

Newport Re Ltd.

(Incorporated in Bermuda)

Financial Statements

**For the year ended December 31, 2020 and the period from March 14,
2019 (date of incorporation) to December 31, 2019**

(expressed in U.S. dollars)



March 16, 2021

Report of Independent Auditors

To the Board of Directors and Shareholders of Newport Re Ltd.

We have audited the accompanying financial statements of Newport Re Ltd., which comprise the balance sheets as of December 31, 2020 and December 31, 2019, and the related statements of income and comprehensive income, changes in shareholders' equity and of cash flows for the year ended December 31, 2020 and the period from March 14, 2019 (date of incorporation) to December 31, 2019.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Newport Re Ltd. as of December 31, 2020 and December 31, 2019, and the results of its operations and its cash flows for the year ended December 31, 2020 and the period from March 14, 2019 (date of incorporation) to December 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Accounting principles generally accepted in the United States of America require that the required supplemental information under Accounting Standards Update 2015-09, *Disclosure about Short-Duration Contracts* labelled as Unaudited within Note 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

Newport Re Ltd.

Balance Sheets

As at December 31, 2020 and 2019

(expressed in U.S. dollars)

	2020	2019
	\$	\$
Assets		
Cash and cash equivalents (note 3)	1,450,354	11,351
Restricted cash and cash equivalents (notes 3 & 4)	139,051,036	1,000,000
Premiums receivable	18,922,229	-
Deferred acquisition costs	1,151,724	-
Due from Fund (note 11)	2,097,894	-
Accrued interest	-	1,117
Other assets	143,924	1,458
	<hr/>	<hr/>
Total assets	162,817,161	1,013,926
Liabilities		
Reserve for losses and loss adjustment expenses (notes 6 & 7)	34,967,410	-
Unearned premiums	5,660,693	-
Reinsurance balances payable	1,236,106	-
Accounts payable and accrued expenses	1,821,190	-
	<hr/>	<hr/>
Total liabilities	43,685,399	-
Shareholders' equity		
Share capital (note 8)	120,008	120,000
Contributed surplus (note 8)	112,538,874	885,000
Retained earnings	6,472,880	8,926
	<hr/>	<hr/>
Total shareholders' equity	119,131,762	1,013,926
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Total liabilities and shareholders' equity	162,817,161	1,013,926

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

Newport Re Ltd.

Statements of Income and Comprehensive Income

For the year ended December 31, 2020 and the period from March 14, 2019 (date of incorporation) to December 31, 2019

(expressed in U.S. dollars)

	2020	2019
	\$	\$
Revenues		
Gross and net premiums written	61,614,756	-
Change in unearned premiums	(5,660,694)	-
Net premiums earned	55,954,062	-
Investment income (note 5)	176,726	10,968
Total revenues	56,130,788	10,968
Expenses		
Losses and loss adjustment expenses (notes 6 & 7)	37,472,715	-
Other underwriting expenses	11,127,528	-
General and administrative expenses (note 11)	1,108,978	2,042
Net foreign exchange gains	(42,387)	-
Total expenses	49,666,834	2,042
Net income and comprehensive income	6,463,954	8,926

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

Newport Re Ltd.

Statements of Changes in Shareholders' Equity

For the year ended December 31, 2020 and the period from March 14, 2019 (date of incorporation) to December 31, 2019

(expressed in U.S. dollars)

	2020	2019
	\$	\$
Share Capital		
Balance at beginning of year/period	120,000	-
Issuance of share capital	8	120,000
Balance at end of year/period	120,008	120,000
Contributed Surplus		
Balance at beginning of year/period	885,000	-
Contributions from shareholders	161,906,891	885,000
Distributions to shareholders	(50,253,017)	-
Balance at end of year/period	112,538,874	885,000
Retained earnings		
Balance at beginning of year/period	8,926	-
Net income and comprehensive income	6,463,954	8,926
Balance at end of year/period	6,472,880	8,926
Total shareholders' equity	119,131,762	1,013,926

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

Newport Re Ltd.

Statements of Cash Flows

For the year ended December 31, 2020 and the period from March 14, 2019 (date of incorporation) to December 31, 2019

(expressed in U.S. dollars)

	2020	2019
	\$	\$
Cash flows from operating activities		
Net income	6,463,954	8,926
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in:		
Premiums receivable	(18,922,229)	-
Deferred acquisition costs	(1,151,724)	-
Due from Fund	(2,097,894)	-
Accrued interest	1,117	(1,117)
Other assets	(142,466)	(1,458)
Reserve for losses and loss adjustment expenses	34,967,410	-
Unearned premiums	5,660,693	-
Reinsurance balances payable	1,236,106	-
Accounts payable and accrued expenses	1,821,190	-
Net cash provided by operating activities	<u>27,836,157</u>	<u>6,351</u>
Cash flows from financing activities		
Issuance of share capital	8	120,000
Contributions from shareholders	161,906,891	885,000
Distributions to shareholders	(50,253,017)	-
Net cash provided by financing activities	<u>111,653,882</u>	<u>1,005,000</u>
Net increase in Cash and cash equivalents and Restricted cash and cash equivalents	139,490,039	1,011,351
Cash and cash equivalents and Restricted cash and cash equivalents, beginning of year/period	<u>1,011,351</u>	<u>-</u>
Cash and cash equivalents and Restricted cash and cash equivalents, end of year/period	<u>140,501,390</u>	<u>1,011,351</u>
Reconciliation to Balance Sheets:	2020	2019
	\$	\$
Cash and cash equivalents	1,450,354	11,351
Restricted cash and cash equivalents	139,051,036	1,000,000
Cash and cash equivalents and Restricted cash and cash equivalents, end of year/period	<u>140,501,390</u>	<u>1,011,351</u>

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

Newport Re Ltd.

Notes to Financial Statements

For the year ended December 31, 2020, and the period from March 14, 2019 (date of incorporation) to December 31, 2019

(expressed in U.S. dollars)

1. *Description of business*

Newport Re Ltd. (the "Company") is an exempted Company, incorporated under the laws of Bermuda on March 14, 2019. The Company was registered as a segregated accounts company under the Segregated Accounts Companies Act 2000 (the "SAC Act") effective May 3, 2019, and was registered as a Class 3B insurer under the Insurance Act 1978 (Bermuda), amendments thereto and related regulations (the "Insurance Act"), on May 27, 2019. During the year ended December 31, 2020, the Company operated four segregated accounts (individually, "Segregated Account", and collectively, "Segregated Accounts"). The Segregated Accounts are fully funded and losses incurred in each Segregated Account are limited to the assets available within that Segregated Account.

The Company was established as part of an insurance-linked securities ("ILS") platform managed by Pacific Investment Management Company LLC (the "Investment Manager").

The Company's sole voting share is held by Conyers Trust Company (Bermuda) Limited as Trustee of the Newport Re Purpose Trust, which is a Bermuda purpose trust. The Company's non-voting common shares are held by the portfolios of PIMCO ILS Series SPC (the "Fund"), a Cayman Islands segregated portfolio company.

The Company primarily transacts in property catastrophe collateralized reinsurance and private market ILS business. In addition, the Company assumes the majority of its portfolio risk in its Segregated Accounts through Allianz Risk Transfer AG (Bermuda Branch) ("ART" or "Fronting Carrier"), which is an affiliate of the Investment Manager, under variable quota share retrocession agreements. The Company began writing reinsurance business as of January 1, 2020.

2. *Significant accounting policies*

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), and are denominated in U.S. dollars.

The preparation of 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates and assumptions. The Company's principal estimates relate to the reserve for losses and loss adjustment expenses, and estimates of written and earned premiums.

(a) **Premiums**

Premiums written are recorded at the inception of the policy and are based on contractual terms, or are estimated based on information provided by brokers and ceding companies, supplemented by the Company's own estimates of premiums written for which information from brokers and ceding companies have not been received. The determination of premium estimates requires a review of the Company's experience with ceding companies, familiarity with each market, an understanding of the characteristics of each line of business, and management's assessment of the impact of various other factors. Premium estimates are updated as new information is received from ceding companies and brokers, and differences between such estimates and actual amounts are recorded in the period in which the estimates are changed or the actual amounts are determined.

Premium adjustments are recorded in the periods in which they become known. Reinstatement premiums are recorded at the time a loss event occurs and coverage limits for the remaining life of the contracts are reinstated under predefined contract terms. The accrual of reinstatement premiums are based on an estimate of incurred losses and loss adjustment expenses.

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(expressed in U.S. dollars)

Premiums receivable represent amounts currently due, and amounts not yet due on underlying policies. Premiums for underlying policies generally become due over the period of coverage based on the policy terms. Changes in the estimates of premiums written will result in an adjustment to premiums receivable in the period they are determined.

Premiums written are earned based on the modelled expected loss over the terms of the underlying policies. Unearned premiums represent the portion of premiums written that relate to the modelled expected loss of the unexpired terms of the underlying policies in force.

(b) **Acquisition costs**

Commissions and other costs incurred on the acquisition of new and renewal of existing business are deferred and amortized over the terms of the respective policies in proportion to the related premiums earned. Deferred acquisition costs are limited to their estimated realizable value based on the related unearned premiums. Anticipated losses and loss adjustment expenses are based on historical and current experience, and anticipated investment income related to those premiums are considered in determining the recoverability of deferred acquisition costs.

(c) **Reserve for losses and loss adjustment expenses**

Losses and loss adjustment expenses paid are recorded as reported. The reserve for losses and loss adjustment expenses includes unpaid known losses ("case reserves") and loss adjustment expenses, and estimates for losses incurred but not reported ("IBNR"). The reserve for unpaid known losses and loss adjustment expenses is based on unpaid claims and reports from ceding companies and brokers, and represents the estimated cost of events or conditions that have been reported to, or specifically identified by the Company. Such reserves are supplemented by an estimate of reserves for losses (and associated expenses) incurred for which reports or claims have not been received, or for claims where insufficient information has been received to determine the estimated ultimate settlement cost, and these estimates are based on the recommendations of an independent actuarial specialist. These estimates are reviewed regularly and are necessarily subject to the impact of future changes in such factors as claims severity and frequency. While management believes that the amount is adequate, the ultimate liability is subject to inherent uncertainty and may be materially in excess of, or less than, the amounts provided, and any adjustments will be reflected in the periods in which they become known.

(d) **Retroactive Reinsurance**

Retroactive reinsurance reimburses a ceding company for liabilities incurred as a result of past insurable events covered by the underlying policies reinsured. For retroactive reinsurance policies assumed, assets acquired and liabilities assumed are recognized at inception, and the respective underwriting income generated is amortized into income over the remaining unexpired period, while movement in losses are charged to income in the periods in which they become known. In instances when the Company enters into reinsurance contracts which cover losses both on a prospective basis and on a retroactive basis the Company bifurcates the prospective and retrospective elements of these reinsurance contracts and accounts for each element separately where practical.

(e) **Cash and cash equivalents**

Cash and cash equivalents include cash held in banks and money market funds with a maturity of three months or less at the date of purchase.

Restricted cash and cash equivalents consist of cash and money market funds held in trust accounts securing obligations under reinsurance contracts between the Company and its Fronting Carrier, and/or directly with ceding companies, as well as, cash and money market funds held in an escrow account in support of the Company's regulatory capital requirements.

(f) **Interest income and general and administrative expenses**

Interest income and general and administrative expenses are recognized on an accrual basis.

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Notes to Financial Statements

For the year ended December 31, 2020, and the period from March 14, 2019 (date of incorporation) to December 31, 2019

(expressed in U.S. dollars)

(g) **Foreign exchange**

The Company's functional currency is the U.S. dollar. Transactions denominated in foreign currencies are measured at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities, such as premiums receivable and the reserve for loss and loss adjustment expenses, denominated in foreign currencies are remeasured at the exchange rate in effect at the balance sheet date, which may result in exchange gains and losses that are recognized in the Statement of Income and Comprehensive Income. Accounts that are classified as non-monetary assets and liabilities, such as, deferred acquisition costs and unearned premiums, are translated at exchange rates in effect at the time of the underlying transaction.

(h) **Segregated accounts**

The Company has assets and liabilities held within its General Account, which include the Company's operational balances and regulatory capital, and its Segregated Accounts and their respective balances. Similarly, the results of operations of the General Account and Segregated Accounts have been aggregated and included in the Statements of Income and Comprehensive Income.

(i) **Recent accounting pronouncements**

Recently issued accounting pronouncements not yet adopted

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (“Topic 326”). The ASU introduces a new credit loss methodology, Current Expected Credit Losses (“CECL”), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU.

The CECL methodology utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized.

The Company is currently evaluating the impact of this guidance; however, it is not expected to have a material impact on the Company's Financial Statements.

3. Concentration of credit risk

As at December 31, 2020, the Company's cash and cash equivalents and restricted cash and cash equivalents were held within accounts maintained at two international financial institutions in the United States.

The Company underwrites a significant amount of its reinsurance business through its Fronting Carrier. There is credit risk associated with payments of reinsurance premiums to the Company in relation to ceding companies being able to fulfil their contractual obligations. Refer to Note 11 for information relating to the balances due from the Fronting Carrier as at December 31, 2020.

4. Restricted cash and cash equivalents

As at December 31, 2020, Company had restricted cash and cash equivalents held in trust accounts of \$138,051,036 (2019 - \$nil), as security for reinsurance agreements, and \$1,000,000 (2019 - \$1,000,000) held in an escrow account in support of the Company's regulatory capital requirements.

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Notes to Financial Statements

For the year ended December 31, 2020, and the period from March 14, 2019 (date of incorporation) to December 31, 2019

(expressed in U.S. dollars)

5. Investment income

Net investment income on cash and cash equivalents and restricted cash and cash equivalents was derived from interest income in the amount of \$176,726 for the year ended December 31, 2020 (2019 - \$10,968).

6. Reserve for losses and loss adjustment expenses

The following table summarizes the reserve for losses and loss adjustment expenses as at December 31, 2020 and 2019:

	2020 \$	2019 \$
Case Reserves	735,729	-
IBNR	34,231,681	-
Balance at end of year/period	34,967,410	-

The following table provides a reconciliation of the beginning and ending reserve for losses and loss adjustment expenses for the year ended December 31, 2020 and the period ended December 31, 2019:

	2020 \$	2019 \$
Balance at beginning of year/period	-	-
Assumed business	1,640,548	-
Net incurred losses and loss adjustment expenses:		
Current year	37,472,715	-
Net paid claims:		
Current year	(4,145,853)	-
Balance at end of year/period	34,967,410	-

The COVID-19 pandemic continues to evolve globally, and material uncertainties relating to COVID-19 persist which may adversely impact the Company's financial performance in 2021 and beyond. Management continues to closely monitor the Company's potential exposure including but not limited to (i) the extent of claims litigation against reinsureds and associated reinsurance coverage impacted, (ii) regulatory, litigation-related or legislative developments aimed at expanding the intended scope of coverages beyond policy terms, exclusions and other conditions, and (iii) macroeconomic conditions. Any or all of the foregoing could materially and adversely affect our business, financial condition, results of operations and growth.

Newport Re Ltd.

Notes to Financial Statements

For the year ended December 31, 2020, and the period from March 14, 2019 (date of incorporation) to December 31, 2019

(expressed in U.S. dollars)

In particular, our estimate of IBNR includes reserves related to exposures associated with COVID-19 of \$6.3 million. Management have been advised of COVID-19 related losses by two ceding companies for which management have determined these policies do not provide full coverage. In these circumstances management has recorded a claim estimate of \$3.9 million, representing 30% of the advised loss.

Consistent with the evaluation process for other loss reserve estimates of the Company, the above noted loss estimate related to COVID-19 is continually evaluated, based on contemporaneous developments observed in the wider industry when relevant, and are also updated for expectations of prospective future developments. The ultimate costs of claims are always uncertain, increasingly so in the current environment given the impact of the COVID-19 pandemic. A heightened level of uncertainty around the estimates of the ultimate cost of COVID-19 related claims will persist for an unknown period and significantly different outcomes to those assumed in assessing the ultimate cost of claims are possible.

7. Short Duration Contracts

The loss development tables disclosed below set forth the historic incurred and paid losses development by accident year through December 31, 2020, as well as, IBNR balances and other supplementary information.

Management has determined that the appropriate level of disaggregation for the incurred and paid losses development information falls into a single category: property catastrophe reinsurance.

All of the Company's business is assumed from other insurance and reinsurance companies, for which the Company does not have access to the underlying claim counts. Further, this business includes both quota share and excess of loss treaty reinsurance, through which only a portion of each reported claim results in losses to the Company. As such, the Company has excluded claim count information from the loss development tables below.

On January 1, 2020, the Company executed a retroactive reinsurance contract covering loss events relating to the 2019 policy year. Losses incurred pertaining to the 2019 policy year have been included in the loss development tables below. In addition, the Company has not presented accident year information for 10 years because it was incorporated during 2019 and started writing reinsurance business from January 1, 2020 onwards.

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For the year ended December 31, 2020, and the period from March 14, 2019 (date of incorporation) to December 31, 2019

(expressed in U.S. dollars)

The following tables show an analysis of incurred losses and loss expenses and cumulative paid losses and loss expenses, as at December 31, 2020:

Net incurred losses and loss expenses development table

Accident year	For the period / year ended December 31,		December 31, 2020
	2019 \$	2020 \$	Total IBNR \$
	(Unaudited)		
2019	-	1,171,039	570,719
2020	-	37,942,225	33,660,962
	-	39,113,264	34,231,681

Net paid losses and loss expenses development table

Accident year	For the period / year ended December 31,		Total
	2019 \$	2020 \$	
	(Unaudited)		
2019	-	(600,320)	(4,145,854)
2020	-	(3,545,534)	
			(4,145,854)
	Total reserve for loss and loss adjustment expenses		34,967,410

The following is unaudited supplementary information about average annual percentage payouts of incurred claims by age as at December 31, 2020:

Year 1	Year 2
51%	9%

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Notes to Financial Statements

For the year ended December 31, 2020, and the period from March 14, 2019 (date of incorporation) to December 31, 2019

(expressed in U.S. dollars)

8. Share capital and contributed surplus

Authorized share capital

The authorized share capital of the Company is \$620,000, divided into 620,000 common shares, par value \$1 each.

Issued share capital

The following table shows the share classes as at December 31, 2020 and 2019:

	2020 \$	2019 \$
Balance at beginning of year/period	120,000	-
<i>Issued and fully paid share capital – par value \$1</i>		
Voting common share issued	-	1
Non-voting common shares issued	8	119,999
Balance at end of year/period	120,008	120,000

Contributed surplus

During the year ended December 31, 2020, the Company recorded \$161,906,891 (2019 - \$885,000) in contributed surplus in relation to contributions from the shareholders for the purposes of funding the Segregated Accounts, operational expenses and regulatory capital.

Distributions

During the year ended December 31, 2020, the Company made distributions to its shareholders out of its contributed surplus totaling \$50,253,017 (2019 - \$nil), of which \$16,310,912 was distributed to PIMCO ILS Series SPC on behalf of PIMCO ILS Fund SP I, and \$33,942,105 was distributed to PIMCO ILS Series SPC on behalf of PIMCO ILS Fund SP II.

9. Taxation

The Company is incorporated under the laws of Bermuda and, under current Bermuda law, is not obligated to pay any taxes to the Bermuda Government based upon income or capital gains. The Company has received a written undertaking from the Bermuda Minister of Finance under the Exempted Undertakings Tax Protection Act 1966 stating that, in the event any legislation is enacted in Bermuda imposing any tax computed on profits, income, gain or appreciation on any capital asset, or any tax in the nature of estate duty or inheritance tax, such tax will not be applicable to the Company until March 31, 2035.

10. Commitments and contingencies

On February 12, 2020, amended on May 29, 2020, the Company entered into an irrevocable secured commitment with a Fund shareholder (“Unfunded Commitment”). In addition, effective October 9, 2020, the Company entered into Catastrophe Bond Collateral Arrangement with the Fund under which the Company is permitted to pledge certain eligible catastrophe bonds as collateral in lieu of cash in support of its reinsurance obligations to its Fronting Carrier.

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Notes to Financial Statements

For the year ended December 31, 2020, and the period from March 14, 2019 (date of incorporation) to December 31, 2019

(expressed in U.S. dollars)

The Company writes reinsurance business through its Segregated Accounts on a collateralized and leveraged basis. Both the collateralized and leveraged business is primarily supported with cash and cash equivalents. The liabilities assumed through the reinsurance contracts are generally collateralized with cash and cash equivalents, and by other types of collateral including, industry loss warranties, the payouts of which are assigned by the Fund, eligible catastrophe bonds pledged by the Fund, and other securities in relation to the Unfunded Commitment pledged by the Fund.

11. Related party transactions

During the year ended December 31, 2020, general and administrative expenses related to formation of the Company in the amount of \$nil (2019 - \$2,215,473) were paid directly by the Investment Manager on the Company's behalf. The net impact of these transactions on the Statement of Income and Comprehensive Income was \$nil (2019 - \$nil).

The Company has entered into an arrangement with the Fund in which the Fund will advance to the Company its share of operational expenses incurred by the Company that exceed 0.5% per annum of the net asset value of the Fund ("Newport Re Expense Cap"). As at December 31, 2020, the balance due from the Fund was \$2,097,894 (2019 - \$nil).

In the event that the Company's operational expenses are less than the Newport Re Expense Cap in any future period, the Company will reimburse the Fund such that total operational expenses for the period equal the Newport Re Expense Cap. The total amount subject to be reimbursed by the Company is limited to the operational expense previously advanced by the Fund over a maximum period of five years from when the arrangement inceptioned.

The following significant transactions with the Company's Fronting Carrier are classified as related party transactions:

	2020	2019
	\$	\$
Transactions during the year/period		
Net premiums earned	55,893,451	-
Losses and loss adjustment expenses	37,472,715	-
Other underwriting expenses	11,127,528	-
Balances outstanding at end of year/period		
Premiums receivable	18,922,229	-
Deferred acquisition costs	1,151,724	-
Reserve for losses and loss adjustment expenses	34,967,410	-
Unearned premiums	5,601,304	-
Reinsurance balances payable	1,236,106	-

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For the year ended December 31, 2020, and the period from March 14, 2019 (date of incorporation) to December 31, 2019

(expressed in U.S. dollars)

12. Statutory financial information and dividend and distribution restrictions

The Company is registered under the Insurance Act, which imposes certain solvency and liquidity standards, and auditing and reporting requirements, and grants the Bermuda Monetary Authority ("BMA") powers to supervise, investigate, require information and the production of documents, and intervene in the affairs of insurance companies.

Bermuda based insurers are required to maintain minimum statutory capital and surplus equal to the greater of a minimum solvency margin ("MSM") and the Enhanced Capital Requirement ("ECR") where applicable. The ECR is equal to the higher of the MSM or the Bermuda Solvency Capital Requirement ("BSCR") which is a standardized statutory risk-based capital model used to measure the risk associated with the Company's assets, liabilities and premiums. The ECR is calculated based on the economic balance sheet ("EBS") framework in which assets and liabilities are mainly assessed and included on the EBS at fair value. The BSCR model also requires insurers to estimate insurance technical provisions, which consist of best estimate reserves and a risk margin.

Statutory capital and surplus as at December 31, 2020 and statutory net income for the year ended December 31, 2020 were as follows:

<u>Statutory Capital and Surplus</u>		<u>Statutory Net Income</u>
<u>Required</u>	<u>Actual</u>	<u>Actual</u>
<u>2020</u>	<u>2020</u>	<u>2020</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>
122,380,951	136,775,895	6,463,954

The Company is also required to maintain a minimum liquidity ratio whereby the value of its relevant assets is not less than 75% of the amount of its relevant liabilities for general business.

The Unfunded Commitment in the amount of \$17,700,956 is recorded as Other Fixed Capital on the Statutory Statement of Capital and Surplus and as Tier 3 Ancillary Capital in its EBS as at December 31, 2020.

Dividend and distribution restrictions

The Company may declare dividends or distributions from capital subject to it continuing to meet its minimum solvency and liquidity requirements. In addition, the Company is prohibited from declaring and paying in any fiscal year dividends of more than 25% of prior year statutory capital and surplus unless it files with the BMA an affidavit signed by at least two directors and the Principal Representative, attesting that, in their opinion, the dividend would not cause the Company to fail to meet its solvency requirements.

In addition, before reducing its total statutory capital by 15% or more (as set out in its previous year's statutory financial statements), the Company must make an application to the BMA for permission to do so. Such an application consists of an affidavit signed by at least two directors and, the Principal Representative stating that, in their opinion, the proposed reduction in capital will not cause the Company to fail to meet its solvency requirements.

As at December 31, 2020, the Company met all requirements that it is subject to under the Insurance Act.

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For the year ended December 31, 2020, and the period from March 14, 2019 (date of incorporation) to December 31, 2019

(expressed in U.S. dollars)

13. Segregated Accounts

As discussed in Note 1 and Note 2, these financial statements include the four Segregated Accounts that were operated by the Company during the year ended December 31, 2020. Set out below are the net assets and net income and comprehensive income of the Segregated Accounts as of and for the year ended December 31, 2020:

	Segregated Account Fund IA	Segregated Account Fund IB	Segregated Account Fund IIA	Segregated Account Fund IIB	Total
	2020	2020	2020	2020	2020
	\$	\$	\$	\$	\$
Net income and comprehensive income	1,249,273	1,609,618	224,173	4,487,300	7,570,364
Net assets	10,548,236	15,121,493	49,433,512	41,244,580	116,347,821

14. Subsequent events

During the period February 13, 2021 to February 17, 2021 a major winter and ice storm spread across North America that had widespread impacts across the United States, Northern Mexico, and parts of Canada. Due to the recentness of this event, management is still assessing the impact of the losses the Company may have suffered at this time. However, management anticipates that the losses from this event will impact the Company's financial position and results of operations for the year ending December 31, 2021.