or a service contract at inception. Where an arrangement is a lease the Company determines if it is an operating lease or a finance lease. Classification is reevaluated when the arrangement is modified.

Lessee - Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities in the consolidated balance sheet. Finance leases are included in property, plant and equipment and finance lease in our consolidated balance sheets. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term including options to extend or terminate the lease when it is reasonably certain those options will be exercised. [The Company has elected to include lease and non-lease components in determining the lease liability for all leased assets.] Non-lease components are generally services that the lessor performs in relation to the leased asset. For those leases with payments based on an index, the lease liability is determined using the index at lease commencement. Lease payments based on increases in the index subsequent to lease commencement are recognized as variable lease expense as they occur. The present value of the lease liability is determined using a [risk-free rate at lease inception]. For operating leases, the effective interest rate method is used to account for the lease liability as lease payments are made and the ROU asset is amortized to earnings in a manner that results in expense recognition on a straight-line basis. ROU assets and lease liabilities are not recognized for leases with initial terms of 12 months or less and lease expense is recognized for these leases on a straight-line basis over the lease term. ROU assets are tested at least annually for impairment or whenever events or changes in circumstance indicate that the asset may be impaired.

2.5 Equity method investments

The equity method of accounting is used to account for investments for which the Company has the ability to exercise significant influence, but not control, over an investee. Significant influence is generally deemed to exist when the Company's holds an ownership interest in the voting stock of an investee of between 20% and 50%. Under certain conditions, significant influence may be achieved with an ownership of less than 20%. Such conditions include, but are not limited to, the ability to appoint a disproportionate number of directors or the ability to veto significant operating and financial decisions. An impairment charge is recorded whenever a decline in value of an investment below its carrying amount is determined to be other-than-temporary. In determining if a decline is other-than-temporary, factors such as the length of time and extent to which the fair value of the investment has been less than the carrying amount of the investment, the near-term and longer-term operating and financial prospects of the affiliate and the intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery are considered.

2.6 Trust agreements

Assets held in trust includes fixed deposits and real estate property, the Group established an administration trust with Accion Fiduciaria, S.A., a Colombian trust Company, which holds real estate properties located in Colombia and an administration trust with Canal Trust, Inc. related to fixed deposits.

Bank balances for which there are contractual restrictions on their use are included in cash unless such restrictions result in a bank balance that no longer meets the definition of cash.
Property are stated at cost, less accumulated depreciation.

2.7 Fair value of financial instruments and fair value measurements

An entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Accounting guidance establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs used to measure fair value may fall into one of three levels:

Level 1- applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 - applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

2.8 Reserves

The Company applies accounting practices specific to the reinsurance industry which emphasize the liquidity and solvency of the Company to fulfill its obligations. Under these practices, the Company records the gained or incurred income or expenses of the year, the commissions earned on ceded reinsurance, the fees paid to brokers on premiums.

Reserve for claims outstanding

Losses are recognized in the consolidated statement of profit or loss based on an estimate of the liabilities once they are reported and are expected to be settled.

These losses include losses from the reinsurance business and loss expenses paid during the year together with the movement in the provision for claims outstanding. The claims outstanding are made up of the accumulation of the estimated final costs of settling all the reported claims, using reports and individual case estimates received from ceding companies at the date of the consolidated statement of financial position.

Retroshare of claims outstanding

This provision accumulates the retroshare portion of the outstanding claims based on estimate of the liabilities once they are reported and are expected to be settled.

Reserve for unrealized premium

The unrealized premium reserve in progress is calculated using the daily pro rata method, in which the subscribed premium is considered proportional to the validity indicated on the invoice, so the amount of the liability is calculated considering the proportion of the risk not incurred on each invoice to the valuation date.

Unrealized retroceded premium

This provision accumulates the retroshare portion of unrealized premium and is calculated considering the proportion of the risk not incurred on each invoice to the valuation date.

Reserve for claims incurred but not reported (IBNR)

The reserve for claims incurred but not reported (IBNR), is calculated according to actuarial formulas recognized worldwide: for incidents incurred, using triangulations to estimate future development, applying the global statistical method.

The Company considers that the gross provisions for claims in process are reasonably presented based on the information that is available. The final liability could vary as a result of subsequent information and could result in significant adjustments to the amounts provided.

IBNR of retroshare

This provision accumulates the retroshare portion of claims incurred but not reported and is calculated according to actuarial formulas.

Unearned retroceded commission

This unearned retroceded commission comprises all direct and indirect commissions arising from the writing of reinsurance contracts, is amortized and recorded in the consolidated statement of profit or loss.

Deferred acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the writing of reinsurance contracts. Deferred acquisition costs (DAC) comprise other variable costs directly connected with acquisition or renewal of reinsurance contracts.

Deferred acquisition costs represent a proportion of commission and other acquisition costs, which are incurred during a financial year and are deferred to the extent that they are recoverable out of future revenue margins. DAC is amortized over the premium payment period in proportion to the premium revenue recognized.

2.9 Premiums and accounts receivables

Premiums receivables: Premiums receivable generally have collectable terms of 90 days, and they are recognized at the amount of the respective insurance contracts and are measured at cost. The book value of premiums receivable is reviewed for impairment when events and circumstances indicate that they will not be recoverable, with an impairment loss recognized in the profit or loss. Premiums receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

At the end of each reported period, the premium receivable balance is reviewed to determine if there is objective evidence of non-recoverable. If so, the loss impairment is recognized immediately in the consolidated statement of profit or loss. In measuring the impairment loss, the Administration calculates the credit risk exposure considering the accounts receivable net of reinsurer participation, acquisition costs, unearned premiums and related taxes.

The Company records as accounts receivable uncollected premiums at maturity of the agreed form of payment. These premiums receivable are held for a period of 90 days, whether or not they have accrued redemption values except when it comes to premiums receivable with related parties.

Accounts receivable – retrocessions: Accounts receivable retrocessions are presented at cost and are generated by premium commitments assumed during the current period corresponding to the coverage of the retrocessionaires.

Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Premium deficiency testing

For short duration contracts, a premium deficiency exists when the unearned premium plus expected investment income is less than the total of expected claim costs and claim adjustment expenses, related estimated policy maintenance costs (incl. unallocated loss adjustment expenses), related unmortised acquisition costs and expected dividends to policyholders. If a premium deficiency exists, the deferred acquisition costs for the related business segment will be expensed to the extent of the deficiency. If the deficiency is greater than the deferred acquisition cost, then a liability will be established for the difference.

2.10 Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

Debt and equity instruments are classified as financial liabilities or as equity in accordance with the contractual arrangements.

Equity instruments

An equity instrument is any contract that evidences a residual interest on the assets of an entity after deducting all its liabilities. Equity instruments issued by the Company are recorded at the amount received, net of direct issuance costs.

Barents Re Reinsurance Company, Inc. has an internal capitalization and dividend policy aimed at providing the units in a rational and objective manner to maintain the necessary capital to cover the risks assumed.

Financial liabilities

Financial liabilities are classified as financial liabilities with changes in profit or loss and other financial liabilities.

De-recognition of financial liabilities

The Company writes off financial liabilities when, and only when, the obligations of the Company are settled, canceled or expired.

2.11 Repurchase agreement

Repurchase agreements are generally accounted for as financing transactions received with guarantees and are recorded at the amount at which the securities were, plus accrued interest. The Company evaluates the market value of securities sold and releases guarantees to counterparties when appropriate.

2.12 Premium income

Income is presented at fair value of the consideration received or receivable, considering the amount of any commercial discounts, bonuses or rebates granted by the entity.

Income from subscribed premiums and related production costs (commissions paid, ceded reinsurance, and commissions earned from reinsurance) are recognized when the reinsurance contracts come into force and the amount of the premiums is received.

2.13 Reinsurance contracts

In the normal course of business, the Company signs reinsurance agreements with insurance and reinsurance companies.

Retrocession or reinsurance ceded is arranged with the primary purpose of obtaining a recovery of direct losses that could be generated by events or disasters. However, reinsurance contracts do not relieve the Company from its contractual obligations to policyholders or beneficiaries.

The amounts expected to be recovered from reinsurers are recognized in accordance with the clauses in the contracts signed by both parties. To ensure consistency of this policy, the reinsurance company evaluates, on a periodic basis, the financial condition of its retrocession, risk concentration, as well as changes in economic and regulatory environment.

Gains and losses on reinsurance contracts are recognized in the consolidated statement of profit or loss immediately at the time of occurring and are not amortized. Premiums and claims are presented on a gross basis for both ceded and assumed premiums.

3. Risk management

3.1 Risk management objectives

The Company's activities are exposed to a variety of financial risks and such activities include the analysis, assessment, acceptance and management of a certain degree of risk or a combination of risks. Risk is a fundamental component in the financial business, and operational risks are unavoidable risks incurred whilst carrying on the business. Therefore, the Management's objective is to achieve an adequate balance between the risks and return and minimize possible adverse effects on the financial execution of the Company.

The Company is responsible for establishing and supervising the risk management policies on financial instruments. To that effect, it has appointed committees to take care of periodic administration and supervision of the risks to which the entity is exposed and which report to the Board of Directors.

3.2 Financial risk

The activities of the Company are primarily related to the use of financial instruments and, as such, the consolidated statement of financial position consists mainly of financial instruments. Being exposed to the following risks when using them:

- Insurance underwriting and reinsurance risk
- Credit risk
- Liquidity risk
- Market risk
- Operational risk

The main financial risks identified by the Company are credit, liquidity, market and operational risks which are described as follows:

3.2.1 Insurance underwriting and reinsurance risk

The risk covered under a contract, in any of its various forms, is the possibility that the insured event occurs and therefore the uncertainty is realized in the amount of the claim. This risk represents all the future losses not being covered as the way they should by the premiums, this can be arising from the inherent uncertainties as to the economic situation, occurring rates and timing of insurance liabilities. By the nature of the insurance contract, this risk is random and therefore unpredictable notwithstanding the statistical methodologies applied by the Company in their financial forecasting.

Regarding a portfolio of contracts where the theory of large numbers and probabilities for pricing and dispose provisions are applied, the main risk the Company faces is that the claims and/or payments of benefits covered by the policies exceed the carrying amount of insurance liabilities. This could happen as the frequency and/or severity of claims and benefits are greater than estimated. The factors that are considered to make the assessment of insurance risks are:

- Frequency and severity of claims
- Sources of uncertainty in the calculation of future claims

The Company has contracted reinsurance coverage that protects against loss frequency and severity. Contracts of reinsurance coverage include excess of loss, stop loss and catastrophe. The aim of these contracts is to minimize net insurance losses so that they do not affect the total net assets and liquidity of the Company in any year. Apart from the total reinsurance program of the Company, additional reinsurance protection can be purchased by facultative contract when the risk assessment so warrants.

The Company contains its exposure by creating multiple and diverse models. First, is reviewing and selecting risks which match the Company as a reinsurer, then the Company accepts them by reviewing them under the Company's terms and assigning those an expected cost and level of riskiness.

Strict underwriting standards are applied by the Company, being primally holding daily underwriting briefings to discuss business progress, pricing, and opportunities, and not getting drive the Company's short-term risk appetite by the excess capital.

In 2022, high economic inflation was a priority consideration for the Board of Directors in relation to insurance risk. The impact was considered in ORSA reports produced by the Risk Management Team. The team concluded that expected inflation is adequately allowed for in the capital model input parameters and assumptions are consistent across the reinsurer. The impact of claims inflation on the Reinsurer is expected to be negligible as sums insured are fixed but as a prudent action, we perform mitigation actions by calibration of our pricing tool of all lines of business to include inflation factors and including adjustments of inflation to our IBNR Models.

As advised above, the Company has developed an insurance underwriting strategy to diversify the types of insurance risks accepted. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, and geographic location. The underwriting strategy attempts to ensure that underwriting risks are well diversified in terms of type and amount of risk. Subscription limits function to execute the selection criteria of appropriate risk.

Sensitivity to insurance risk

The Company´s sensitivity to risk can be clearly seen on the Company's retention for each Retrocession Program on all Lines of Business. We establish our own self retention (Priority) based on each line of business´s Underwriting Guidelines and risks are back-to-back with our retrocession arrangements, so as to mitigate yet any gaps in coverage. Our net retentions, after retrocession, are measured (and lowered) and are relative to our individual lines of business and our risk tolerance for each. We have "Cash Loss Clauses" in our Quota Share treaty purchases, and "Simultaneous Settlements Clauses" in our Excess of loss treaty purchases to manage cash flow for large claims.

Overall, the direct impact on the cash flow derived from an insurance event is balanced according to the company's ERM practices. The Company has a conservative approach to risk retention, buying down via reinsurance where the market is still prepared to trade at a risk transfer price acceptable to us. Actuarial and Aggregate Reports (where applicable) are prepared to monitor closely the exposure and possible impacting scenarios.

Credit risk

The Company utilizes a minimum-security quality threshold of A.M. Best 'A-' and/or S&P 'A-' rating. Exceptions require sign-off by the CEO and are advised to the Board of Directors. Self-imposed maximum capacity on any one reinsurer/group is 20%. Quarterly security reviews are prepared to keep record of the security quality and applying possible future changes when applicable and necessary. Our retrocession panel is diversified, in terms of number of counter parties (50+) and their geographical domicile.

Internally, the Company monitors and reviews Counter Party Security and ageing of our Treaty Retro reinsurance Recoverables on a quarterly basis. The amount of balances due to us for retro claims from our brokers/agents/reinsurers beyond 90 days ageing is US$0. To date, we have no reinsurers that have defaulted.

Liquidity risk

Loss Reserves are set according to actuarial reports based on yearly loss development including claims paid. Provision for claims and retro protection are acquired to minimize potential impact of a major liquidity situation. Premium and loss developments are quarterly prepared and monitored according to annual projection and closely followed; if necessary, projections are updated to accommodate any given situation.

Market risk

The Company´s reinsurance placements are not affected directly by fluctuations on interest rates, as the majority of our business is done in USD and we are not involved on purely financial, credit, loan businesses.

On the other hand, since the vast majority of the Company's premium receivables and retrocession payables are denominated in USD, this minimizes foreign exchange currency risk on its consolidated statement of financial position. Most of the portfolio is either in USD or EUR and possible devaluation is considered to be well absorbed within the overall business results.
The Company's underwriting philosophy excludes long-term contracts. Concurrently, the Company's assets are mostly invested in short duration investment grade securities. As such, market and interest rate risks are minimized given short durations of assets and liabilities.

Reserving risk

For reserving risk, the Company includes sophisticated actuarial models to calculate reserves reviewed by 2 independent fellowship actuaries, the Company's IBNR figures considers provision for adverse deviation, adjustment from inflation, ULAE IBNR and detail analysis individually of attritional, large and cat losses.

2022	Claims Outstanding	IBNR	Loss and LAE Reserves	Retroshare of Claims Outstanding	Retroshare of IBNR	Retroshare Loss and LAE Reserves	Net Loss and LAE Reserves
Bonds	32,503,995	30,727,734	63,231,729	16,122,773	23,965,098	40,087,871	23,143,858
Energy	35,768,876	102,453,652	138,222,528	12,936,826	84,568,696	97,505,522	40,717,006
Financial lines	14,331,941	30,899,797	45,231,738	6,646,212	18,117,010	24,763,222	20,468,516
Life	32,946,278	59,566,358	92,512,636	17,610,759	18,477,372	36,088,131	56,424,505
Property	57,891,714	41,144,498	99,036,212	24,179,229	14,470,747	38,649,976	60,386,236
Specialty lines	74,127,883	39,927,769	114,055,652	57,695,642	22,323,831	80,019,473	34,036,179
Total	247,570,687	304,719,808	552,290,495	135,191,441	181,922,754	317,114,195	235,176,300

Loss type	Gross loss and LAE reserve	Retroshare loss and LAE reserve	Net loss and LAE reserve	% Retroshare
Attritional losses	488,391,219	277,292,943	211,098,276	57%
Large and CAT losses	63,899,276	39,821,252	24,078,024	62%
Total	552,290,495	317,114,195	235,176,300	**57%**

Concentrations

The Company believes the concentration risk on insurance contracts is low, as it participates in pools of risks which the broker divides between several different counterparties, countries and industries.

3.2.2 Credit risk

Credit risk is the risk of a financial loss for the Company, which occurs when a counterpart of a financial instrument fails to comply with its contractual obligations and arises mainly from investment in securities. Credit risk also represents the risk of the stop payments focused on the counterparties by diverse circumstances, mainly: retrocession assets and recoveries and premium receivables from clients; credit risk from investments is minimal.

For risk management purposes, the Company considers all elements of credit risk exposure: issuer risk, country risk, and sector or industry risk. Credit risk arising from holding securities is considered as a component of credit risk exposure.

The Company continuously monitors the financial condition of the issuers of securities involving a credit risk to the entity. It is responsible for developing changes to the credit policies and presenting the same to the Board of Directors which has the responsibility for the final approval.

The Company's mission is to reduce that loss by using multiple strategies such as:

- Diversification of clients and retrocessionaires worldwide.
- More than 95% of clients and retrocessionaires are A rated.
- No leverage and 95% of investments are from Treasure Bills (risks and rates).
- Diversification of different distribution channels (direct, MGA and brokers).
- 60% are facultative business with usually PPW and no cash-no coverage clauses.
- Several stress scenarios of default of retrocessionaires and increment of receivables to ensure our capital is sufficient.
- The Company's retro capacity needs are relatively small, our geographical footprint maintains our attraction to the reinsurance market.

Also, the Company has an important component of credit risk management which is to establish risk limits across all sectors to reduce the risk of default and keep non-performing assets at prudent levels. In addition, the Company has established certain procedures to manage credit risk, as summarized below:

Preparation of credit policies:

Credit policies are issued or revised per recommendation of any member of the Company's Management and Board of Directors, considering the following factors:

- Changes in market conditions.
- Risk factors.
- Changes in laws and regulations.
- Changes in financial conditions and credit availability.
- Other factors relevant at the time.

Every change in policies or preparation of new policies must be approved by the Board of Directors, which in turn issues a memorandum of instructions for its subsequent disclosure and implementation.

Similarly, the entity has limited its exposure in various places through the country risk policy, where countries have been defined to have exposure based on Management's strategic plan; in turn, exposure limits for investment have been implemented in these countries, based on the credit rating of each of them.

Maximum limits per counterparty:

Regarding the exposures by counterparties, there are limits based on risk rating of the counterparty, as a proportion of the capital of the Company.

Policy compliance review:

The Company is responsible for the quality and performance of premiums receivable in their portfolios, as well as for control and monitoring of their risks.

The table below analyzes the Company's portfolio of securities available for sale which are exposed to credit risk, and its corresponding assessment based on its rating:

	2022	2021
Investment grade	463,813,833	490,872,945
	463,813,833	490,872,945

In the previous table, the factors of greatest risk exposure of the investment portfolio have been detailed.

To manage financial risk exposures of the investment portfolio, the entity uses external investment ratings as detailed below:

Investment rating	International qualifications
Investment grade	AAA, AA, AA+, AA-, A+, A-, BBB+, BBB, BBB-
Standard monitoring	BB+, BB, BB-, B+, B, B-
Special monitoring	CCC to C
Non rated	-

Management monitors the credit risk concentration by sector and geographical location. The credit risk concentration analysis of the consolidated financial statements on December 31 is as follows:

	Premiums receivable		Account receivable - retrocessions		Account receivable		Securities Available for sale	
	2022	2021	2022	2021	2022	2021	2022	2021
Concentration by sector:								
Corporate debt securities	161,647,762	87,309,502	88,075,289	81,018,278	11,982,254	12,503,362	1,595,832	1,690,285
Equity securities	-	-	-	-	-	-	810,595	1,351,710
Government bonds	-	-	-	-	-	-	461,407,406	487,830,950
Carrying amount	161,647,762	87,309,502	88,075,289	81,018,278	11,982,254	12,503,362	463,813,833	490,872,945
Geographic concentration:								
Europe	-	-	88,075,289	81,018,278	11,982,254	12,503,362	-	-
South America and Caribbean	161,647,762	87,309,502	-	-	-	-	-	-
United States of America	-	-	-	-	-	-	463,813,833	490,872,945
Carrying amount	161,647,762	87,309,502	88,075,289	81,018,278	11,982,254	12,503,362	463,813,833	490,872,945

The geographical concentration for investments is measured based on the issuer's location of the investment.

3.2.3 Liquidity or financing risk

Liquidity risk is defined as the risk that the entity may have difficulties to obtain the funds to meet timely its commitments or obligations when they are due or would have to incur in excessive or unnecessary costs to do so.

Management has established minimum liquidity levels to meet its operating needs and commitments.

The Liquidity Risk caused by the mismatch of terms between assets and liabilities is measured by using the Liquidity Gap or Term Matching. In this analysis, simulations and stress tests are done based on the difficulties caused by the lack of liquidity, such as, unexpected withdrawals of funds contributed by creditors or clients, impairment in the quality of the loan portfolio, volatility of resources obtained, etc.

The analysis of the maturities of the determined financial assets and financial liabilities based on the remaining period at the date of the consolidated statement of financial position or up to the contractual maturity date is detailed below:

	No maturity	3 moths 1 year	Over a year	Total
2022				
Financial assets:				
Cash and deposits in bank	146,010,403	-	-	146,010,403
Securities available for sale	-	461,407,406	2,406,427	463,813,833
Trust Agreements	2,119,844	-	12,000,000	14,119,844
Premiums receivable	-	161,647,762	-	161,647,762
Accounts receivable - retrocessions	-	88,075,289	-	88,075,289
Notes and account receivable - related parties	17,878,410	15,979,500	-	33,857,910
Accounts receivable	11,982,254	-	-	11,982,254
Other accounts receivable	5,135,185	-	-	5,135,185
Total financial assets	183,126,096	727,109,957	14,406,427	924,642,480
Financial liabilities:				
Commissions payable	5,884,308	-	-	5,884,308
Loans payable	-	-	279,304	279,304
Lease liability	-	950,576	-	950,576
Repurchase agreements	-	13,000,000	-	13,000,000
Reinsurers accounts payable	36,470,439	-	-	36,470,439
Total financial liabilities	42,354,747	13,950,576	279,304	56,584,627

	No maturity	3 moths 1 year	Over a year	Total
2021				
Financial assets:				
Cash and deposits in bank	104,584,713	-	-	104,584,713
Securities available for sale	-	487,830,950	3,041,995	490,872,945
Trust Agreements	4,107,687	-	12,000,000	16,107,687
Premiums receivable	-	87,309,502	-	87,309,502
Accounts receivable - retrocessions	-	81,018,278	-	81,018,278
Notes and account receivable - related parties	19,555,570	3,723,459	-	23,279,029
Accounts receivable	12,503,362	-	-	12,503,362
Other accounts receivable	5,489,468	-	-	5,489,468
Total financial assets	146,240,800	659,882,189	15,041,995	821,164,984
Financial liabilities:				
Commissions payable	8,291,107			8,291,107
Loans payable	-	145,560	254,802	400,362
Repurchase agreements	-	18,000,000	-	18,000,000
Reinsurers accounts payable	31,795,621	-	-	31,795,621
Total financial liabilities	40,086,728	18,145,560	254,802	58,487,090

3.2.4 Market risk

Market risk is the risk that the value of a financial asset may be reduced because of changes in financial market prices interest rates, currency exchange rates, stock prices, and other financial variables, as well as the reaction of market participants to political and economic events, whether by latent losses or potential profits. Management's objective for market risk is to manage and monitor the risk exposures and at the same time to make sure that they are maintained within acceptable parameters optimizing the risk returns.

The risk management policies provide the compliance with limits for each financial instrument; limits regarding the maximum amount of loss that require the closing of positions that caused such losses; and the requirement that, unless approved by the Board of Directors, substantially all assets and liabilities are denominated in United States Dollars.

As part of the market risk, the Company is mainly exposed to interest rate risk.

Interest rate risk of cash flow and fair value - The cash flow and interest rate risks of fair value are the risks that the future cash flows and the value of financial instruments may fluctuate due to changes in market interest rates.

The table below summarizes the Company´s exposure to interest rate risks. The Company´s financial assets and financial liabilities are included in the table at its carrying amount, categorized by the earlier between the repricing and the maturity dates:

	3 months to 1 year	1 to 5 years	No interest rate	Total
2022				
Financial assets:				
Cash and deposits in banks	-	-	146,010,403	146,010,403
Securities available for sale	461,407,406	2,406,427	-	463,813,833
Trust Agreements	-	12,000,000	2,119,844	14,119,844
Premiums receivable	-	-	161,647,762	161,647,762
Accounts receivable - retrocessions	-	-	88,075,289	88,075,289
Notes receivable - related parties	15,979,500	-	17,878,410	33,857,910
Accounts receivable	-	-	11,982,254	11,982,254
Other accounts receivable	-	-	5,135,185	5,135,185
Total financial assets	477,386,906	14,406,427	432,849,147	924,642,480
Financial liabilities:				
Commissions payable	5,884,308			5,884,308
Loan payable	145,560	133,744	-	279,304
Lease liability	950,576	-	-	950,576
Repurchase agreements	13,000,000	-	-	13,000,000
Reinsurers accounts payable	-	-	36,470,439	36,470,439
Total financial liabilities	19,980,444	133,744	36,470,439	56,584,627

2021	3 months to 1 year	1 to 5 years	No interest rate	Total
Financial assets:				
Cash and deposits in banks	-	-	104,584,713	104,584,713
Securities available for sale	487,830,950	3,041,995	-	490,872,945
Trust agreements	-	12,000,000	4,107,687	16,107,687
Premiums receivable	-	-	87,309,502	87,309,502
Accounts receivable - retrocessions	-	-	81,018,278	81,018,278
Notes receivable - related parties	3,723,459	-	19,555,570	23,279,029
Accounts receivable	-	-	12,503,362	12,503,362
Other accounts receivable	-	-	5,489,468	5,489,468
Total financial assets	491,554,409	15,041,995	314,568,580	821,164,984
Financial liabilities:				
Commissions payable	8,291,107	-	-	8,291,107
Loan payable	145,560	254,802	-	400,362
Repurchase agreements	18,000,000	-	-	18,000,000
Reinsurers accounts payable	-	-	31,795,621	31,795,621
Total financial liabilities	26,436,667	254,802	31,795,621	58,487,090

3.2.5 Investment risk

The Company defines this risk as the investment volatility resulting from changes in interest and inflation rates, credit spreads and exchange rates, among other things, which may adversely affect the value of the Company's investment portfolio. The Company believes this also helps reduce portfolio risk. The Company annually performs and fulfills their ways to reduce the risk.

- Identify the Company's risk tolerance capacity and liquidity.
- Diversify investments to prevent a bigger risk exposure.
- On a quarterly basis, evaluate doubtful collection accounts and establish an adequate provision to cover any future losses.
- Investment Committee establishing overall investment strategy for the Company and overseeing is execution and results.

The potential impact was considered in the ORSA assuming a stress scenario of a financial crisis and -20% return of assets, which demonstrates that this does not compromise the Company's capital model.

The Company manages reinsurance market risk in several ways, principally being:

- Closely monitoring changes in interest rates, exposures, business conditions and inflation.
- Market consultation to the money market trader to explore forthcoming conditions on the currency price.
- Annual strategic review meeting held (hold quarterly underwriting committee meetings to address issues such as underwriting performance and meetings of the Management Risk, Capital, and Compliance Committee to review relevant risk and capital considerations).

Several policies and measures are in place to manage liquidity risk.

- Low volatility on most securities held in our portfolio.
- Good credit rating and good background reference on this type of issuance.
- Highly liquid investment portfolio to meet expected outflows and potential outflows resulting from a variety of potential stress events.
- Forecasts made on a regular basis to anticipate liquidity needs in both the short and medium term.
- Conduct stress tests to ensure it can withstand extreme loss events and remain liquid. The potential impact was considered in our ORSA assuming a stress scenario of a financial crisis assuming loss due currency fluctuation, increment of premium receivables and increase of operating expenses due inflation, which demonstrates that this do not compromise our capital model.

GWP by Original Currency

	2022	%	2021	%	% Change
USD	136,139,027	36%	38,060,617	12%	258%
EUR	109,825,982	29%	44,043,897	14%	149%
JPY	25,846,654	7%	29,612,168	9%	-13%
OTHER	102,064,516	27%	207,433,164	65%	-51%
Total	373,876,179		319,149,846		17%

3.2.6 Operational risk

Is the risk of potential losses, direct or indirect, related to the Company’s operations including, human resources, technology, infrastructure and other external factors that are not related to credit, market or liquidity risks, such as those arising from legal and regulatory requirements and from the behavior of generally accepted corporate standards.

The Company’s objective is to manage operational risk in order to avoid financial losses and damages to the Company’s reputation.

To help reduce this risk, the Company has approved the relevant permits for the underwriting and trading of securities. The Company has established and uses policies and procedures to:

- Identify, prevent, detect, and mitigate network, email and/or device cyber security threats and take measures to respond in an effective way.
- Ensure that information and documents submitted to the rating agency are correct, reviewed and approved by each department involved in the process.
- In addition, the Company implements the use of information from trusted sources, such as official documents, survey reports, audited consolidated financial statements, etc.
- Constant communication is maintained with the Treasury Department for the confirmation of monthly transactions and movements.

3.2.7 Capital risk management

The main objectives of the Company when managing capital is to maintain its ability to continue as an ongoing business to generate returns to the shareholders and to maintain an optimal capital structure to reduce the costs of raising capital. To maintain an optimal capital structure, factors such as: amount of dividends payable, return of capital to shareholders or issuance of shares, are taken into consideration. The minimum capital requirement established by the Cayman Islands Monetary Authority is assured, which is set at a minimum of US$50,000,000 for Class D reinsurance companies.

Additionally, the Company currently sets its capital requirements based on the Prescribed Capital Requirement ("PCR") of the Cayman Islands Monetary Authority (CIMA). The Company ensures the ongoing appropriateness of this approach through a comparison with the outcome of several actuarial and risk models including stress tests included in the ORSA, PML Analysis and other capital models including stochastic internal models, and risk based capital models of other regulations.

The calculations are based upon sophisticated mathematical models that reflect the key risks in the business, allowing for the probability of occurrence, the potential impact should losses occur and the interactions between the different risk types.

The results of the modelling confirm that most of the capital is required to support insurance risk.

3.2.8 Currency risk

The Company is exposed to the effects of fluctuating changes in currency rates. The Company has exposure limits for currency rates, which are reviewed on a daily basis. Below are details of the currency positions:

	EURO	USD	MXN	Total
2022				
Assets				
Cash and deposits in bank	43,624,054	102,375,928	10,421	146,010,403
Securities available for sale	-	463,813,833	-	463,813,833
Trust agreements	-	14,119,844	-	14,119,844
Premiums receivable	-	161,647,762	-	161,647,762
Accounts receivable - retrocessions	88,075,289	-	-	88,075,289
Notes and account receivable - related parties	-	33,857,910	-	33,857,910
Accounts receivable	-	11,982,254	-	11,982,254
Other accounts receivable	-	5,135,185	-	5,135,185
Total financial assets	131,699,343	792,932,716	10,421	924,642,480
Liabilities				
Commissions payable	-	5,884,308	-	5,884,308
Loan payable	-	279,304	-	279,304
Lease liability	-	950,576	-	950,576
Repurchase agreements	-	13,000,000	-	13,000,000
Reinsurers accounts payable	-	36,470,439	-	36,470,439
Total financial liabilities	-	56,584,627	-	56,584,627

	EURO	USD	MXN	Total
2021				
Assets				
Cash and deposits in bank	6,203,505	98,365,117	16,091	104,584,713
Securities available for sale	-	490,872,945	-	490,872,945
Trust agreements	-	16,107,687	-	16,107,687
Premiums receivable	-	87,309,502	-	87,309,502
Accounts receivable - retrocessions	81,018,278	-	-	81,018,278
Notes and account receivable - related parties	-	23,279,029	-	23,279,029
Accounts receivable	-	12,503,362	-	12,503,362
Other accounts receivable	-	5,489,468	-	5,489,468
Total financial assets	87,221,783	733,927,110	16,091	821,164,984
Liabilities				
Commissions payable		8,291,107		8,291,107
Loan payable	-	400,362	-	400,362
Repurchase agreements	-	18,000,000	-	18,000,000
Reinsurers accounts payable	-	31,795,621	-	31,795,621
Total financial liabilities	-	58,487,090	-	58,487,090

3.2.9 Strategic and tactical risks

Strategic risk is the risk of unexpected negative changes in the value of the business due to the negative impact of management decisions on the business strategy and its implementation. This includes reputational risks and the risk of not adapting business strategy to changes in the internal and external environment.

The Company mitigates its exposure by:

- Establish several committees to report through them all progress, issues, milestones, and relevant matters to General Management for its knowledge, consideration, and action if necessary.
- Review audited consolidated financial statements of the client, experience, and shareholders reputation.
- The Company´s Board of Directors oversee all relevant events that may impact the reputational risk of the Company and take the necessary actions on time to mitigate any threats beyond the Company’s risk tolerance if necessary.

3.2.10 Concentration risk

The Company defines this risk as the possibility that a portfolio or financial institution will lose value when an individual or a group of exposures move together in an unfavorable direction. The implication of concentration of risk is that it causes a lot of damage creating irrecoverable losses.

The Company mitigates its exposure by:

- Use concentration indices to measure the level of concentration in the portfolio and applying transaction cost analysis to estimate market impact and incorporating turnover constraints into portfolio analysis.
- The Company's low risk appetite relates to profitability objectives, this includes the investment strategy when selecting the individuals or groups that the Company chooses to invest in.

3.2.11 Compliance risk

This is the risk of legal or regulatory sanctions, significant financial losses, or loss of reputation to which the Company may be exposed because of its failure to comply with relevant laws, rules, regulations, self-regulatory ules and codes of conduct for their activities.

Methods used by the Company to mitigate the compliance risk are:

- Stay up to date with changes in the environment, such as the introduction of new laws and the application of those, to adjust the organization's strategy.
- Monitor events that give rise to compliance risks, analyze their frequency and patterns, and draw conclusions (including possible associations and amplifications with other risks).
- Compare progress with the risk management plan, review and update the risk management plan periodically to ensure its adequacy, relevance, and effectiveness in relation to risk management of compliance.

The Company's compendium of manuals, policies, and procedures, provide guidance and internal control for the proper management of the Company's obligations and corporate governance. These manuals are reviewed on a yearly basis at a minimum.

Company staff possesses sufficient controls and dedicated schedules to comply with any regulatory requirement on a timely basis. In addition to the above, the Compliance Officer, as part of his functions, maintains constant and fluid communication with its regulatory authority, the Cayman Islands Monetary Authority (CIMA). As a point of contact, the Compliance Officer ensures that queries and requirements are duly met.

3.2.12 Money laundering, terrorism financing and fraud risk

Fraud risk is defined as a form of operational risk, which is the risk to current or expected financial condition and resilience due to inadequate or failed internal processes or systems, human error or error, or adverse external events.

For the Company, money laundering risk assessment is the process of analyzing a company's exposure to financial crimes and mitigates them. This process is designed to identify areas where the Company is at risk of money laundering or terrorist financing.

Specifically, the assessment primarily helps to use a risk-based approach to identify and prevent money laundering and have a better understanding of the risks associated with commercial relationships and the different business activities.

The Company's Compliance Officer provides an update in every meeting of the Board of Directors in order to ensure that the members of the Board of Directors and Senior Management are kept up to date about these matters and an Annual Compliance Report is provided to the Board of Directors. In addition, the Company maintains a detailed and documented procedures manual for Anti-Money Laundering, Terrorism Financing and Weapons of Mass Destruction. Board of Directors and staff members receive periodic training in relation to Anti-Money Laundering, Terrorism Financing and Weapons of Mass Destruction.

3.2.13 Other material risks and emerging risks

In the ORSA, the Company has modeled emerging risks events, including:

- Environmental Risks Including Climate Change
- Cybersecurity Risks
- Pandemic Risks
- Financial Crisis And Recession Risks
- War Russia and Allies With Europe
- Social And Political Extreme Events, Strikes, Riots
- And Civil unrest

4. Accounting estimates and critical judgments

The Company makes estimates and judgments that affect the reported amounts of the assets and liabilities within the following fiscal year. Estimates and judgments are continually evaluated based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. These estimates are subjective by nature, involve uncertainty and critical elements and therefore, cannot be determined with exactitude. The changes in the assumptions or criteria can significantly affect the estimations.

- *Demand and time deposits* - For these financial instruments, the carrying value approximates the fair value, due to its short-term nature.

- *Uncollectible premiums provision* - The Company estimates a provision for possible losses due to premiums and accounts that may be uncollectible. The Company performs an annual evaluation of the possibilities of recovery of the balances in concept of premiums and accounts receivable on individual bases. The estimated amount for possible losses for premiums receivable considered as uncollectible is realized net of the charges inherent to its subscription.

- *Securities available for sale* - For these securities, the fair value is based on market price quoted or quotes from brokers and dealers. If a reliable quoted market price is not available, the fair value of the instrument is estimated using pricing models or techniques of discounted cash flows.

- *IBNR Reserve* – This reserve is calculated according to actuarial formulas recognized worldwide: for incidents incurred, using triangulations to estimate future development, applying the global statistical method.

- *Outstanding claims reserve* - The Company estimates its reserves based on the 100% of outstanding claims.

These estimates were made with the information available as of December 31, 2022 on annualized events and it is possible that future events may require modifying them (increase or decrease) in the future.

5. Recently adopted accounting pronouncements

Accounting pronouncements pending adoption

- In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. The ASU eliminates the probable initial recognition threshold in current guidance and, instead, requires an entity to reflect its current estimate of all expected credit losses. This ASU affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in this ASU are effective for annual periods beginning after December 15, 2022. The Company is currently evaluating the impact of this ASU.

- In August 2018, the FASB issued ASU 2018-12, “Targeted Improvements to the Accounting for Long-Duration Contracts”, an update to Topic 944, “Financial Services – Insurance”. This ASU requires that the cash flows and net premium ratio will be updated for changes in insurance assumptions (e.g. mortality, morbidity, terminations) when measuring the liability for future policy benefits for nonparticipating traditional and limited-payment insurance and reinsurance contracts. There will no longer be a provision for adverse deviation. In addition, the discount rate used to reflect the time value of money in the calculation of the liability for future policy benefits will be standardised. Further, the ASU requires deferred acquisition costs (DAC) relating to most long-duration contracts to be amortised on a constant basis over the expected term of the contract. As amended by ASU 2020-11 “Effective Date and Early Application”, ASU 2018-12 is effective for annual periods beginning after December 15, 2024, and interim periods beginning after December 15, 2025.

- On August 5, 2020, the FASB issued ASU 2020-06, which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity’s own equity. This ASU is effective for fiscal years beginning after December 15, 2023 with early adoption permitted. The guidance may be early adopted for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For convertible instruments that include a down-round feature, entities may early adopt the amendments that apply to down-round features if they have not yet adopted the amendments in ASU 2017-11.

- In March 2022, the FASB issued ASU 2022-02, which eliminate the accounting guidance for troubled debt restructurings (TDRs) by creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Rather than applying the recognition and measurement guidance for TDRs, an entity must apply existing loan refinancing and restructuring guidance to determine whether a modification results in a new loan or a continuation of an existing loan. For entities that have not yet adopted ASU 2016-13, the amendments in ASU 2022-02 are effective upon adoption of ASU 2016-13. The Company is currently evaluating the impact of adopting this ASU.

6. First-time adoption of USGAAP

For the periods as at and for the year ended December 31, 2021, the Company prepared its consolidated financial statements in accordance with IFRS. These consolidated financial statements for the year ended December 31, 2022 are the first time that the Company has prepared in accordance with USGAAP. Accordingly, the Company has prepared consolidated financial statements that comply with applicable USGAAPs for periods ending on or after December 31, 2022, together with data for the comparative period as at and for the year ended December 31, 2021, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening consolidated statement of financial position was prepared as at January 1, 2021, the transition date of the Company to USGAAPs. This note explains the main adjustments made by the Company in its 2021 financial statements under IFRS, including the consolidated statement of financial position as at January 1, 2021 and the financial statements as at and for the year ended December 31, 2021.

The following is a reconciliation between the balance sheet under previous GAAP and the statement of financial position under USGAAP at the transition date and at the end of the last period included in the most recent annual financial statements presented by the Company prepared under the previous GAAP:

	As at January 1, 2021			As at December 31, 2021		
	Previous GAAP	USGAAP transition effect	Statement of financial position - USGAAP	Previous GAAP	USGAAP transition effect	Statement of financial position - USGAAP
Assets						
Cash and bank deposits	34,981,612	-	34,981,612	99,055,109	5,529,604	104,584,713
Premiums receivable, net	60,314,580	-	60,314,580	87,309,502	-	87,309,502
Deposits in ceding companies	48,919,338	-	48,919,337	2,413,282	(2,413,282)	-
Securities available for sale	477,333,300	-	477,333,300	496,402,550	(5,529,604)	490,872,945
Investment in associate	7,720,337	-	7,720,337	10,151,608	-	10,151,608
Trust agreements	15,545,562	-	15,545,562	16,107,687	-	16,107,687
Notes and accounts receivable - related parties	27,160,360	-	27,160,360	23,279,029	-	23,279,029
Accounts receivable - retrocessions	62,414,518	-	62,414,518	81,018,278	-	81,018,278
Accounts receivable	15,679,411	-	15,679,411	12,503,362	-	12,503,362
Other accounts receivable	6,055,212	-	6,055,212	13,682,352	(8,192,884)	5,489,468
Commissions receivable	-		-	-	8,192,884	8,192,884
Unrealized retroceded premium	60,448,090	-	60,448,090	81,089,234	-	81,089,234
IBNR of retroshare	202,765,444	-	202,765,444	169,071,157	-	169,071,157
Retroshare of claims outstanding	83,416,701	-	83,416,701	102,384,847	-	102,384,847
Unearned retroceded commission	3,843,588	-	3,843,588	-	-	-
Deferred acquisition costs	11,450,644	-	11,450,643	28,060,406	-	28,060,406
Property, furniture, equipment and improvements, net	759,103	-	759,103	604,378	-	604,378
Right-of-use assets	2,018,475	(1,889,205)	129,270	1,606,932	(1,606,932)	-
Other assets	5,281,634	-	5,281,636	5,662,818	1,743,945	7,406,763
Total assets	1,126,107,909	(1,889,205)	1,124,218,704	1,230,402,531	(2,276,269)	1,228,126,261
Liabilities and equity						
Liabilities						
Claims outstanding reserve	126,655,948	-	126,655,948	184,606,166	-	184,606,166
Unrealized premium reserve	127,906,920	-	127,906,920	156,654,156	-	156,654,156
Commissions payable	5,541,920	-	5,541,920	8,291,107	-	8,291,107
IBNR reserves	301,757,042	-	301,757,042	268,101,076	-	268,101,076
Unearned retroceded commission	-	-	-	4,605,706	-	4,605,706
Loans payable	388,205	-	388,205	400,362	-	400,362
Lease liability	1,970,125	(1,840,855)	129,270	1,573,388	(1,573,388)	-
Repurchase agreement	18,000,000	-	18,000,000	18,000,000	-	18,000,000
Reinsurers accounts payable	21,008,188	-	21,008,188	31,795,621	-	31,795,621
Deposits received from reinsurance companies	184,315	-	184,315	169,590	-	169,590
Accounts payable and accrued expenses	6,850,780	2,371	6,853,151	5,542,881	(669,338)	4,873,543
Total liabilities	610,263,443	(1,838,484)	608,424,959	679,740,053	(2,242,726)	677,497,327
Equity						
Common shares	404,988,405	-	404,988,405	404,988,405	-	404,988,405
Net changes in securities available for sale	97,814	-	97,814	(101,980)	-	(101,980)
Capital reserve	-	-	-	50,022,726	-	50,022,726
Change in foreign currency translation	(774,114)	(59,178)	(833,292)	(5,275,526)	(38,520)	(5,314,046)
Legal reserve	169,771	-	169,771	169,771	-	169,771
Retained earnings	89,032,773	8,457	89,041,230	74,976,649	4,977	74,981,626
Equity attributable to owners of the Company	493,514,649	(1,889,205)	493,463,928	524,780,045	(2,276,269)	524,746,502
Non-controlling interest	22,329,817		22,329,817	25,882,432		25,882,432
Total equity	515,844,466		515,793,745	550,662,477		550,628,934
Total liabilities and equity	1,126,107,909		1,124,218,704	1,230,402,530		1,228,126,261

The reconciliation between the previous GAAP statement of income and loss and the statement of income or loss under USGAAP at the end of the last period included in the most recent annual consolidated financial statements presented by the Company prepared under previous GAAP is as follows:

	As at January 1, 2021			As at December 31, 2021		
	Previous GAAP	**USGAAP transition effect**	**Statement of financial position - USGAAP**	**Previous GAAP**	**USGAAP transition effect**	**Statement of financial position - USGAAP**
Net income from premiums:						
Gross written premiums	386,270,033	-	386,270,033	319,149,846	-	319,149,846
Retroceded premiums	(122,265,163)	-	(122,265,163)	(143,767,513)	-	(143,767,513)
Change in unearned premium	(15,605,488)	-	(15,605,488)	(20,681,617)	-	(20,681,617)
Change in unearned retro premium (URP)	86,017	-	86,017	12,575,524	-	12,575,524
Premium earned	248,485,399		248,485,399	167,276,240		167,276,240
Change in claims outstanding	39,653,035	-	39,653,035	(34,566,528)	-	(34,566,528)
Change in retro outstanding	(38,744,854)	-	(38,744,854)	(4,415,544)	-	(4,415,544)
Change in IBNR	(120,936,153)	-	(120,936,153)	33,655,966	-	33,655,966
Change in retrocession of IBNR	61,466,817	-	61,466,817	(33,694,287)	-	(33,694,287)
Change in unearned retrocession commission	423,007	-	423,007	(8,449,294)	-	(8,449,294)
Change in acquisition costs	1,684,049	-	1,684,049	14,980,104	-	14,980,104
Change in allowance for doubtful receivables	(1,944,035)	-	(1,944,035)	(2,454,482)	(152,877)	(2,607,359)
Gross claims paid	(181,866,755)	-	(181,866,755)	(89,190,932)	-	(89,190,932)
Retroshare of claims paid	62,266,887	-	62,266,887	16,983,018	-	16,983,018
Net earned premium	70,487,397	-	70,487,397	60,124,261	(152,877)	59,971,384
Other incomes (expenses):						
Interests income, net	1,196,183	-	1,196,183	1,184,101	-	1,184,101
Commissions received	539,010	-	539,010	14,377,173	-	14,377,173
Commissions paid	(36,920,029)	-	(36,920,029)	(35,137,555)	-	(35,137,555)
Risk analysis cost	(12,750)	-	(12,750)	(100,313)	-	(100,313)
Share of results of associates	1,235,693	-	1,235,693	2,371,100	-	2,371,100
Gain in securities available for sale	9,371,571	-	9,371,571	14,514,946	-	14,514,946
Reinsurance commisions and profit participation	1,432,618	-	1,432,618	675,732	-	675,732
Other income	390,882	(81,863)	309,019	5,198,280	207,223	5,405,503
Total income, net	47,720,575	(81,863)	47,638,712	63,207,725	207,223	63,262,071
General and administrative expenses:						
Salaries and other employee benefits	7,125,513	-	7,125,513	6,715,220	-	6,715,220
Professional fees	4,668,860	-	4,668,860	4,520,810	-	4,520,810
Depreciation expense	837,106	(677,072)	160,034	846,847	(684,419)	162,428
Other expenses	5,549,738	761,690	6,311,428	9,843,861	725,050	10,568,911
Total general and administrative expenses	18,181,217	84,618	18,265,835	21,926,738	40,631	21,967,369
Profit before income tax	29,539,358	-	29,539,358	41,280,987	-	41,294,702
Income tax	900,051	-	900,051	1,761,768	-	1,761,768
Net profit	28,639,307	2,755	28,642,062	39,519,219	(13,715)	39,532,934
Net profit attributable to:						
Owners of the Company	26,847,845	-	26,850,600	35,966,604	-	35,980,319
Non-controlling interests	1,791,462	-	1,791,462	3,552,615	-	3,552,615
Net profit	28,639,307	2,755	28,642,062	39,519,219	(13,715)	39,532,934

The reconciliation between equity under previous GAAP and equity under USGAAP at the transition date included in the annual financial statements presented by the Company is as follows:

	As at January 1, 2021	As at December 31, 2021
Total equity according to IFRS	515,844,466	550,673,307
Adjustment	(50,721)	(44,374)
Total adjustments to equity	(50,721)	(44,374)
Total equity according to USGAAP	515,793,745	550,628,934

A reconciliation of the statement of cash flows for the year ended December 31, 2021 is as follows:

	IFRS December 31, 2021	USGAAP transition effect	USGAAP December 31, 2021
Cash flows from operating activities:			
Net income	39,519,219	13,715	39,532,934
Adjustment for:			
Share of results of associates	(2,431,271)	60,171	(2,371,100)
Gain on sale of securities available for sale	(14,514,946)	-	(14,514,946)
Reserve for premiums receivable	2,454,482	152,877	2,607,359
Provision outstanding claims reserve	57,950,218	-	57,950,218
Retrocession outstanding claims	(18,968,146)	-	(18,968,146)
Provision of unrealized premium (UPR)	28,747,236	-	28,747,236
Retrocession of unrealized premium (UPR) reserve	(20,641,144)	-	(20,641,144)
Provision of IBNR	(33,655,966)	-	(33,655,966)
Retrocession of IBNR reserve	33,694,287	-	33,694,287
Unearned retroceded commission	8,449,294	-	8,449,294
Deferred adquisition cost	(16,609,762)	-	(16,609,762)
Commisions payables	2,749,187	-	2,749,187
Depreciation	168,299	(5,871)	162,428
Disposal and adjustments of property, furniture, equipment and improvements	42,791	5,871	48,662
Interest income	(1,756,164)	-	(1,756,164)
Income tax	1,761,768	-	1,761,768
Interest expenses	572,063	-	572,063
Depreciation from right of use asset	411,543	(411,543)	-
Net changes in operating assets and liabilities:			
Decrease (increase) in deposits with maturities greater than 90 days	450,499	-	450,499
Increase in premiums receivable	(29,449,404)	-	(29,449,404)
Decrease (increase) in deposits in ceding companies	46,506,056	-	46,506,056
Increase in accounts receivable retrocessions	(18,603,760)	(152,877)	(18,756,637)
(Decrease) increase in other accounts receivable	(7,627,140)	8,192,884	565,744
Decrease in commissions receivable	-	(8,192,884)	(8,192,884)
Decrease (increase) in accounts receivable	3,176,049	-	3,176,049
Increase in other assets	(5,444,725)	216,590	(4,766,497)
Increase (decrease) in deposits received from reinsurance companies	(14,725)	-	(14,725)
(Decrease) increase in reinsurers account payable	10,787,433	-	10,787,433
(Decrease) increase in accounts payable and accrued expenses	(1,307,897)	(2,373)	(1,310,270)
Interests earned	1,184,101	-	1,184,101
Income tax expense	(1,761,768)	-	(1,761,768)
Net cash provided by operating activities	65,837,707	(123,440)	66,175,905
Cash flows from investing activities:			
Acquisition of securities available for sale	(561,693,177)	(5,529,604)	(556,163,573)
Sale of securities available for sale	556,939,079	-	556,939,079
Gain on sale of real state in trust	-	(250,318)	250,318
Gain on sale of investment in trust	-	694,263	(694,263)
Notes and accounts receivable related parties	3,881,331	-	3,881,331
Acquisition of furniture and office equipment	(56,364)	-	(56,364)
Net cash used in investing activities	(929,131)	(5,085,659)	4,156,528
Cash flows from financing activities			
Proceeds from new loans	97,956	-	97,956
Payments to loans	(85,799)	-	(85,799)
Payments on lease liability	(396,737)	165,918	(230,819)
Capital contribution	-	(60,171)	(60,171)
Net cash (used in) provided by financing activities	(384,580)	165,918	(278,833)
Net increase (decrease) in cash	64,523,996	(5,043,181)	70,053,600
Cash at the beginning of the year	34,531,113	-	34,531,113
Cash at end of the year	99,055,109	(5,043,181)	104,584,713

7. Balances and transactions with related parties

Balances and transactions with related parties included in the consolidated statement of financial position and consolidated statement of profit or loss are summarized below:

	2022	2021
Balances with related parties		
Assets		
Bank deposits	487,491	1,341,333
Investment in associate (Note 14)	13,073,781	10,151,608
Notes receivable (i)	15,979,500	3,723,459
Interest receivable (i)	1,838,822	1,041,989
Accounts receivable (ii)	17,878,410	19,555,570
Accounts receivable - others	2,188,959	2,083,982
Accounts receivable - shareholder	88,013	216,544
Trust agreements (iii)	12,000,000	12,000,000
Transactions with related parties		
Gross written premium - Associate, Nacional de Seguros, S.A.	15,538,529	27,514,533
Commissions paid	4,121,005	6,878,633
Interest income	713,887	1,157,017
Key executives salaries	616,903	657,883

(i) As of December 31, 2022, the Company maintains US$15,979,500 (2021: US$3,723,459) relating to certificates of investment issued by the related Company Standard Capital Shareholding Inc., (B.V.I), which accrued interest for the amount US$1,838,822 (2021: US$1,041,989) at an annual rate of 2.5% (2021: 2.5%) with a maturity of one year.

(ii) In June 2020, the Company acquired a repurchase agreement (see Note 21), which was transferred in its entirety as an account receivable to the affiliate Standard Capital Shareholding, Inc.

(iii) The Company established an administration trust with Canal Trust, Inc., for the amount of US$12,000,000, related to fixed deposits. (See Note 13).

The Company is part of a group of related companies which have significant transactions among them.

Accounts receivable and payable with related companies do not have a scheduled repayment date, maturity date nor do they accrue interest.

8. Cash and bank deposits

Deposits in banks are detailed below:

	2022	2021
Demand deposits - domestic	641,036	1,404,804
Demand deposits - foreign	145,369,367	103,179,909
Cash and cash equivalents for consolidated cash flow purpose	146,010,403	104,584,713

9. Premiums receivable, net

Premiums receivables are summarized as follows:

	2022	2021
Barents Risk Management, LTD	174,491,809	92,360,771
Others	5,116,815	5,969,570
	179,608,624	98,330,341
Less: Uncollectible premium provision	(17,960,862)	(11,020,839)
Net premiums receivable	161,647,762	87,309,502

<u>Aging of accounts receivable matured but not uncollectible</u>

	2022	2021
Current	124,772,040	18,900,778
30-60 days	32,112,657	77,429,472
61-90 days	15,303,179	1,203,729
More than 90 days	7,420,748	796,362
	179,608,624	98,330,341

<u>Provision movement for uncollectible premiums</u>

	2022	2021
Balance at beginning of the year	11,020,839	8,566,357
Provision increase	6,940,023	2,454,482
Balance at end of year	17,960,862	11,020,839

10. Securities available for sale

Securities available for sale are summarized as follows:

	2022	2021
Listed securities (at fair value):		
Governments bonds - foreign	461,407,406	487,830,950
Corporates debt securities	1,595,832	1,690,285
Equity securities	810,595	1,351,710
	463,813,833	490,872,945

As of December 31, 2022 and 2021, the amortized cost, gross unrealized holding gains and losses, and fair value of available-for-sale investments were as follows:

2022	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Corporate debt securities	1,466,517	129,315	-	1,595,832
Goverment bonds	459,744,516	1,946,568	(283,678)	461,407,406
Equity securities	754,735	55,860	-	810,595
Total	461,965,768	2,131,743	(283,678)	463,813,833

2021	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Corporate debt securities	1,855,366	-	(165,081)	1,690,285
Goverment bonds	488,142,763	38,584	(350,397)	487,830,950
Equity securities	800,096	551,614	-	1,351,710
Total	490,798,225	590,198	(515,478)	490,872,945

The annual interest rate earned by government bonds is 3.02% with maturities up to one year (2021: 2.82% with maturities up to one year).

The gross unrealized losses are temporary and do not represent continuous loss position.

Proceeds from sales of investments available for sale during 2022 and 2021 were US$20,373,583 (2021: US$14,514,946), respectively. Realized gains and losses are presented within in the consolidated statement of comprehensive income.

As of December 31, 2022, contractual maturities of debt securities were as follows:

2022	Available for sale	Total
One year or less	461,407,406	461,407,406
Maturing after one year through five years	537,251	537,251
Maturing after five through ten years	1,869,176	1,869,176
Total	463,813,833	463,813,833

The movement of securities available for sale is summarized below:

	2022	2021
Balance at beginning of year	490,872,945	477,333,300
Additions	535,771,976	556,163,572
Sales	(584,848,739)	(556,939,079)
Change in fair value	22,017,651	14,315,152
Balance at year end	463,813,833	490,872,945

11. Property, furniture, equipment and improvements

Property, furniture, equipment and improvements are summarized below:

2022	Improvements	Building	Office equipment	Computer equipment	Balance
Cost					
Balance at the beginning of the year	593,394	4,620	281,391	389,303	1,268,708
Additions	-	-	35,303	47,023	82,326
Adjustments	(27,547)	(4,620)	(130)	3,936	(28,361)
Balance at end of the year	565,847	-	316,564	440,262	1,322,673
Accumulated depreciation and amortization					
Balance at the beginning of the year	170,254	-	185,099	308,978	664,331
Expense for the year	78,197	-	30,969	35,823	144,989
Balance at end of the year	248,451	-	216,068	344,801	809,320
Net balance	317,396	-	100,496	95,461	513,353

2021	Improvements	Building	Office equipment	Computer equipment	Balance
Cost					
Balance at the beginning of the year	635,445	-	274,071	337,272	1,246,788
Additions	3,159	-	3,244	49,961	56,364
Adjustments	(45,210)	4,620	(2,201)	-	(42,791)
Disposals	-	-	6,277	2,070	8,347
Balance at end of the year	593,394	4,620	281,391	389,303	1,268,708
Accumulated depreciation and amortization					
Balance at the beginning of the year	79,934	-	127,912	279,839	487,685
Expense for the year	90,320	-	50,910	21,198	162,428
Adjustments	-	-	-	5,871	5,871
Disposals	-	-	6,277	2,070	8,347
Balance at end of the year	170,254	-	185,099	308,978	664,330
Net balance	423,140	4,620	96,292	80,325	604,378

12. Accounts receivable

Accounts receivables are summarized as below:

	2022	2021
Barents R. M., Inc.	11,982,254	12,503,362

The Company maintains an account receivable at a one-year term, renewable at an annual rate of 2.68%.

13. Trust agreements

The Group maintains trust agreements, which are detailed below:

	2022	2021
Trust - fixed deposits	12,000,000	12,000,000
Trust - real state	2,119,844	4,107,687
	14,119,844	16,107,687

The Group established an administration trust with Accion Fiduciaria, S.A., a Colombian trust Company, which holds real estate properties located in Colombia as trust assets on behalf of the Company, for the amount of US$2,119,844 (2021: US$4,107,687).

During 2022, the Company reduced the amount of US$1,987,843 in the concept of sales of investments, as well as the net value of the sale of real estate property.

The Group established an administration trust with Canal Trust, Inc., for the amount of US$12,000,000 related to fixed deposits with interest rates ranging from 1.25% to 4%, which end date is October 20th, 2023 and March 23rd, 2026 (2021: 1.25% to 4% which end date is March 23rd, 2023).

14. Investment in associate

Investment in associate is summarized below:

Name	Activity	Country of incorporation	% interest 2022	% interest 2021	2022	2021
Nacional de Seguros, S. A.	Insurance Company	Colombia	49%	49%	10,649,978	7,814,859
Fianza Avanza, S. A.	Insurance Company	Mexico	49%	49%	2,423,803	2,336,749
					13,073,781	10,151,608

Nacional de Seguros, S. A.

The Company maintains US$1,298,459,285 shares in Nacional de Seguros, S.A., company incorporated under the laws of the Republic of Colombia. The Company has no power or control over the operations of Nacional de Seguros, S.A.

A summary of the consolidated statement of consolidated financial position and the consolidated statement of profit or loss as of December 31, 2022 is detailed as follows:

Consolidated statement of financial position:	**2022**	**2021**
Total assets	142,075,760	122,784,592
Total liabilities	(129,131,974)	(109,066,546)
Net assets	12,943,786	13,718,046
Consolidated statement of profit or loss:		
Income for premiums:		
Total earned premium	2,219,401	1,441,647
Liquidated and recovered claims	4,108,700	725,820
Earned commissions	23,399,006	19,543,678
Net cost	(18,922,766)	(12,554,731)
General and administrative expenses	(11,098,471)	(7,237,592)
Technical result	(294,130)	1,918,822
Total other income, net	9,478,929	4,445,882
Income before income tax	9,184,799	6,364,704
Income tax	(3,533,464)	(1,664,475)
Deferred tax	134,622	82,999
Net income	5,785,957	4,783,228

Fianzas Avanza S.A., de C.V. (México)

On September 30, 2013, the Company acquired 29,400 shares in Grupo Sodafi, S.A. de C.V. a company organized and existing under the laws of the United Mexican States. On November 6, 2016; the Board of Shareholders resolved to change the legal name of the company from Grupo Sodafi, S.A. de C.V. to Fianzas Avanza S.A. de C.V. The Company owns 47,266 shares of Fianzas Avanza S.A., de C.V. (Mexico) and has no power or control over the operations of Fianzas Avanza, S. A. de C.V.

A summary of the consolidated statement of financial position and the consolidated statement of profit or loss as of December 31, 2022 is detailed as follows:

Consolidated statement of financial position:

	2022	**2021**
Total assets	13,159,450	8,465,486
Total liabilities	8,311,458	4,266,534
Net Assets	4,847,992	4,198,952

Consolidated statement of profit or loss:

Income for premiums:	**2022**	**2021**
Total earned premium	238,815	175,141
Earned commissions	876,268	591,989
Net cost	(8,286)	(3,978)
General and administrative expenses	(1,171,397)	(972,965)
Technical result	(64,600)	(209,813)
Total other income, net	165,956	126,346
Income before income tax	101,356	(83,467)
Deferred tax	(76,306)	139,217
Net income	177,662	55,750

Investment in associate movement schedule is as follows:

	Nacional de Seguros, S. A.	**Fianza Avanza, S. A.**	**Total**
2022			
Balance at beginning of the year	7,814,859	2,336,749	10,151,608
Share of profit of associate	2,835,119	87,054	2,922,173
Ending balance as of December 31	10,649,978	2,423,803	13,073,781

2021	**Nacional de Seguros, S.A.**	**Fianza Avanza, S.A.**	**Total**
Balance at beginning of the year	5,471,077	2,249,260	7,720,337
Capital contribution	-	60,171	60,171
Share of profit of associate	2,343,782	27,318	2,371,100
Ending balance as of December 31	7,814,859	2,336,749	10,151,608

15. Leases

The Company leases buildings the average lease term is 24 months. There are currently no residual value guarantees or restrictions or covenants in relation to the Company’s lease.

Net operating right-of-use assets by class of assets are comprised as follows:

	2022
Buildings	1,504,027
Less - accumulated depreciation and amortization	553,451
Net operating right-of-use assets	950,576

The right-of-use assets are presented below:

Cost:	
Balance at January 1, 2022	1,504,027
Balance at the end of the year	1,504,027
Acumulated depreciation and amortization:	
Expense and balance at the end of the year	553,451
Net balance	950,576

(i) Amounts recognized in the consolidated statement of profit or loss

	2022
Depreciation expense on right of use assets	553,451
Interest expense on lease liabilities	49,285
Expenses related to short-term leases	162,527
Interest expense on lease liabilities	41,708

(ii) Lease liabilities

Lease liabilities are discounted at a discount rate of 4.25%, the balances being as follows:

	2022
Amounts due for settlement within 12 months	547,619
Amounts due for settlement after 12 months	402,957
	950,576

Contractual maturities of operating and financing lease liabilities are as follows:

December 31,	**2022**
	Operating
2023	580,542
Thereafter	381,556
Less unearned interest	(11,522)
	950,576

16. Other assets

Other assets are comprised as follows:

	2022	**2021**
Warehouse and offices	2,498,030	2,498,030
Guarantee deposits	2,413,282	2,413,282
Interest receivable for notes (See Note 7)	1,838,822	1,041,989
Interest receivable for accounts receivables (See Note 12)	1,176,164	849,561
Prepaid expenses	687,696	422,076
Prepaid tax	267,965	72,604
Others	144,871	109,221
	9,026,830	7,406,763

17. Unrealized premium reserve

The unrealized premium reserve was calculated using the daily pro rata method, in which the subscribed premium is considered proportional to the validity indicated on the invoice, so the amount of the liability is calculated considering the proportion of the risk not incurred on each invoice to the valuation date. As of December 31, 2022, the unrealized premium reserve was US$233,828,425 (2021: US$156,654,156) and the total unrealized retroceded premium is US$147,779,176 (2021: US$81,089,234).

The movement in technical premiums, unrealized premium reserve and unrealized retroceded premium is presented below:

	2022	2021
Unrealized Premium (UPR):		
Balance at beginning of the year	156,654,156	127,906,920
Increase	77,174,269	28,747,236
Balance at end of year	233,828,425	156,654,156
Unrealized RetroPremium (UPR):		
Balance at beginning of the year	81,089,234	60,448,090
Increase	66,689,942	20,641,144
Balance at end of the year	147,779,176	81,089,234

18. Claims outstanding, IBNR reserve and Deferred acquisition costs

IBNR reserve is based on an actuarial valuation, that concluded that the total claims outstanding reserve for the Company is US$247,570,687 (2021: US$184,606,166) and retroshare of claims outstanding US$135,191,441 (2021: US$102,384,847). The total IBNR reserve is US$304,719,808 (2021: US$268,101,076), IBNR of retroshare is US$181,922,754 (2021: US$169,071,157). The total deferred acquisition costs are US$28,152,277 (2021: US$28,060,406).

Claims outstanding include losses arising from the reinsurance business and loss expenses paid during the year together with the movement in the provision for claims in process. The claims outstanding are made up of the accumulation of the final costs to settle all the reported and incurred losses at the date of the statement of financial position.

The reserve for claims incurred but not reported (IBNR), is calculated from 100% of the claims paid.

The Company considers that the gross provisions for claims in process are reasonably presented based on the available information. The final liability could vary as a result of subsequent information and could result in significant adjustments to the amounts provisioned.

This assets provision is accumulated based on the retroshare portion of claims incurred but not reported, and is calculated according to actuarial formulas.

The movement of claims outstanding reserve, retroshare of outstanding claims, IBNR reserve, IBNR of retroshare, and deferred acquisition costs is presented below:

	2022	2021
Provision reserve IBNR		
Balance at the beginning of the year	268,101,076	301,757,042
Increase (decrease)	36,618,732	(33,655,966)
Balance at the end of the year	304,719,808	268,101,076
IBNR of retroshare		
Balance at the beginning of the year	169,071,157	202,765,444
Increase (decrease)	12,851,597	(33,694,287)
Balance at the end of the year	181,922,754	169,071,157
Claims outstanding reserve:		
Balance at the beginning of the year	184,606,166	126,655,948
Increase	62,964,521	57,950,218
Balance at the end of the year	247,570,687	184,606,166

	2022	2021
Retroshare of claims outstanding		
Balance at the beginning of the year	102,384,847	83,416,701
Increase	32,806,594	18,968,146
Balance at the end of the year	135,191,441	102,384,847
Total net provision included in the balance	235,176,300	181,251,238
Deferred acquisition costs:		
Balance at the beginning of the year	28,060,406	11,450,644
Increase	91,871	16,609,762
Balance at the end of the year	28,152,277	28,060,406

The following table present the total net loss & loss adjustments expenses reserves including claims outstanding and IBNR for the year ended and as of December 31, 2022.

The reserves and the loss development triangle of case incurred is produced by UW year basis and is net of retrocession. All figures are in thousand USD.

Per underwriter year net of retrocession	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
At en of underwriting year one	1,767,522	1,068,200	1,356,113	11,535,572	57,868,678	13,359,820	17,710,081	84,664,713	17,637,698	12,319,416
One year later	5,551,593	13,206,782	3,475,164	24,119,223	64,793,844	36,532,688	45,694,245	105,869,456	50,528,759	
Two years later	6,571,002	16,694,533	7,861,350	49,305,418	97,443,107	48,675,257	61,554,292	122,024,268		
Three years later	7,023,731	19,623,651	12,251,724	68,085,745	70,791,524	50,897,349	66,152,203			
Four years later	12,474,780	20,600,279	20,371,135	61,980,313	81,605,236	54,380,042				
Five years later	12,557,300	24,567,785	21,728,791	80,719,918	89,830,635					
Six years later	13,099,832	26,061,825	40,165,722	96,873,424						
Seven years later	13,112,143	31,405,197	44,449,416							
Eight years later	13,144,420	31,390,608								
Nine years later	13,470,655									
Total case incurred	13,470,655	31,390,608	44,449,416	96,873,424	89,830,635	54,380,042	66,152,203	122,024,268	50,528,759	12,319,416
IBNR	1,131,440	1,105,519	902,027	2,017,945	6,252,279	7,964,433	7,501,649	18,714,729	47,007,752	30,192,236
Cumulative payments	12,507,715	28,587,171	39,983,498	91,480,339	77,340,347	40,657,653	48,769,326	104,009,526	22,383,646	4,474,546
Estimated balance to pay	2,094,380	3,908,956	5,367,945	7,411,030	18,742,567	21,686,822	24,884,526	36,729,471	75,152,865	38,037,106
Provision in respect of prior years										711,337
Currency										449,294
Total net provision included in the balance sheet										**235,176,300**

19. Accounts receivable - retrocessions

Accounts receivables - retrocessions are detailed below:

	2022	**2021**
Accounts receivable - retrocessions	90,923,653	81,317,887
Less: doubtful receivables	2,848,364	299,609
	88,075,289	81,018,278

Provision movement for uncollectible account receivable – retrocessions:

	2022	**2021**
Balance at beginning of the year	299,609	146,733
Provision increase	2,548,755	152,876
Balance at end of year	2,848,364	299,609

Accounts receivable - retrocessions are generated by premium assumed during the current period corresponding to the coverage of the commitments on reinsurers.

20. Loans payable

The loans payable is detailed as follows:

	2022	2021
Capital International Bank Inc.		
Loan at a 10 years term with a minimum annual interest rate of 6.25%, with maturity in October 2023. The Company maintains a collateral trust agreement on real estate as a guarantee of this obligation	279,304	400,362
Total	279,304	400,362
Short term	145,560	145,560
Long term	133,744	254,802
	279,304	400,362

Below, a summary of the obligations assumed, payments and cancellations during the year:

	2022	2021
Balance at beginning of the year	400,362	388,205
Proceeds from new loans	-	97,956
Payments to loans	(121,058)	(85,799)
Total	279,304	400,362

21. Repurchase agreements

As of December 31, of 2022, the Company maintains a repurchase agreement for US$13,000,000 (2021: US$18,000,000) renewable for one year with an average interest rate of 3.0%. (2021: 3.0%)

22. Deposits received from reinsurance companies

As of December 31, 2022, the Company maintains deposits from other reinsurance companies as detailed as follows:

	2022	2021
Trina solar (Spain) System, SLU	161,768	169,590
	161,768	169,590

23. Accounts payable and accrued expenses

The accumulated accounts and expenses payable are as follows:

	2022	2021
Tax payable	41,991	724,873
Accruals payable (a)	1,818,800	1,847,264
Deferred tax liability	1,074,079	1,043,816
Interest payable	354,897	354,897
Suppliers accounts payable	85,001	19,649
Withholdings payable	34,524	19,067
Other accounts payable	738,974	863,977
	4,148,266	4,873,543

(a) During 2022, the Company accrued for Service Level Agreement (SLA) fees with BRM Beirut for the services received during the year but not invoiced yet, for an amount of US$1,818,800 (2021: US$ US$1,847,264).

24. Other expenses

The other expenses account is summarized below:

	2022	2021
Other fees	4,801,922	7,751,752
Rentals	383,657	1,191,642
Travel expenses	234,168	94,871
Insurances	208,668	200,383
Taxes	102,439	102,439
Director´s compensation	91,870	53,822
Legal and notarial expenses	54,762	37,518
Expenditure abroad	50,933	59,434
Telecommunications	48,103	49,354
Electrical energy	31,975	53,528
Maintenance and repairs	26,500	25,239
Licenses & software	21,546	22,756
Bank charges	12,020	10,723
Others	1,828,100	915,450
	7,896,663	10,568,911

25. Gross Written Premium

Gross Written Premium by Line of Business

	2022	%	2021	%	% Change
Bonds	44,624,933	12%	52,274,164	16%	-15%
Energy	91,966,502	25%	78,218,276	25%	18%
Financial lines	8,908,408	2%	12,736,628	4%	-30%
Life	61,682,557	16%	52,831,857	17%	17%
Property	48,036,181	13%	67,954,591	21%	-29%
Specialty lines	118,657,598	32%	55,134,330	17%	115%
	373,876,179		319,149,846		17%

The Company is a niche reinsurer that focuses on bespoke solutions to its clients. It offers a widely spread, and diverse, portfolio of business, which is divided into 6 main lines. The Line of Business Energy is the single biggest product offered by the Company and represents 25% of the Gross Written Premium for both 2022 and 2021 of the total business of the Company. This is followed by the Lines of Business of Bonds and Life.

The Line of Business of Bonds is also one of the main Lines of the Company, representing 12% and 16% of the Gross Written Premium for 2022 and 2021, respectively. The Line of Business of Life focuses on group life and brings 16% and 17% of the Gross Written Premium for 2022 and 2021, respectively.

The Company's portfolio is well balanced among the remaining Lines of Business; Specialty Lines being is made of other Lines of Business representing 32% of the Gross Written Premium, Property represents 13% of the Gross Written Premium, and Financial Lines represent 2% of the Gross Written Premium. Together, in conjunction, they represent in 47% and 43% of the Gross Written Premium for 2022 and 2021, respectively.

Gross Written Premium by Geography

	2022	%	2021	%	% Change
Asia	59,413,946	16%	58,310,431	18%	2%
Europe	158,029,788	42%	94,188,878	30%	68%
Latam	75,071,838	20%	66,705,749	21%	13%
Mena	81,360,607	22%	99,944,788	31%	-19%
	373,876,179		319,149,846		17%

Geographical diversification of Barents Re is very well defined being Europe the main region of underwriting as well as its main hub for development of business in Europe and worldwide.

Europe represents 42% of the total exposure on 2022 followed by MENA and LATAM with 22% and 20% respectively. Asia business represents 16% for 2022.

Presence in LATAM is strong and stable being 20% 2022 and 21% for 2021, this is the company region of origin since it started operations and will continue to grow steadily through its direct operations.

MENA region is important for the company's worldwide expansion being 22% of the total gross written premium.

The Asian markets is fairly new, and amounts to 16% for 2022 and 18% for 2021 of the gross written premiums.

Gross Written Premium by Reinsurance Type

	2022	%	2021	%	% Change
Facultative	227,562,316	61%	239,314,217	75%	-5%
Treaty	146,313,863	39%	79,835,628	25%	83%
	373,876,179		319,149,845		17%

By nature, the Company is highly focused on facultative reinsurance. Treaty is mainly written on the MENA and represents 39% of the total. Segregation of business in 2022 is mainly on the proportional placements with 85%, and non-proportional with 15%.

The Company's underwriting philosophy is highly on a facultative basis, ensuring risks are individually assessed. Treaty business is focused on specific regions due to its marketplace nature.

26. Non - controlling interests

Non-controlling interest represents the participation of other shareholders in the following subsidiary:

	% of non - controlling interest		2022	2021
	2022	2021		
Barents Re Reinsurance S.A. (Luxemburgo)	49%	49%	31,966,431	25,882,432

Movement of non-controlling interest is detailed as follows:

	2022	2021
Issuance of shares	25,882,432	22,329,817
Profit participation	6,083,999	3,552,615
	31,966,431	25,882,432

The capital increase participation by way of increase and / or decrease in profit was proportional and therefore does not change the percentage of the participation in the capital.

27. Common shares

The capital is composed of 100,000 shares with no par value and amounts to US$404,988,405 (2021: US$404,988,405).

28. Capital reserve

The Company voluntarily established a contingency reserve for the amount of US$50,022,726 for the first quarter of the year 2021, it was established based on 16.6% of the total technical costs at the end of the year 2020. For the following years, an increase based on 1% of the current year's technical costs will be determined with the objective of covering possible unforeseen losses within the Company's actuarial reserves, and also possible future statistical deviations that may exist and that may impact the economic situation of the Company.

On the first quarter of the year 2022, the Company increased the contingency reserve based on 1% of the current year's technical costs, for the amount of US$2,483,094. On December 22, 2022, in accordance with the resolution of the Shareholder of the Company, it was considered the need to establish an increase in the contingency reserve for the amount of USD$20,000,000.

29. Income tax

According to current Cayman Islands laws, the Company is not subject to taxes levied on profits, income, gains or appreciations.

For the year ended December 31, 2022, Barents Reinsurance S.A. (Luxembourg) generated income tax of US$2,788,238 (2021: US$1,761,768).

	2022	2021
Barents Reinsurance, S. A. (Luxemburg) taxable income	14,135,637	7,432,547
Current income tax	2,721,498	1,521,791
Prior year adjustments	(87,467)	61,178
	2,634,031	1,582,969
Wealth tax	154,207	178,799
Income tax	2,788,238	1,761,768

30. Fair value of financial instruments

Fair value of financial instruments: The estimated fair value amounts presented below have been determined by the Company using available market information or other appropriate valuation methodologies that require considerable judgment in developing and interpreting the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The carrying amount and estimated fair values of the Company's financial instruments that are not recognized in the balance sheets at fair value are as follows:

	2022		2021	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Cash and deposits in banks	146,010,403	146,010,403	104,584,713	104,584,713
Trust agreements	14,119,844	15,562,205	16,107,687	13,936,179
Premiums receivable	161,647,564	161,647,564	87,309,502	87,309,502
Notes and account receivable - related parties	33,857,910	33,857,910	23,279,029	23,279,029
Account receivable	11,982,254	11,982,254	12,503,362	12,503,362
Other account receivable	5,135,185	5,135,185	5,489,468	5,489,468
Commissions receivable	10,428,025	10,428,025	8,192,884	8,192,884
Accounts receivable - retrocessions	88,075,289	88,075,289	81,018,278	81,018,278
	471,256,474	472,698,835	165,772,159	165,772,159
Liabilities				
Loan payable	279,304	266,217	400,362	255,637
Lease Liability	950,576	950,576	-	-
Repurchase agreement	13,000,000	13,000,000	18,000,000	18,000,000
Reinsurers account payable	36,470,439	36,470,439	31,795,621	31,795,621
	50,700,319	50,687,232	50,195,983	50,051,258

		Fair value hierarchy		
	Total	Level 1	Level 2	Level 3
2022				
Financial assets:				
Cash and deposits in banks	146,010,403	-	146,010,403	-
Trust agreement	15,562,205	-	12,069,532	3,492,673
Premiums receivable	161,647,762	-	-	161,647,762
Notes and accounts receivable - related parties	33,857,910	-	-	33,857,910
Accounts receivable	11,982,254	-	-	11,982,254
Other accounts receivable	5,135,185	-	-	5,135,185
Commissions receivable	10,428,025	-	-	10,428,025
Accounts receivable - retrocessions	88,075,289	-	-	88,075,289
	472,699,033	-	158,079,935	314,619,098
Financial liabilities:				
Loan payable	279,304	-	-	279,304
Lease liability	950,576	-	-	950,576
Repurchase agreements	13,000,000	-	-	13,000,000
	14,229,880	-	-	14,229,880

		Fair value hierarchy		
	Total	Level 1	Level 2	Level 3
2021				
Financial assets:				
Cash and deposits in banks	104,584,713	-	104,584,713	-
Trust agreement	13,936,179	-	10,361,291	3,574,888
Premiums receivable	87,309,502	-	-	87,309,502
Notes and accounts receivable - related parties	23,279,029	-	-	23,279,029
Accounts receivable	12,503,362	-	-	12,503,362
Other accounts receivable	5,489,468	-	-	5,489,468
Commissions receivable	8,192,884	-	-	8,192,884
Accounts receivable - retrocessions	81,018,278	-	-	81,018,278
	336,313,415	-	114,946,004	221,367,411
Financial liabilities:				
Loan payable	255,637	-	-	255,637
Repurchase agreements	18,000,000	-	-	18,000,000
	18,255,637	-	-	18,255,637

The Company believes that the carrying values of the financial assets and financial liabilities recognized at amortized cost in the consolidated financial statements approximate their fair value.

In the case of demand deposits and time deposits the carrying value approximates fair value due to their short-term nature. In the case of premiums receivable, book value is the best estimate of fair value due to the nature of the business relationship with the customer.

Available-for-sale securities - Available-for-sale securities are carried at fair value primarily based on observable market prices. If observable market prices are not available, valuations are based on internally developed discounted cash flow models that use a market-based discount rate and consider recent market transactions, experience of similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, various significant assumptions are utilized including market observable inputs (e.g., forward interest rates) and internally developed inputs (including prepayment speeds, delinquency levels, and credit losses).

Assets and liabilities that are measured at fair value on a recurring basis are as follows:

Description	December 31, 2022	Fair value measurements at reporting date using Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Available-for-sale securities	548,296,672	548,296,672	-	-
Total assets	548,296,672	548,296,672	-	-

Description	December 31, 2021	Fair value measurements at reporting date using Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Available-for-sale securities	496,402,550	496,402,550	-	-
Total assets	496,402,550	496,402,550	-	-

31. Subsequent events

The Company has evaluated events subsequent to December 31, 2022 to assess the need for potential recognition or disclosure in the accompanying consolidated financial statements. Such events were evaluated through June 20, 2023 the date these consolidated financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or disclosure in the consolidated financial statements.

32. Approval of consolidated financial statements

The consolidated financial statements for the year ended December 31, 2022 were approved and issuance was authorized by the Board of Directors on June 20, 2023.

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