SOMERSET
REINSURANCE

Financial Statements

for the year ended 31 December 2020

Content

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Somerset Reinsurance Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Somerset Reinsurance Ltd. (the "Company"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

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

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
26 March 2021

Somerset Reinsurance Ltd.

Statement of profit or loss

For the years ended 31 December 2020 and 2019

In USD thousands	Notes	2020 $000’	2019 $000’
Revenue			
Premiums		56,257	298,649
Other insurance income	9.1	14,615	14,012
Investment income	9.2	16,341	10,924
Net gains on available for sale financial instruments	9.3	1,687	243
Net gains on investments at fair value through profit or loss	9.4	40,547	8,199
Returns on funds withheld	9.5	186,348	173,282
Total revenue		**315,795**	**505,309**
Expenses			
Benefits and claims under insurance contracts	11	132,248	356,606
Acquisition costs	9.6	41,940	12,952
Other insurance expenses	9.7	5,309	3,244
General and administrative expenses		30,154	22,271
Total expenses		**209,651**	**395,073**
Profit before income tax		**106,144**	**110,236**
Income tax expense	13	13,277	13,910
Net profit		**92,867**	**96,326**

See accompanying notes to the financial statements.

Somerset Reinsurance Ltd.
Statement of comprehensive income

For the years ended 31 December 2020 and 2019

In USD thousands	Notes	2020 $000’	2019 $000’
Net profit		**92,867**	**96,326**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Unrealized appreciation of fixed income securities - AFS, net of tax		27,043	21,396
Shadow Deferred Acquisition Costs accounting, net of tax		(6,323)	(5,584)
Net other comprehensive income	14	**20,720**	**15,812**
Total net comprehensive income		**113,587**	**112,138**

See accompanying notes to the financial statements.

Somerset Reinsurance Ltd.

Statement of financial position

As at 31 December 2020 and 2019

In USD thousands	Notes	2020 $000’	2019 $000’
Assets			
Cash and cash equivalents		123,401	603
Restricted cash and cash equivalents		33,442	22,283
Reinsurance receivables		9,070	8,608
Fixed income securities – AFS at fair value (amortized cost: 2020 - $859,085 and 2019 - $398,763)	6	911,480	417,623
Fixed income securities – FVTPL (amortized cost: 2020 - $122,464 and 2019 - $Nil)	6	122,999	-
Investments in unconsolidated affiliate entities – FVTPL	6,8	319,139	380,102
Funds withheld	10.1	3,437,896	1,588,434
Deferred acquisition costs	11	55,727	63,921
Policy loans		48,575	52,507
Other Assets	10.2	19,668	15,183
Total assets		**5,081,397**	**2,549,264**
Liabilities and equity			
Liabilities			
Reinsurance payables		42,621	26,777
Unearned revenue liability	11	124,359	42,753
Liabilities for life and health policy benefits	11	272,146	288,727
Liabilities for future policy benefits	11	3,856,051	1,640,905
Other liabilities	10.3	140,850	21,557
Total liabilities		**4,436,027**	**2,020,719**
Equity			
Common shares – par value of $1 (issued and fully paid-up: 2020 - 44,415,052 and 2019 - 44,335,558; Authorized: 2020 and 2019 – 100,000,000)		44,415	44,336
Share premium		364,203	362,624
Warrants		1,997	1,997
Other capital reserves	12	3,459	1,879
Accumulated other comprehensive income	14	34,731	14,011
Retained earnings		196,565	103,698
Total equity		**645,370**	**528,545**
Total liabilities and equity		**5,081,397**	**2,549,264**

See accompanying notes to the financial statements.

Somerset Reinsurance Ltd.

Statement of cash flows

For the years ended 31 December 2020 and 2019

In USD thousands	2020 $000’	2019 $000’
Cash flows from operating activities		
Net profit	92,867	96,326
Adjustments to reconcile net profit to net cash provided by operating activities:		
Adjustment for option issuance	3,123	805
Adjustment for share awards issuance	1,904	594
Adjustment for depreciation and amortization	407	397
Net realized losses/(gains) on disposal of investments	3,621	(2,327)
Net unrealized (gains)/losses on investments	(36,452)	(9,003)
Amortization of investments	1,495	1,042
Changes in:		
Restricted cash and cash equivalents	(11,159)	(13,369)
Reinsurance receivables	(462)	(8,608)
Funds withheld	(598,798)	(613,832)
Deferred acquisition costs, net of shadow accounting	126	(25,053)
Policy loans	3,932	(47,125)
Other assets	(5,822)	(6,827)
Liabilities for life and health policy benefits	(16,581)	267,006
Liabilities for future policy benefits	614,177	384,020
Deferred revenue liability, net of shadow accounting	81,837	41,175
Reinsurance payables	15,844	23,672
Other liabilities	113,881	5,553
Total net cash flows from operating activities	**263,940**	**94,446**
Cash flows from/(used in) investing activities		
Maturities and sales of fixed income securities - AFS	101,966	47,676
Purchases of fixed income securities - AFS	(214,270)	(175,615)
Maturities and sales of fixed income securities - FVTPL	47,859	-
Purchases of fixed income securities - FVTPL	(165,718)	-
Redemptions of investments in unconsolidated affiliate entities - FVTPL	18,000	18,600
Purchases of investments in unconsolidated affiliate entities - FVTPL	(75,000)	(142,210)
Purchase of intangible assets	(120)	(138)
Borrowings from unconsolidated affiliate entity	146,429	144,988
Total net cash flows used in investing activities	**(140,854)**	**(106,699)**

See accompanying notes to the financial statements.

Somerset Reinsurance Ltd.

Statement of cash flows

For the years ended 31 December 2020 and 2019

In USD thousands	2020 $000'	2019 $000'
Cash flows from/(used in) financing activities		
Repurchase of shares/options	(488)	-
Issuance of shares/options	200	-
Total net cash flows used in financing activities	**(288)**	-
Total change in cash and cash equivalents	**122,798**	**(12,253)**
Cash and cash equivalents as at beginning of year	603	12,856
Total change in cash and cash equivalents	122,798	(12,253)
Cash and cash equivalents as at end of year	**123,401**	**603**
Components of cash and cash equivalents		
Cash at banks and in hand	493	347
Cash equivalents	122,908	256
Total cash and cash equivalents as at end of year	**123,401**	**603**

The Company paid income taxes for Irish tax in the amount of $11,827 during the year (2019: $4,794).

The Company has received and paid interest during the year in the amount of $21,554 and $4,048 respectively (2019: $12,905 and $3,990 respectively).

The Company has non-cash transactions related to the new reinsurance deals in the amount of $1,600,970 (2019: $107,337) from receipt of assets (securities).

See accompanying notes to the financial statements.

Somerset Reinsurance Ltd.

Statement of changes in equity

For the years ended 31 December 2020 and 2019

In USD thousands	Notes	Common Shares $000’	Share premium $000’	Other capital reserves $000’	Warrants $000’	Accumulated other comprehensive income $000’	Retained earnings $000’	Total shareholders' equity $000’
Balance as at 31 December 2019		**44,336**	**362,624**	**1,879**	**1,997**	**14,011**	**103,698**	**528,545**
Option issuance	12	-	-	4,669	-	-	-	**4,669**
Option exercise/ repurchase	12	-	-	(3,836)	-	-	-	**(3,836)**
Common share/award issuance	12,14	119	2,078	2,557	-	-	-	**4,754**
Common share/award repurchase	12,14	(40)	(499)	(1,810)	-	-	-	**(2,349)**
Net profit		-	-	-	-	-	92,867	**92,867**
Other comprehensive income	14	-	-	-	-	20,720	-	**20,720**
Balance as at 31 December 2020		**44,415**	**364,203**	**3,459**	**1,997**	**34,731**	**196,565**	**645,370**

In USD thousands	Notes	Common Shares $000’	Share premium $000’	Other capital reserves $000’	Warrants $000’	Accumulated other comprehensive income $000’	Retained earnings $000’	Total shareholders' equity $000’
Balance as at 31 December 2018		**44,336**	**362,624**	**480**	**1,997**	**(1,801)**	**7,372**	**415,008**
Option issuance	12	-	-	805	-	-	-	**805**
Common share/award issuance	12	-	-	594	-	-	-	**594**
Net profit		-	-	-	-	-	96,326	**96,326**
Other comprehensive income	14	-	-	-	-	15,812	-	**15,812**
Balance as at 31 December 2019		**44,336**	**362,624**	**1,879**	**1,997**	**14,011**	**103,698**	**528,545**

See accompanying notes to the financial statements.

Somerset Reinsurance Ltd.
Notes to the Financial Statements

1. Company information
Somerset Reinsurance Ltd. (the Company) is a private limited company registered in Bermuda and was incorporated on 18 September 2014. The Company received its Class E reinsurance license on 12 December 2014 from the Bermuda Monetary Authority (BMA). The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The purpose of the Company is to conduct life and annuity reinsurance business and to perform services related thereto.

On 24 March 2021 the Board of Directors approved the financial statements and authorised them for issue.

1.1. Basis for preparation
The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. This involves a higher degree of judgement or complexity in areas where assumptions and estimates are significant to the financial statements. These estimates and judgements are disclosed in Note 3.

The financial statements have been prepared on a historical cost basis, except for the following items which are stated at their fair value: fixed income securities – available for sale (AFS), fixed income securities – fair value through profit and loss (FVTPL), investments in unconsolidated affiliate entities – FVTPL and derivatives embedded within funds withheld.

Where IFRS is silent, as it is in respect of the measurement of insurance products, the IFRS framework allows reference to another comprehensive body of accounting principles. In such instances, the Company determines appropriate measurement bases, to provide the most useful information to users of the financial statements, using their judgment and with reference to U.S. GAAP.

Impact of COVID-19 on Significant Judgments, Estimates and Assumptions
Beginning in January 2020, the outbreak of a virus known as COVID-19 and ensuing global pandemic have resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and significant market uncertainty. In the first quarter of 2020, global financial markets experienced material and rapid declines and significant volatility; however, following March 31, 2020, the markets have experienced recoveries. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 pandemic continues to be unknown at this time, as is the efficacy of the government and central bank interventions. The results of the Company reflect management's judgments regarding the impact of prevailing market conditions related to global credit, equities and foreign exchange, as well as prevailing health and mortality experience.

2. Significant Accounting Policies

The following are the significant accounting policies applied by the Company in preparing its financial statements:

2.1. Functional Currency

The Company's financial statements are presented in United States (US) Dollars, which is the Company's functional currency. All amounts, including amounts presented in the notes (except Note 12) have been rounded to the nearest thousand, unless otherwise indicated.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rate, at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange ruling at the reporting date. Foreign exchange differences arising on monetary items are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2.2. Revenue recognition

Classification

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Contracts that do not transfer significant insurance risk are accounted for as investment contracts. Insurance risk is transferred when a reinsurer agrees to compensate an insurer if a specified uncertain future event adversely affects the insurer.

Gross premiums

Gross recurring premiums on life insurance contracts are recognized as revenue when payable by the ceding company. For single premium business, revenue is recognized on the date on which the reinsurance contract is received.

Premiums ceded

Premiums ceded on life insurance contracts are recognized as an expense on the date of when premiums are payable to the reinsurer. Premiums include any adjustment arising in the accounting period in respect of reinsurance contracts entered into in prior accounting periods.

Fees and commissions income

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognized over those future periods.

The Company recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services and the standard establishes a five-step model to account for revenue arising from contracts with customers.

2.3. Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company is taxed.

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an assurance from the Minister of Finance of Bermuda under The Exempted Undertakings Tax Protection Act, 1966 of Bermuda that in the event of any such taxes being imposed the Company will be exempted from taxation until the year 2035.

Currently, the Company is a tax-resident in Ireland and subject to Irish taxes. The Company has received a Certificate of Tax Residency for each year since 2014.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Where the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority, the corresponding asset and liabilities are presented on a net basis.

2.4. Indirect taxes

Indirect taxes are included in general and administrative expenses.

2.5. Financial instruments – Financial Assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus transaction costs, except those classified as at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset. The amortization of premiums and accretion of discounts is computed using the effective interest method and is recognized in profit or loss as an adjustment of yield. Interest Income is recognized on an accrual basis.

The Company has currently classified its financial instruments as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale. Cash and cash equivalents are measured at their corresponding notional amount.

IFRS 17, insurance contracts, which reorganizes the recognition and measurement of insurance contracts, was published in May 2017. These new rules will not be mandatory until 2023. This gives the possibility of postponing the first-time application of IFRS 9 until 2023 but requires evidence on the basis of the financial statements as at 31 December 2015 that most of the Company's activity is in insurance. Insurance Business is considered "predominant" if at the time of measurement more than 90% of total liabilities were related to insurance business. Besides liabilities that fall within the scope of IFRS 4, these also include liabilities from investment contracts measured at fair value and other liabilities resulting from insurance business. The Company's liabilities related to insurance business accounted for a share of around 91% of total liabilities at 31 December 2015. In the meantime, there have been no changes to the Company's business activities that would necessitate a reassessment.

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through comprehensive income, provided that the contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation of the early termination of the contract. The Company has applied the temporary deferral for the application of IFRS 9.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss (held for trading) include fixed income securities that are classified as, and investments in unconsolidated affiliate entities that are designated as, fair value through profit or loss upon initial recognition. The fixed income securities are part of a portfolio that are held and traded by the Company for the purpose of short-term profit taking. The investments in unconsolidated affiliate entities are managed and their performance is evaluated on a fair value basis in accordance with the Company's investment strategy.

After initial measurement, financial assets at fair value through profit or loss are subsequently measured at fair value, with unrealized gains or losses recognized in the statement of profit or loss.

Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding fair value through profit or loss investments is reported as investment income using the effective interest rate ("EIR"). When the asset is derecognized, the gain or loss is recognized in the statement of profit or loss.

When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables depends on the nature of the asset.

Available-for-sale financial assets (AFS)

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held to maturity nor designated at fair value through profit or loss (held for trading). Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value, with unrealized gains or losses recognized in other comprehensive income (equity).

Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale investments is reported as investment income using the effective interest rate ("EIR"). Dividends earned whilst holding available-for-sale investments are recognized in the statement of profit or loss as 'Investment income' when the right of the payment has been established. When the asset is derecognized, the cumulative gain or loss is recognized in net gains/losses on investments available for sale financial investments, or if determined to be impaired, the cumulative loss is recognized in the statement of profit or loss and removed from the available-for-sale reserve.

In the case where the Company is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to held-to-maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Available-for-sale fixed income securities include $911,480 (2019 - $417,623) of securities that are held in trust as part of reinsurance agreements to secure the statutory reserves and liabilities of the ceding party.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments. The Company currently has no investments in loans. All receivables are recognized at fair value at initial recognition. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

Impairment

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulties, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or another financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset have expired or substantially all risks and rewards of ownership have been transferred or the risks and rewards have neither been transferred nor retained, but control of the asset has been transferred.

2.6. Derivatives

The Company may choose to enter into forward contracts, futures, forward rate agreements, currency and interest rate swaps, options and other derivative financial instruments for hedging risk exposures or for trading purposes. The notional amounts or contract volumes of derivatives, which are used to express the volume of instruments outstanding and to provide a basis for comparison with other financial instruments, do not, except for certain foreign exchange contracts, represent the amounts that are effectively exchanged by the parties and, therefore, do not measure the Company's exposure to credit risk. The amounts exchanged are calculated on the basis of the notional amounts or contract volumes and other terms of the derivatives that relate to interest or exchange rates, securities prices and the volatility of these rates and prices.

All derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value as assets when favorable to the Company and as liabilities when unfavorable. Gains and losses arising on remeasurement to fair value are recognized immediately in profit or loss.

Derivatives embedded in other financial instruments or in insurance contracts which are not closely related to the host contract are separated and measured at fair value in the statement of financial position. Changes in the fair value are included in returns on funds withheld in the statement of profit or loss.

2.7. Financial Instrument - Financial Liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings (carried at amortized cost using the effective interest method), or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost (this includes directly attributable transaction costs).

Subsequent measurement

The Company has recognized the following financial liabilities in the statement of financial position:

- Other liabilities
- Reinsurance payables
- Liabilities for future policy benefits

All of the above-mentioned financial instruments are measured at their corresponding notional amounts. Other liabilities and reinsurance payables are short-term payables with no stated interest rate at invoice amounts and the effect of discounting them is considered immaterial.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

2.8. Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The Company presents the reinsurance receivable, reinsurance payable and investment in unconsolidated affiliate entity – FVTPL on a net basis. In addition, the Separate Account assets and Separate Account liabilities discussed in Note 2.13 are presented on a net basis.

2.9. Fair value hierarchy of financial instruments

For reporting purposes, a fair value hierarchy is established that categorizes the inputs to valuation techniques used to measure fair value into level 1, 2 or 3. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1 inputs) and the lowest priority to unobservable inputs (level 3 inputs).

The fair value of assets or liabilities included in level 1 is based on unadjusted quoted prices in active markets for identical assets or liabilities. The fair value of assets or liabilities that are not traded in an active market is determined using valuation techniques. If all significant inputs to these valuation techniques are observable (directly and indirectly) in the market, the assets or liabilities are included in level 2.

If one or more significant inputs to these valuation techniques are not observable in the market, the assets or liabilities are included in level 3. Such inputs may include information that is derived through extrapolation which is not substantiated by observable market data or that reflects the Company's assumptions about what market participants would use in pricing the asset or liability.

An analysis of fair values of financial instruments is provided in Note 6.

2.10. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position are comprised of cash on hand, cash at banks, cash in transit and short-term deposits with an original maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Restricted cash and cash equivalents consist of cash and cash equivalents held in trust as part of the reinsurance agreement to secure all statutory reserves and liabilities of the ceding party. Restricted cash and cash equivalents are reported as a separate line item on the statement of financial position. Changes in the restricted cash and cash equivalents balance are reported in operating activities within the statement of cash flows.

2.11. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

The amounts recognized as a provision represent the best estimate of the expenditure required to settle the obligations.

2.12. Employee benefit liabilities

The Company's pension schemes are classified as defined contribution plans under IFRS.

2.13. Insurance contract liabilities

Liabilities for life and health policy benefits contracts

Life and health insurance liabilities are recognized when reinsurance contracts are entered into and premiums are charged. These liabilities are measured by using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the reinsurance contract was issued, in which case, a margin for risk and adverse deviation is generally included. A separate reserve for longevity may be established and included in the measurement of the liability.

Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and premium deficiency, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company. Adjustments to the liabilities at each reporting date are recorded in the statement of profit or loss in “Benefits and claims under insurance contracts”. Profits originated from margins for adverse deviations on run-off contracts are recognized in the statement of profit or loss over the life of the contract, whereas losses are fully recognized in the statement of profit or loss during the first year of run-off. The liability is derecognized when the contract expires, is discharged or cancelled.

At each reporting date, an assessment is made of whether the recognized life insurance liabilities are adequate, net of related Deferred Acquisition Costs (DAC), by using an existing liability adequacy test in accordance with IFRS. The net liability value is adjusted to the extent that it is insufficient to meet expected future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows are used. Discounted cash flows are the primary valuation method used. To the extent that the test involves discounting of cash flows, the interest rate applied may be based on management’s expectation of current market interest rates. Any inadequacy is recorded in the statement of profit or loss, initially by impairing DAC and, subsequently, by establishing an additional insurance liability for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. The assumptions do not include a margin for adverse deviation. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists, as allowed under IFRS.

Liabilities for Future policy benefits

Universal life-type policies and investment contracts include fixed indexed and traditional fixed annuities in the accumulation phase, universal life insurance, and immediate annuities. The Company carries liabilities for fixed annuities, fixed index annuities, and universal life insurance at the account balances without reduction for potential surrender or withdrawal charges. Liabilities for immediate annuities risk are calculated at the present value of future liability cash flows and policy maintenance expenses discounted at contractual interest rates.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position and are not recognized as gross premium in the statement of profit or loss. Expenses and cost of insurance charges are recorded both as an adjustment to the liability in the statement of financial position and as other insurance income in the statement of profit or loss.

The liability is derecognized when the contract expires, is discharged or cancelled. For a contract that can be cancelled by the policyholder, the fair value of the contract cannot be less than the surrender value.

Benefits, claims and expenses recognition

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims. Changes in the gross valuation of insurance are also included. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

Separate account exposure

During 2020, the Company entered in a Modified Coinsurance ("ModCo") treaty where the Company assumed Separate Account assets and Separate Account liabilities of $1,004,667 on a ModCo basis. The underlying individual variable annuities and group variable annuities covered in this treaty are transferrable from Separate Account to General Account or vice versa at participants' discretion among investment funds. All net realized and unrealized capital gains in the Separate Accounts, which reflect investment performance of the funds in which they invest, accrue directly to participants (net of administrative and other Separate Account charges) and are not reflected in the Company's Statement of Financial Position. Under the ModCo structure both the assets and liabilities remain on the ceding company's Statement of Financial Position. The Company is not exposed to insurance, investing, nor administrative risk, the Company did not recognise any assets or liabilities related to the separate accounts on a net settlement basis. The Company shares in certain fees earned by the Ceding Company with respect to the Separate Accounts. Separate Account fees in 2020 of $Nil are included in the Statement of Profit or Loss.

2.14. Deferred acquisition costs (DAC) and unearned revenue liabilities (URL)

Those direct and indirect costs incurred and income earned during the financial period arising from the assumption of reinsurance contracts are deferred to the extent that these costs are recoverable out of future premiums or profit. All other acquisition costs and deferred revenue are recognized as an expense when incurred and as an income when earned, respectively.

Subsequent to initial recognition, DAC and URL for life and annuity reinsurance are amortized over the expected life of the contracts as a constant percentage of expected premiums or as a constant percentage of gross margins. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization pattern and are treated as a change in an accounting estimate.

When DAC/URL is amortized in proportion to gross profits or gross margins on the acquired contracts, realized gains/losses including the change in fair value of the embedded derivative in the reinsurance contracts are taken into account as well as gains/losses recognized in other comprehensive income (unrealized gains/losses). If these gains/losses were to be realized, the gross profits or gross margins used to amortize DAC/URL would be affected. Therefore, an adjustment relating to these unrealized gains/losses is recognized in profit or loss/Other Comprehensive Income (OCI) ("shadow accounting") and is also reflected in the amount of DAC/URL in the statement of financial position.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognized in the statement of profit or loss.

DAC and URL are derecognized when the related contracts are either settled or disposed of.

2.15. Accrued income and prepaid expenses

Accrued income and prepaid expenses include revenues relating to the current financial period, but which are receivable in a subsequent financial period and expenditures incurred during the financial period but relating to a subsequent financial period.

2.16. Deferred income and accrued expenses

Deferred income is received but related to a subsequent financial period. Accrued expenses consist of charges relating to the current financial period, but which are payable in a subsequent financial period.

2.17. Share awards and option-based compensation plan

The Company operates equity-settled, option-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognized in the statement of profit or loss with a corresponding increase in equity over the vesting period. As the fair value of the services received cannot reliably be measured, the value is measured by reference to the fair value of the option instruments granted.

The Company granted restricted common share awards to certain employees. The award is governed by the Share Grant and Restriction Agreement. The fair value of the employee services received in exchange for the grant of the award is recognized in the statement of profit or loss with a corresponding increase in equity over the vesting period.

At each subsequent reporting date until vesting, the entity calculates a best estimate of the cumulative charge to profit or loss at that date.

2.18. Warrants

The Company has accounted for certain warrant contracts issued to certain shareholders in conjunction with the share offerings of the Company at fair value through equity. These warrants entitle the warrant holder to purchase one share per warrant.

2.19. Reinsurance receivables and payables

Reinsurance receivables and payables are recognized when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

2.20. Policy loans

Policy loans are carried at outstanding balance, including principal and accrued interest. Policy loans are secured by the underlying cash surrender value of the corresponding contracts.

2.21. Funds withheld

Funds withheld represents a receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements where the Company acts as reinsurer. The receivable represents assets that are held in custodial accounts that are legally segregated from the third party ceding companies' general accounts and are managed by the Company. The assets are typically fixed income asset types consistent with those held in trust for coinsurance reinsurance arrangements. In the event of a ceding company's insolvency, the Company would need to assert a claim on the assets supporting the reserve liabilities. However, the Company has the ability to offset amounts owed to the ceding company. Interest generally accrues on these assets based upon the investment earnings on the underlying investments. The Company is subject to the investment performance and has all economic rights and obligations on the funds withheld assets in a fashion similar to invested assets held directly by the Company. Assets greater than or equal to statutory reserves are withheld. Assets received are recognized at fair market value on the date of transfer, with the fair market value adjustment amortized to the statement of profit or loss over the life of the assets. The underlying agreements contain embedded derivatives as discussed in derivatives.

2.22. Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is principally calculated using the straight-line method to allocate their cost to their residual values over the asset's estimated useful life as follows: furniture and fixtures eight years; office equipment eight years; computer equipment three years and leasehold improvements three years. The asset's residual value and useful life is reviewed, and adjusted if appropriate, at each statement of financial position date.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the statement of profit or loss during the financial period in which they are incurred. Realized gains or losses on disposals are determined by comparing proceeds with the carrying amount and are included in profit or loss. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

2.23. Intangible assets

Intangible assets consist of acquired computer software licenses and related development costs, as well as right-of-use assets relating to lease contracts.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis for the expected useful life of five years.

Development costs that are directly associated with these identifiable software products controlled by the Company and that will generate future economic benefits are capitalized. Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives (five years).

The principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

At inception, the right-of-use asset relating to the lease contract is recognized at the lower of the present value of the minimum lease payments or fair value and is depreciated over its estimated useful life. The corresponding lease obligations are recorded as Other liabilities in the statement of financial position.

2.24. Reclassification of prior year presentation

Certain prior year amounts have been reclassified for consistency within the current year presentation. These reclassifications have no effect on the reported results of operation.

3. Significant accounting estimates and judgments

The preparation of the Company's financial statements requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures in the notes. Although some uncertainty is inherent in these judgements and estimates, management believes that the amounts recorded are reasonable. The basis for determining amounts is management's best knowledge regarding the items concerned at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The following are key assumptions as they could have a material impact on the carrying amounts of assets and liabilities. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Valuation of Fixed Income securities

The Company obtains pricing information from a range of pricing services and brokers. Where the fair values of securities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgments include considerations of liquidity risk, credit risk, and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and, if applicable, enterprise valuation and may include a number of assumptions relating to variables such as credit risk and interest rates. Changes in assumptions relating to these variables could positively or negatively impact the reported fair value of these instruments.

Valuation of liabilities for life and health policy benefits

The liability for life and health policy benefits is either based on current assumptions or on assumptions established at the inception of the reinsurance contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Company bases mortality and morbidity on standard industry American mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences and trends. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments.

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation, if appropriate.

Lapse and surrender rates, rider elections and annuitization rates are based on the historical experience.

Deferred Acquisition Costs/Unearned Revenue Liability

Certain acquisition costs related to the sale of new policies are recorded as DAC, likewise, if the assets transferred exceed the GAAP reserve a URL balance is established. These balances are amortized to the statement of profit or loss over time. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated, and this may also require additional impairment write-offs to the statement of profit or loss.

Valuation of funds withheld embedded derivative

The embedded derivative included in funds withheld consists of the difference in the book value and the fair value of the assets from which the host contract is derived. The fair value of the underlying assets is determined as discussed in Fair value of financial assets determined using valuation techniques in Note 6.

Taxes

For current tax, uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

Deferred tax assets (including unused tax losses and unused tax credits) are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits.

4. Adoption of new and revised Standards

Standards and interpretation issued and effective in current year

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 1 and IAS 8 Definition of material

The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term ‘material’ to ensure consistency.

Standards and interpretations issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9/IAS 39 IFRS 7 IFRS 4 IFRS 16 Interest Rate Benchmark Reform (Phase 2)

The IASB has undertaken a two-phase project to consider what reliefs to give from the effects of Interbank Offered Rates (‘IBOR’) reform. The Phase 1 amendments, issued in September 2019, provided temporary reliefs from applying specific hedge accounting requirements to relationships affected by uncertainties arising as a result of IBOR reform (‘the Phase 1 reliefs’). The Phase 2 amendments that were issued on 27 August 2020 address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.
The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform:

- Changes to designations and hedge documentation: When the Phase 1 reliefs cease to apply, entities are required to amend the hedge documentation to reflect changes that are required by IBOR reform by the end of the reporting period during which the changes are made. Such amendments do not constitute a discontinuation.

- Amounts accumulated in the cash flow hedge reserve: When amending the description of a hedged item in the hedge documentation, the amounts accumulated in the cash flow hedge reserve are deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- Retrospective effectiveness test (IAS 39 only): For the purposes of assessing the retrospective effectiveness of a hedge relationship on a cumulative basis, an entity may, on an individual hedge basis, reset to zero the cumulative fair value changes of the hedged item and hedging instrument when ceasing to apply the retrospective effectiveness assessment relief provided by the Phase 1 amendments.
- Groups of items: When amending the hedge relationships for groups of items, hedged items are allocated to sub-groups based on the benchmark rate being hedged, and the benchmark rate for each sub-group is designated as the hedged risk.
- Risk components – separately identifiable requirement: An alternative benchmark rate designated as a non-contractually specified risk component, that is not separately identifiable at the date when it is designated, is deemed to have met the requirements at that date if the entity reasonably expects that it will meet the requirements within a period of 24 months from the date of first designation. The 24-month period will apply to each alternative benchmark rate separately. The risk component will, however, be required to be reliably measurable.

Additional IFRS 7 disclosures related to IBOR reform - The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

The Company does not use any IBOR hedging tools. Therefore, these changes currently have no impact.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration contracts which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows);
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognized in profit or loss over the service period (i.e., coverage period);
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognized in profit or loss over the remaining contractual service period;
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;

- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in profit or loss, but are recognized directly on the Statement of financial position;
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense;

Extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

IFRS 17 has been deferred an additional year and is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, on or before the date it first applies.

The Company plans to adopt the new standard on the required effective date. The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with presentation and disclosure. The Company is still evaluating the impact of the standard.

5. Risk Management, Policies and Procedures

The Company's core business is to reinsure portfolios of life insurance and annuity policies. The reinsurance of life insurance and annuity policies represents a mid-term to long-term promise to the ceding companies. To fulfill its future payment obligations to the ceding companies, the Company must be financially sound over an extended period of time. The ability to remain financially sound and strong depends on a number of risk factors. The Company's identified risks can be categorized into financial, insurance and operational risks. All of these risk categories can impact the financial stability of the Company.

Risks must be identified, assessed, managed and monitored. Roles, responsibilities and accountabilities for decision making are structured in line with the Three Lines of Defense principles, with supervision of these activities by the Board or its delegates or designees, thereby achieving effective segregation of duties. In particular:

1. The first line of defense resides with the functional leaders (i.e. the Chief Investment Officer (CIO), the Chief Actuary (CA), the Chief Underwriting Officer (CUO) and the Chief Financial Officer (CFO));
2. The second line of defense resides with the Chief Risk Officer (CRO) and the Risk and Asset/Liability Management (RALM) Committee for the Executive Management oversight function; and
3. The third line of defense resides with the Company's Internal Audit function.

Within Executive Management, risk appetite and key risk management decisions reside with the RALM Committee. Members of the RALM include the CEO, CIO, CUO, CA, CFO and the CRO.

Quarterly, the RALM committee meets to assess risk levels with all risk owners and identify and assess key controls and related control owners, as well as defining the proper key risk levels for all areas.

The supervisory responsibility relating to oversight of risk management by the Executive Management is a Board of Directors oversight function, which includes the activities of the Investment, Risk and Capital Committee (IRCC) and

Audit Committee (AC). The Audit Committee is assisted in its supervisory responsibilities by the Company's internal audit function and the Company's compliance function.

The CRO, oversees and assures effective monitoring and control of all identified risks in the business. Among the CRO responsibilities are the development, maintenance and proper utilization of the Company's risk management framework. Additionally, a major responsibility of the CRO is to supervise all limits / tolerances, report any breaches, and follow up with the respective stakeholders on remedial actions.

5.1. Financial risk management objectives and policies

The Company is exposed to financial risk through its financial assets, financial liabilities and other liabilities. In particular, the key financial risk is that the financial assets are not sufficient to fund the obligations arising from financial, insurance and other liabilities.

5.2. Credit risk

The Company is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The carrying amount of the items below represent the Company's exposure to credit risk.

In USD thousands	2020 $000'	2019 $000'
Cash and cash equivalents	123,401	603
Restricted cash and cash equivalents	33,442	22,283
Fixed income securities - AFS	911,480	417,623
Fixed income securities - FVTPL	122,999	-
Investments in unconsolidated affiliate entities - FVTPL	319,139	380,102
Reinsurance receivables	9,070	8,608
Funds withheld	3,437,896	1,588,434
Other assets	18,340	14,313
Total maximum exposure to credit risk	**4,975,767**	**2,431,966**

The Company does not have any past due or impaired assets (2019: $Nil).

The credit rating of the counterparties as at 31 December 2020 were as follows:

In USD thousands	AAA	AA	A	BBB	Below BBB	Not rated	2020 $000' Total
Cash and cash equivalents	122,887	161	94	259	-	-	123,401
Restricted cash and cash equivalents	33,442	-	-	-	-	-	33,442
Fixed income securities - AFS	99,456	44,122	348,615	355,716	3,970	59,601	911,480
Fixed income securities – FVTPL	114,569	-	1,019	776	4,761	1,874	122,999
Investments in unconsolidated affiliate entities - FVTPL	-	-	-	-	-	319,139	319,139
Funds withheld	652,230	158,013	893,041	1,447,225	139,519	147,868	3,437,896
Reinsurance receivables	-	6,695	2,375	-	-	-	9,070
Other assets	976	200	2,767	2,999	125	11,273	18,340
Total exposure to credit risks	**1,023,560**	**209,191**	**1,247,911**	**1,806,975**	**148,375**	**539,755**	**4,975,767**

The credit rating of the counterparties as at 31 December 2019 were as follows:

In USD thousands	AAA	AA	A	BBB	Below BBB	Not rated	2019 $000' Total
Cash and cash equivalents	-	-	205	-	-	398	603
Restricted cash and cash equivalents	-	-	10,406	-	-	11,877	22,283
Fixed income securities - AFS	51,067	41,695	131,398	161,002	1,366	31,095	417,623
Investments in unconsolidated affiliate entities - FVTPL	-	-	-	-	-	380,102	380,102
Funds withheld	75,977	143,071	576,001	650,932	9,588	132,865	1,588,434
Reinsurance receivables	-	-	-	-	8,608	-	8,608
Other assets	-	-	-	-	-	14,313	14,313
Total exposure to credit risks	**127,044**	**184,766**	**718,010**	**811,934**	**19,562**	**570,650**	**2,431,966**

Fixed income securities – AFS, Fixed income securities – FVTPL and Funds withheld: the above-mentioned credit ratings are equivalent to Standard & Poor's (S&P) ratings and are based on the second-lowest rating obtained from two or more of the following rating agencies: Moody's, S&P, and Fitch.

Reinsurance receivable: the above-mentioned credit rating is based on Standard & Poor's short-term local currency rating of the counterparty.

5.3. Concentration risk

Concentration of risk arises from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. The Company has its cash and restricted cash deposited at banks whose short-term local currency ratings are A-1 and A-2 according to Standard & Poor's. The Company's fixed income securities are held by a single custodian whose short-term local currency rating is A-1 according to Standard & Poor's. The Company's maximum permitted single holding of a fixed income investment in any one institution cannot exceed the limits based on similar characteristics (such as sector, issuer and credit rating) set in the investment guidelines.

5.4. Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's current exposure to the risk of changes in foreign exchange relates primarily to the Company's operating expenses as some of them are denominated in Euros and the Company's functional currency is USD.

Any changes caused by foreign currency on financial instruments would be recorded in the Company's profit or loss and therefore also in the retained earnings (which includes the profit/loss of the current reporting period). The amount of impact due to changes caused by foreign currency is minimal because financial instruments denominated in foreign currency are immaterial to the financial statements.

5.5. Liquidity risk

Liquidity risk is the risk that not enough cash resources may be available to pay obligations when due. The Company's liquidity risk management approach consists of 1) monitoring the duration of the assets and liabilities and realigning the investment portfolios as needed; 2) monitoring collateral requirements on a monthly basis against available cash and, 3) maintaining a significant portion of liquid assets in the investment portfolios. The Company is currently exposed to liquidity risk on its obligations to its creditors and cedants. Exposure to liquidity risk is based on the earliest time the Company could be contractually required to repay any outstanding amounts. The assets contractual terms may not be consistent with duration.

Exposure to liquidity risk as at 31 December 2020:

In USD thousands	Carrying amount	Cash flows					2020 $000'
		Up to 1 month	1–3 months	3–12 months	1–5 years	5–10 years	More than 10 years
Financial liabilities							
Liabilities for life and health policy benefits	272,146	3,778	7,442	31,816	136,425	45,376	47,309
Liabilities for future policy benefits	3,856,051	15,678	33,105	150,742	1,236,943	793,625	1,625,958
Reinsurance payables	42,621	592	1,166	4,983	21,366	7,106	7,408
Other liabilities	116,433	116,433	-	-	-	-	-
Total financial liabilities	4,287,251	136,481	41,713	187,541	1,394,734	846,107	1,680,675
Financial assets							
Cash and cash equivalents	123,401	123,401	-	-	-	-	-
Restricted cash and cash equivalents	33,442	33,442	-	-	-	-	-
Fixed income securities - AFS	911,480	200	475	6,606	92,830	389,691	421,678
Fixed income securities - FVTPL	122,999	-	-	-	1,379	2,515	119,105
Investments in unconsolidated affiliate entities - FVTPL	319,139	-	319,139	-	-	-	-
Reinsurance receivables	9,070	-	9,070	-	-	-	-
Funds withheld	3,437,896	48,805	8,949	70,042	600,552	947,208	1,762,340
Policy loans	48,575	674	1,328	5,679	24,350	8,099	8,445
Other assets	18,340	-	18,340	-	-	-	-
Total financial assets	**5,024,342**	**206,522**	**357,301**	**82,327**	**719,111**	**1,347,513**	**2,311,568**
Net gap (surplus)	**(737,091)**						

Exposure to liquidity risk as at 31 December 2019:

In USD thousands	Carrying amount	Cash flows					2019 $000'
		Up to 1 month	1–3 months	3–12 months	1–5 years	5–10 years	More than 10 years
Financial liabilities							
Liabilities for life and health policy benefits	288,727	2,256	3,455	17,837	115,980	60,708	88,491
Liabilities for future policy benefits	1,640,905	12,819	19,637	101,374	659,140	345,019	502,916
Reinsurance payables	26,777	-	26,777	-	-	-	-
Other liabilities	655	310	-	-	345	-	-
Total financial liabilities	**1,957,064**	**15,385**	**49,869**	**119,211**	**775,465**	**405,727**	**591,407**
Financial assets							
Cash and cash equivalents	603	603	-	-	-	-	-
Restricted cash and cash equivalents	22,283	22,283	-	-	-	-	-
Fixed income securities - AFS	417,623	-	1,544	646	49,146	184,319	181,968
Investments in unconsolidated affiliate entities - FVTPL	380,102	-	380,102	-	-	-	-
Policy loans	52,507	410	628	3,244	21,092	11,040	16,093
Investments pending settlement	1,200	1,200	-	-	-	-	-
Funds withheld	1,588,434	29,307	447	7,173	128,400	350,753	1,072,354
Reinsurance receivable	8,608	-	8,608	-	-	-	-
Other assets	4,472	96	-	4,338	38	-	-
Total financial assets	**2,475,832**	**53,899**	**391,329**	**15,401**	**198,676**	**546,112**	**1,270,415**
Net gap (surplus)	**(518,768)**						

5.6. Market risk

The sensitivity analysis shows the effect of capital market events on the value of financial instruments and the corresponding impact on profit or loss and equity.

Market risk – Interest rates

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments within the Company's fixed income investment portfolio. Interest on floating rate instruments is re–priced at intervals of less than one year. Interest on fixed interest rate instruments are priced at inception of the financial instrument and is fixed until maturity.

To manage interest rate risk, the Company adheres to a duration match between its liabilities and its overall asset portfolio to minimize economic risk due to yield curve changes, reinvestment risk, liquidity concerns and capital adequacy requirements. As of year-end 2020, the weighted average of the difference in the asset duration and liability duration is 2.61 years (2019 - 0.6 years). Under current accounting guidance the change in economic value of the liabilities which the Company's invested assets are backing is not captured on a periodic basis and as such the movements in valuation of fixed income securities and the funds withheld portfolio will impact reported financial results without the benefit of the inverse economic impact on the related financial liabilities. IFRS 17 as described in Note 4 to these financial statements, is expected to have the effect of addressing the economic impact of market interest rate movements on liabilities once implemented.

Market risk – Net asset value (NAV)

The following table demonstrates the sensitivity to a reasonably possible change in the NAV of the Investments in unconsolidated affiliate entities, with all other variables held constant, on the Company's profit before tax and the Company's equity due to changes in the NAV.

				2020 $000'
In USD thousands	**Change in NAV**	**Impact on pre-tax profit and loss**	**Impact on Equity**	**Total Change in market value**
	NAV 5% higher	33,397	33,397	33,397
	NAV 5% lower	(33,397)	(33,397)	(33,397)
	NAV 10% higher	66,794	66,794	66,794
	NAV 10% lower	(66,794)	(66,794)	(66,794)

				2019 $000'
In USD thousands	**Change in NAV**	**Impact on pre-tax profit and loss**	**Impact on Equity**	**Total Change in market value**
	NAV 5% higher	29,124	29,124	29,124
	NAV 5% lower	(29,124)	(29,124)	(29,124)
	NAV 10% higher	58,247	58,247	58,247
	NAV 10% lower	(58,247)	(58,247)	(58,247)

Market risk – Fair value prices

The following table demonstrates the sensitivity to a reasonably possible change in the prices of the fixed income investment portfolio for investments classified as AFS and FVTPL, with all other variables held constant, on the Company's profit before tax and the Company's equity due to changes in the prices.

				2020 $000'
In USD thousands	**Change in Price**	**Impact on pre-tax profit and loss**	**Impact on Equity**	**Total Change in market value**
	Price 5% higher	6,150	51,724	51,724
	Price 5% lower	(6,150)	(51,724)	(51,724)
	Price 10% higher	12,300	103,448	103,448
	Price 10% lower	(12,300)	(103,448)	(103,448)

				2019 $000'
In USD thousands	**Change in Price**	**Impact on pre-tax profit and loss**	**Impact on Equity**	**Total Change in market value**
	Price 5% higher	-	20,881	20,881
	Price 5% lower	-	(20,881)	(20,881)
	Price 10% higher	-	41,762	41,762
	Price 10% lower	-	(41,762)	(41,762)

Market risk – Derivative embedded in Funds withheld

The Funds withheld balance is also sensitive to a reasonably possible change in the prices of the fixed income investment portfolio underlying that balance. The change in value of those securities impacts the Company's financial statements through the change in the valuation of the embedded derivative included in that balance. The valuation of the embedded derivative is based on valuation estimates using valuation methodologies as described in Note 3 to these financial Statements.

The following table demonstrates the sensitivity to a reasonably possible change in the prices of the fixed income investment portfolio underlying the funds withheld balance, with all other variables held constant on the Company's profit before tax and the Company's equity, due to changes in the prices.

				2020 $000'
In USD thousands	**Change in Price**	**Impact on pre-tax profit and loss**	**Impact on Equity**	**Total Change in market value**
	Price 5% higher	171,895	171,895	171,895
	Price 5% lower	(171,895)	(171,895)	(171,895)
	Price 10% higher	343,790	343,790	343,790
	Price 10% lower	(343,790)	(343,790)	(343,790)

				2019 $000’
In USD thousands	Change in Price	Impact on pre-tax profit and loss	Impact on Equity	Total Change in market value
	Price 5% higher	79,422	79,422	79,422
	Price 5% lower	(79,422)	(79,422)	(79,422)
	Price 10% higher	158,843	158,843	158,843
	Price 10% lower	(158,843)	(158,843)	(158,843)

5.7. Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount and timing of the resulting claim. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using actuarial techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its reinsurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that increase insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyles such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

At present, these risks do not vary significantly in relation to the location of the risk reinsured by the Company. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Company manages risks through its underwriting strategy. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits.

Sensitivities

The following analysis is performed for reasonably possible movements in lapse and mortality assumptions respectively, with all other assumptions held constant for the subsequent year. The projected impact on pre-tax income and reserve for the future 12-month period beginning 31 December and comparative amounts are shown in the tables below.

			2020 $000’
In USD thousands	**Change in Lapse rate**	**Increase/(decrease) on Liabilities**	**Increase/(decrease) on pre-tax profit & loss**
Insurance Contracts	Rate 25% higher	(29,321)	(868)
	Rate 25% lower	27,612	641

			2020 $000’
In USD thousands	**Change in Mortality rate**	**Increase/(decrease) on Liabilities**	**Increase/(decrease) on pre-tax profit & loss**
Insurance Contracts	Rate 10% higher	(10,762)	(1,872)
	Rate 10% lower	10,025	1,769

			2019 $000’
In USD thousands	**Change in Lapse rate**	**Increase/(decrease) on Liabilities**	**Increase/(decrease) on pre-tax profit & loss**
Insurance Contracts	Rate 25% higher	(18,172)	32
	Rate 25% lower	14,240	(313)

			2019 $000’
In USD thousands	**Change in Mortality rate**	**Increase/(decrease) on Liabilities**	**Increase/(decrease) on pre-tax profit & loss**
Insurance Contracts	Rate 10% higher	(7,139)	(2,039)
	Rate 10% lower	4,881	1,870

6. Fair value measurement

The Company classifies fixed income securities as either available for sale (AFS) or fair value through profit and loss (FVTPL) depending upon management’s intent for the portfolio that the fixed income securities are held within. FVTPL securities are held within the general portfolio and are designated as fair value through profit or loss. Changes to the fair value of FVTPL securities are reflected in the statement of profit or loss. AFS securities are held in trust to provide security for reserve credit on reinsurance assumed and are designated as fair value through other comprehensive income. Changes to the fair value of AFS securities are reflected as other comprehensive income within the statement of comprehensive income.

The Company’s holdings in the unconsolidated affiliate entities are valued using the net asset values (NAVs) provided by the administrator of the entities. The Company’s founding investor serves as the managing member of the investment manager of the entities. The entities holdings comprise a diversified multi-strategy investment portfolio which is invested in equity long short strategies, macro and other strategies.

The Company holds embedded derivatives which are required to be separated from their host contracts and reported as derivatives. Host contracts include reinsurance agreements structured on a funds withheld basis. Included in total returns on funds withheld is the change in fair value of the embedded derivatives.

In USD thousands	Quoted prices (Level 1)	Valuation technique - observable inputs (Level 2)	Valuation technique - unobservable inputs (Level 3)	Total
				2020 $000'
Financial assets				
AFS Securities				
Corporate Bond Securities	-	753,559	-	753,559
Commercial Mortgage Backed Securities	-	39,524	-	39,524
Municipal Securities	-	32,206	-	32,206
Asset Backed Securities	-	45,425	-	45,425
US Agency Mortgage Backed Securities	-	7,431	-	7,431
US Government and Government Agency	33,335	-	-	33,335
Total AFS Securities	**33,335**	**878,145**	**-**	**911,480**
FVTPL Securities				
Corporate Bond Securities	-	5,434	-	5,434
Commercial Mortgage Backed Securities	-	585	-	585
Municipal Securities	-	1,168	-	1,168
US Agency Mortgage Backed Securities	-	1,243	-	1,243
US Government and Government Agency	114,569	-	-	114,569
Total FVTPL Securities	**114,569**	**8,430**	**-**	**122,999**
Investments in unconsolidated affiliate entities - FVTPL	-	319,139	-	319,139
Derivative embedded in funds withheld	-	211,340	-	211,340
Total financial assets	**147,904**	**1,417,054**	**-**	**1,564,958**

In USD thousands	Quoted prices (Level 1)	Valuation technique - observable inputs (Level 2)	Valuation technique - unobservable inputs (Level 3)	Total
				2019 $000'
Financial assets				
Corporate Bond Securities	-	318,257	-	318,257
Commercial Mortgage Backed Securities	-	30,233	-	30,233
Municipal Securities	-	26,046	-	26,046
US Government and Government Agency	19,715	1,472	-	21,187
Asset Backed Securities	-	13,262	-	13,262
US Agency Mortgage Backed Securities	-	8,638	-	8,638
Fixed income total	**19,715**	**397,908**	**-**	**417,623**
Investments in unconsolidated affiliate entities - FVTPL	-	380,102	-	380,102
Derivative embedded in funds withheld	-	109,272	-	109,272
Total financial assets	**19,715**	**887,282**	**-**	**906,997**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Company has not transferred any assets or liabilities between level 1 and level 2.

The Company did not have any financial instruments classified as level 3 in 2020 (2019: $Nil).

The Company considers prices for actively traded securities to be derived based on quoted prices in an active market for identical assets, which are level 1 inputs in the fair value hierarchy. Most securities are valued using prices supplied by pricing services. The Company considers prices for other securities that may not be as actively traded which are priced via pricing services, or with reference to interest rates and yield curves, to be derived based on inputs that are observable for the asset, either directly or indirectly, which are level 2 inputs in the fair value hierarchy.

US government and government agency securities include US treasuries. US treasury prices are from quoted (unadjusted) market prices in active markets, therefore, classified as level 1.

The following sections outline the valuation techniques and significant inputs used in the fair value measurement of financial instruments categorized within level 2 of the fair value hierarchy.

Corporate bond securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker/dealer quotes, benchmark yields, and industry and market indicators. These are considered observable market inputs and, therefore, the fair value of these securities is classified within level 2.

Residential and commercial mortgage-backed securities include both agency and non-agency originated securities. Agency originated securities include securities issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other U.S. government agencies. The significant inputs used to determine the fair value of these securities includes the spread above the risk-free yield curve, reported trades, benchmark yields, broker/dealer quotes, prepayment speeds, and default rates. These are considered observable market inputs and, therefore the fair values of these securities are classified within level 2.

Investments in unconsolidated affiliate entities classified as level 2 assets comprise of funds that are based on net asset values (NAV) substantiated by observable market data such as recent transactions or valuation techniques that reflect the market participant's assumptions.

As a result of the application of the temporary deferral of IFRS 9, the Company would have been required to classify its financial assets as assets with solely payments of principal and interest ("SPPI") and other financial assets. The disclosures have been prepared below to demonstrate the expected impact of applying IFRS 9 to the Company's current financial assets.

SPPI at FV

In USD thousands	Fair Value 2020 $000'	Change in FV 2020 $000'	
		Income	OCI
SPPI - Fixed income - AFS at fair value	819,100	-	25,578
SPPI - Fixed income - FVTPL at fair value	121,171	643	-
Other - Fixed income - AFS at fair value	92,380	-	1,465
Other - Fixed income - FVTPL at fair value	1,827	(93)	-
Other -Investments in unconsolidated affiliate entities – FVTPL	319,139	35,902	-
Other - Funds withheld	3,437,896	102,068	-
Total	**4,791,513**	**138,520**	**27,043**

In USD thousands	Fair Value 2019 $000'	Change in FV 2019 $000'	
		Income	OCI
SPPI - Fixed income - AFS at fair value	365,490	-	18,725
Other - Fixed income - AFS at fair value	52,133	-	2,671
Other -Investments in unconsolidated affiliate entities – FVTPL	380,102	9,003	-
Other - Funds withheld	1,588,434	116,550	-
Total	**2,386,159**	**125,553**	**21,396**

Exposure to Credit Risk of SPPI Financial Assets

In USD thousands	AAA	AA	A	BBB	Below BBB	Not rated	2020 $000' Total
SPPI - Fixed income - AFS at fair value	65,206	39,048	348,615	355,715	3,970	6,546	819,100
SPPI - Fixed income - FVTPL at fair value	114,569	-	1,019	776	3,611	1,196	121,171
Total exposure to credit risks	**179,775**	**39,048**	**349,634**	**356,491**	**7,581**	**7,742**	**940,271**

In USD thousands	AAA	AA	A	BBB	Below BBB	Not rated	2019 $000' Total
SPPI - Fixed income - AFS at fair value	32,051	38,188	129,868	161,002	1,366	3,015	365,490
Total exposure to credit risks	**32,051**	**38,188**	**129,868**	**161,002**	**1,366**	**3,015**	**365,490**

7. Fair value of financial instruments carried at notional amounts

Set out below is a comparison by class of the carrying amounts and fair values of the Company's financial instruments that are carried in the financial statements at their notional amounts.

Fair Values

In USD thousands	Carrying amount 2020 $000'	Fair value 2020 $000'
Financial assets		
Cash and cash equivalents	123,401	123,401
Restricted cash and cash equivalents	33,442	33,442
Reinsurance receivables	9,070	9,070
Policy loans	48,575	48,575
Other assets	11,040	11,040
Total	**225,528**	**225,528**

In USD thousands	Carrying amount 2020 $000'	Fair value 2020 $000'
Financial liabilities		
Reinsurance payables	42,621	42,621
Liabilities for life and health policy benefits	272,146	316,057
Liabilities for future policy benefits	3,856,051	4,000,828
Other liabilities	116,433	116,433
Total	**4,287,251**	**4,475,939**

Fair Values

In USD thousands	Carrying amount 2019 $000’	Fair value 2019 $000’
Financial assets		
Cash and cash equivalents	603	603
Restricted cash and cash equivalents	22,283	22,283
Reinsurance receivables	8,608	8,608
Policy loans	52,507	52,507
Other assets	5,672	5,672
Total	**89,673**	**89,673**

In USD thousands	Carrying amount 2019 $000’	Fair value 2019 $000’
Financial liabilities		
Reinsurance payables	26,777	26,777
Liabilities for life and health policy benefits	288,727	300,112
Liabilities for future policy benefits	1,640,905	1,616,618
Other liabilities	655	655
Total	**1,957,064**	**1,944,162**

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The Company’s cash and cash equivalents consists of cash on hand, cash at banks, cash in transit and short-term deposits with an original maturity of three months or less and are recognized at their notional amount.
- All receivables and payables approximate their fair values and are recognized at their notional amounts as they are short-term instruments and the effect of discounting them is considered immaterial.
- The carrying and fair value of liabilities for future policy benefits includes fixed indexed annuities, universal life, and traditional fixed annuities without mortality or morbidity risks. The valuation of these investment contracts is based on the account value. The estimated fair value is determined using current market risk-free interest rates, adding a spread to reflect the current risk profile of the Company’s asset portfolio. Liabilities for future policy benefits include $11,826 (2019: $4,950) of non-modeled pay-out liabilities which are assumed to be carried at fair value.
- The carrying and fair value of liabilities for life and health policy benefits includes traditional life insurance. The valuation of these insurance contracts is based on discounted cash flow methodologies using significant unobservable inputs. The estimated fair value is determined using current market risk-free interest rates, adding a spread to reflect the current risk profile of the Company’s asset portfolio. Liabilities for life and health policy benefits includes $30,937 (2019: $29,934) of non-modeled liabilities (IBNR, Policy loans, and Experience refunds) which are assumed to be carried at fair value.

8. Interests in unconsolidated affiliate entities

The Company invests a part of its assets in two structured entities. The structured entities are two investment funds. The first was incorporated under the laws of the Cayman Islands and is registered and regulated as a mutual fund. The second was incorporated in the U.S. The Company is the sole investor in the structured entities. The Company's founding investor is also the managing member for the entity who manages the multi-strategy funds. The Company is required to maintain a minimum investment amount in the structured entities that is subject to various conditions and performance requirements. The Company can partially redeem and/or liquidate its investment in the structured entities on a quarterly basis upon 45 days' prior written notice. The Directors of the structured entity have the authority to suspend redemption requests.

The Company does not control the structured entities as it has no power over activities that significantly drive the structured entities' economic performance (i.e. the Company is not involved in the investment decision process or has any decision rights). These activities are carried out solely by the entity managing the Company's investment and therefore the Company does not consolidate the structured entities. Instead, the "net approach" (net asset value accounting) is applied.

The carrying amount of the Company's investment in the unconsolidated structured entities approximates the fair value that is disclosed in the statement of the financial position. The structured entities do not have any recourse rights to the Company and the Company's maximum exposure to loss is the carrying amount of the structured entities that is disclosed in the statement of financial position.

The Company has loan facility agreements with the unconsolidated affiliate entities as the "Lender" with a maximum borrowing amount of $1,500,000 but limited to $400,763 (2019: $349,483) during the year. The agreements have a maturity date of five years from the date of the agreement, upon which all outstanding balances will be due and payable. The agreements include the right to offset the loan against the investment in the unconsolidated affiliate entities. The Company has only drawn down on one of the loan facilities to 31 December 2020 and 2019.

In USD thousands	Gross Amounts of Recognized Assets on the Statement of Financial Position	Gross Amounts Offset on the Statements of Financial Position	Net Amounts Recognized on the Statement of Financial Position
	2020 $000'	**2020 $000'**	**2020 $000'**
Offsetting of assets			
Investments in unconsolidated affiliate entities - FVTPL	667,939	(348,800)	319,139
Total assets	**667,939**	**(348,800)**	**319,139**
Offsetting of liabilities			
Loan from unconsolidated affiliate entity	(348,800)	348,800	-
Total liabilities	**(348,800)**	**348,800**	**-**
Net investments in unconsolidated affiliate entities - FVTPL	**319,139**	**-**	**319,139**

In USD thousands	Gross Amounts of Recognized Assets on the Statement of Financial Position	Gross Amounts Offset on the Statements of Financial Position	Net Amounts Recognized on the Statement of Financial Position
	2019 $000'	**2019 $000'**	**2019 $000'**
Offsetting of assets			
Investments in unconsolidated affiliate entities - FVTPL	582,472	(202,370)	380,102
Total assets	**582,472**	**(202,370)**	**380,102**
Offsetting of liabilities			
Loan from unconsolidated affiliate entity	(202,370)	202,370	-
Total liabilities	**(202,370)**	**202,370**	**-**
Net investments in unconsolidated affiliate entities - FVTPL	**380,102**	**-**	**380,102**

The interest rate on amounts borrowed is LIBOR + 0.5% and interest is due to the Lender at the end of each 90-day period. The interest expense paid to the Lender for the year ended 31 December 2020 is $4,048 (2019: $3,990) and the balance owing to the Lender at 31 December 2020 is USD $461 (2019: $1,030).

9. Details of certain items in the statements of profit or loss

9.1 Other insurance income

In USD thousands	2020 $000'	2019 $000'
Policy fee income	9,995	3,972
Surrender charges	1,040	9,094
Interest income on policy loans	3,580	946
Total other insurance income	**14,615**	**14,012**

9.2 Investment income

In USD thousands	2020 $000'	2019 $000'
Interest income on cash at banks	183	197
Interest income on fixed income securities - AFS	16,965	10,075
Interest income on fixed income securities - FVTPL	688	-
Interest income on receivables	-	1,694
Net amortization expenses on fixed income securities – AFS	(1,495)	(1,042)
Total investment income	**16,341**	**10,924**

9.3 Net gains on available for sale financial instruments

In USD thousands	2020 $000’	2019 $000’
Gross realized gains on sales of available for sale financial instruments	2,613	647
Gross realized (losses) on sales of available for sale financial instruments	(926)	(404)
Total net gains on available for sale financial instruments	**1,687**	**243**

9.4 Net gains on investments at fair value through profit or loss

In USD thousands	2020 $000’	2019 $000’
Gross realized gains on investments in unconsolidated affiliate entities – FVTPL	5,444	2,084
Unrealized gains on investments in unconsolidated affiliate entities – FVTPL	35,902	9,003
Realized gains on fixed income securities - FVTPL	2,129	-
Unrealized gains on fixed income securities - FVTPL	550	-
Interest expense on loan from related party	(3,478)	(2,888)
Total net gains on investments at fair value through profit or loss	**40,547**	**8,199**

9.5 Returns on funds withheld

In USD thousands	2020 $000’	2019 $000’
Interest income on funds withheld	84,280	56,732
Net change in embedded derivative	102,068	116,550
Total returns on funds withheld	**186,348**	**173,282**

9.6 Acquisition costs

In USD thousands	2020 $000’	2019 $000’
Commissions received from ceding company	(156)	(162)
Commissions paid to ceding company	8,601	7,182
Change in deferred acquisition costs	39,941	9,021
Change in unearned revenue liability	(6,566)	(3,139)
Other direct acquisition costs	120	50
Total acquisition costs	**41,940**	**12,952**

9.7 Other insurance expenses

In USD thousands	2020 $000’	2019 $000’
Premium taxes and maintenance expenses	4,024	3,035
Policyholder dividends	1,285	209
Total other insurance expenses	**5,309**	**3,244**

10. Details of certain items in the statements of financial position

10.1 Funds withheld

In USD thousands	2020 $000'	2019 $000'
Funds withheld	3,226,556	1,479,162
Fair value of derivative embedded in reinsurance contracts	211,340	109,272
Total funds withheld	**3,437,896**	**1,588,434**

10.2 Other Assets

In USD thousands	2020 $000'	2019 $000'
Investments pending settlement	150	1,200
Accrued income and prepayments	8,045	8,641
Other receivables (deferred tax 2020: $856, 2019: $210)	10,890	4,472
Property and equipment	11	50
Intangible assets	572	820
Total other assets	**19,668**	**15,183**

Property and equipment

In USD thousands	Computer and office equipment	Furniture and fittings	Leasehold improvements	Total
Balance as at 31 December 2018	**18**	**14**	**58**	**90**
Depreciation	(10)	(2)	(28)	(40)
Balance as at 31 December 2019	**8**	**12**	**30**	**50**
Depreciation	(8)	(2)	(29)	(39)
Balance as at 31 December 2020	**0**	**10**	**1**	**11**

The property and equipment additions are related to various items required for the Bermuda operating location and are accounted for in accordance with accounting policies for the asset class. None of the additions are expected to have a residual value.

Intangible assets

In USD thousands	Computer software	Right-of-use assets	Total
Balance as at 31 December 2018	**478**	**561**	**1,039**
Additions	138	-	138
Amortization	(120)	(237)	(357)
Balance as at 31 December 2019	**496**	**324**	**820**
Additions	120	-	120
Amortization	(231)	(137)	(368)
Balance as at 31 December 2020	**385**	**187**	**572**

The computer software additions relate to the capitalization of software development costs. The software was developed for use by the Company for reinsurance policy administration. An addition to the software costs capitalized was added in 2020 and will follow the same useful life as the previously capitalized software costs. The right-of-use assets relate to the lease of the reinsurance administration software license and the lease of the operating location. The software license lease will run for a period of five years. The software and the right of use asset will be amortized straight-line over this period. The Bermuda operating location lease will run for a period of three years and the right-of-use asset was be amortized straight-line over this period. An extension to the Bermuda operating location lease was entered into on 1 May 2018 for a period of 2.5 years and the right-of-use asset will be amortized straight-line over this period. The effect of discounting was not considered material.

10.3 Other liabilities

In USD thousands	2020	2019
Payroll and employee related expenses	6,423	4,674
Accrued expenses	2,844	2,062
Lease liabilities	96	345
Tax Provisions	11,821	14,478
Investments pending settlement	114,647	-
Other payables	5,019	(2)
Total other liabilities	**140,850**	**21,557**

Tax provisions

In USD thousands	Total
Balance as at 31 December 2018	**495**
Additional provisions made	14,469
Payments	(486)
Balance as at 31 December 2019	**14,478**
Additional provisions made	10,985
Payments	(13,642)
Balance as at 31 December 2020	**11,821**

The provisions relate to provisions for taxes. The provisions are not discounted as the effect of discounting is considered immaterial.

11. Insurance reserves and related capitalized costs

Liabilities for life and health policy benefits

The provision for life policy benefits is calculated using expected future policy lapse rates, mortality, morbidity, investment yield and policy maintenance expense assumptions and any other relevant contingency.

The provisions for adverse deviation recognize uncertainty in establishing these best estimates and allow for possible deterioration in experience. As the best estimate assumption is realized, the provisions for adverse deviation will be released in future income to the extent that they are no longer required to cover adverse experience. The assumptions used in determining the provision for life policy benefits are reviewed regularly, compared to emerging experience and updated when appropriate. The assumptions that are most sensitive to change are investment yields, expenses, policy lapse rates, mortality and morbidity

Analysis of liabilities for life and health policy benefits:

In USD thousands	2020 $000'	2019 $000'
Provision for traditional life policy benefits (including adverse deviation)	265,500	279,593
Incurred but not reported policy benefits	1,930	2,026
Reported claims reserve	494	3,961
Experience refund reserve	4,222	3,147
Total liabilities for life and health policy benefits	**272,146**	**288,727**

Analysis of liabilities for future policy benefits:

In USD thousands	2020 $000'	2019 $000'
Provision for future policy benefits for non-traditional life insurance	125,211	128,921
Provision for future policy benefits for annuities	3,391,898	1,511,984
Provision for deposit liabilities	338,942	–
Total liabilities for future policy benefits	**3,856,051**	**1,640,905**

Analysis of change in liabilities for life and health policy benefits and future policy benefits:

In USD thousands	2020 $000'	2019 $000'
Balance, beginning of period	1,929,632	1,171,270
Expected changes in traditional life policy liabilities	(4,888)	101,955
Expected changes in future policy benefit liabilities	(39,373)	72,717
Additions (Release) in traditional life policy liabilities	(11,598)	163,489
Additions (Release) in future policy benefits	1,915,578	418,640
Additions (Release) in deposit liabilities	338,942	–
Changes in assumptions and refinement of estimates for traditional life policy benefits	(103)	1,193
Changes in assumptions and refinement of estimates for future policy benefits for non-traditional life insurance	7	368
Total liabilities for life and health policy benefits and future policy benefits	**4,128,197**	**1,929,632**

Analysis of benefits and claims under insurance contracts:

In USD thousands	2020 $000'	2019 $000'
Net claims and surrenders paid for traditional life policy benefits	56,235	19,114
Net claims paid for future policy benefits	16,718	3,610
Interest expenses (crediting rate)	59,243	45,241
Changes in reserves	52	288,641
Total benefits and claims under insurance contracts	**132,248**	**356,606**

Analysis of change in deferred acquisition costs:

In USD thousands	2020 $000'	2019 $000'
Balance, beginning of period	63,921	44,820
Net shadow accounting adjustments	(8,068)	(5,952)
Costs capitalized under reinsurance contracts written	39,815	36,103
Changes in deferred acquisition costs	(39,941)	(11,050)
Balance, end of period	**55,727**	**63,921**

Analysis of change in unearned revenue liability:

In USD thousands	2020 $000'	2019 $000'
Balance, beginning of period	42,753	1,945
Additions	88,402	44,315
Amortization	(6,566)	(3,139)
Net shadow accounting adjustments	(230)	(368)
Balance, end of period	**124,359**	**42,753**

12. Share awards and option compensation plans

Amounts in this note are presented in units or US Dollars.

In 2015, an option-based payment program was established by the Board of Directors. The Company has reserved 11,738,000 common shares for issuances to directors and employees (the “Employee Pool”) pursuant to the Employee Stock Option Plan (“ESOP”) adopted by the Board of Directors. The criteria which have to be fulfilled by a beneficiary to be granted options under the plan shall be set by the Board of Directors in its sole discretion. Any option grant to members of the Board of Directors must be approved by the entire Board of Directors.

Employee Stock Option Plan

Employee Stock Option Plan in the following groups with different strike prices and vesting conditions attached.

ESOP

	Group 1A	Group 1B	Group 2A	Group 2B	Group 3A	Group 3B	Group 4A	Group 4B
Options Granted	4,099,421	1,299,000	1,366,474	533,000	1,306,474	443,000	150,000	-
Options Forfeited	(1,624,621)	(349,800)	(668,474)	(171,000)	(668,474)	(171,000)	(90,962)	-
Options Exercised	(285,600)	(122,400)	-	-	-	-	-	-
Options Repurchased	-	-	(280,000)	(120,000)	(280,000)	(120,000)	-	-
Options Outstanding	2,189,200	826,800	418,000	242,000	358,000	152,000	59,038	-
Weighted Average Exercise Price - Beginning of period	USD $10.00		USD $16.11		USD $20.11		USD $10.00	
Weighted Average Exercise Price - Ending of Period	USD $10.00		USD $14.06		USD $16.06		USD $10.00	
Vesting Period	20% on each anniversary of the Granting Date for five consecutive years.	20% on each anniversary of the Granting Date for five consecutive years.	100% on the third anniversary of the Granting Date.	100% on the third anniversary of the Granting Date.	100% on the third anniversary of the Granting Date.	100% on the third anniversary of the Granting Date.	20% on each anniversary of the Granting Date for five consecutive years.	20% on each anniversary of the Granting Date for five consecutive years.

Each option entitles the beneficiary to acquire one common share of the Company against payment of the exercise price. Once they have vested, the options are exercisable up to the tenth anniversary of the granting date. The method of settlement of the option is by equity issuance and the Company has no legal or constructive obligation to repurchase or settle the options in cash.

In 2020, there was a modification reducing the exercise price for option groups 2 A/B and 3 A/B were reduced from $16.11 and $20.11 respectively to $12.00 each. This resulted in an increased fair value of $1,797,000. The difference between the new and old valuations resulted in this adjustment. Option groups 2 and 3 (issued in 2016 and 2017) are exercisable at the statement of financial position date.

Grant Year				**2016**				**2017**
	2 A&B pre adj	**2A&B post adj**	**3A&B pre adj**	**3A&B post adj**	**2 A&B pre adj**	**2A&B post adj**	**3A&B pre adj**	**3A&B post adj**
Share Price	$13.00	$13.00	$13.00	$13.00	$13.00	$13.00	$13.00	$13.00
Expected Volatility	15.98%	15.98%	15.98%	15.98%	15.79%	15.79%	15.79%	15.79%
Risk-Free Interest Rate	1.08%	1.08%	1.08%	1.08%	1.08%	1.08%	1.08%	1.08%
Expected Dividend Yield	0%	0%	0%	0%	0%	0%	0%	0%
Expected Life	3.30	3.30	3.30	3.30	3.48	3.48	3.48	3.48
Post-Vesting Exit Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

In 2020, there were 285,600 options exercised from group 1A for a weighted average price of $10 per option and 122,400 options from group 1B, for a weighted average price of $10 per option (2019: $Nil).

In 2020, the Company repurchased 800,000 vested options for $1,500,000 as detailed below.

ESOP Group	Quantity	Weighted Average Price
2A	280,000	$1.875
2B	120,000	$1.875
3A	280,000	$1.875
3B	120,000	$1.875
Total	**800,000**	

Forfeitures of options arose in 2020 as follows:

Option Group	Number of Options	Weighted Average Exercise Price
1 A & B	476,000	$10.00
2 A & B	340,000	$12.00
3 A & B	340,000	$12.00
4 A	40,962	$10.00
Total	**1,196,962**	

There were no options issued during 2019 or 2020 related to the ESOP plan. The fair value of the 2018 issued options granted was $321,000 (2019: $2,752,000) and were determined using the Enhanced American Model, a binominal model.

Employee Equity Incentive Plan (EEIP)

In 2020, the company reserved 3,000,000 common shares for issuances under the Employee Equity Incentive Plan (EEIP) for options and restricted stock.

Stock options under EEIP

	Total
Options Granted	1,975,000
Weighted Average Exercise Price - Beginning of period	USD $13.00
Weighted Average Exercise Price - Ending of Period	USD $12.82
Vesting Period	20% on each anniversary of the Granting Date for five consecutive years.

Under this plan, 1,975,000 options were issued to employees in 2020 (2019: Nil). The weighted average exercise price associated with these issuances is $12.82.

The total expense recognized relating to share options in the statement of profit and loss for the year ended 31 December 2020 is $3,123,000 (2019: $805,000). The fair value of the 2020 issued options granted was $5,152,000 and were determined using the Enhanced American Model, a binominal model. The significant inputs into the model are as follows:

	Total
Share Price	$13.00
Expected Volatility	15.03%
Risk-Free Interest Rate	1.73%
Expected Dividend Yield	0%
Expected Life (years)	6.30
Post-Vesting Exit Rate	15.00%

The volatility measured was estimated with consideration to the historical volatility of the daily return data over a historical period equal to the estimate of expected life of the options and annualized by 252 business days of the Dow Jones U.S. Reinsurance Index

Restricted share grants

	Total
RSG Granted	709,000
RSG Vested	(52,000)
RSG Forfeited	(216,000)
Total RSG	441,000
Weighted Average Price, Beginning of Period	$10.00
Weighted Average Price, End of Period	$12.24
Vesting Period	20% on each anniversary of the Granting Date for five consecutive years.

The Company granted 449,000 (2019: 260,000) restricted stock grants (RSG) as compensation with a weighted average exercise price of $12.24 (2019: $10.00) per share. The dates of these grants varied (January 1, March 1 and June 1). The plan details are as noted in the table above.

RSG holder is entitled to the same dividends and payments as the standard shareholder.

The total expense recognized relating to RSG of $1,904,000 (2019: $594,000). The fair value of the RSG is $5,397,000 (2019: $2,600,000).

13. Income tax expense

The Company recognized Irish income taxes in the Statement of profit or loss on its profits for the reporting period.

In USD thousands	2020 $000’	2019 $000’
Current income tax expense	13,923	14,121
Deferred income tax expense	(646)	(211)
Total income tax expense	**13,277**	**13,910**

The actual income tax expense differs from the expected amount as follows:

In USD thousands	2020 $000’	2019 $000’
Profit before income tax	**106,144**	**110,236**
Tax rate	12.50%	12.50%
Income tax calculated using the tax rate	13,268	13,780
Increase/(reduction) in taxes resulting from:		
adjustments for permanent and temporary differences	(639)	(136)
recognition of unused tax-loss carry forwards and other deferred taxes	648	266
Income tax expense	**13,277**	**13,910**

14. Equity

Share capital

In 2020, 119,293 shares were issued (2019: Nil) and 39,799 were repurchased (2019: Nil).

Share premium

Share premium comprises additional paid-in capital in excess of the par value.

Preferred shares

The company has 4,000,000 $1.00 (one dollar) par preferred shares authorized but none are issued as at 31 December 2020 (2019: Nil).

Accumulated other comprehensive income

Accumulated other comprehensive income comprises items of income and expense that are recognized directly in equity rather than in profit or loss, as required or permitted by certain IFRSs. Items presented in other comprehensive income are grouped on the basis of whether they will be reclassified subsequently to profit or loss when specific conditions are met, and those that will not be reclassified. Items in other comprehensive income that may be reclassified subsequently to profit or loss when specific conditions are met comprise unrealized gains/losses on available for sale financial instruments and presented relevant shadow adjustments.

The following table provides information relating to amounts recognized in accumulated other comprehensive income:

In USD thousands	2020 $000’	2019 $000’
Net balance, beginning	14,011	(1,801)
Net other comprehensive income	20,720	15,812
Net balance, ending	**34,731**	**14,011**
Gains/losses arising during the reporting period	28,730	21,639
Reclassification adjustment for net realized gains/losses included in profit or loss	(1,687)	(243)
Effects of shadow deferred acquisition costs accounting	(6,323)	(5,584)
Net other comprehensive income	**20,720**	**15,812**

15. Capital management

The Company’s objectives when managing capital are to comply with the regulatory capital requirements, to define and manage economic capital and to fulfill the Company’s target on rating agency capital requirements. The Company also actively manages the composition and quality of the capital to continuously optimize its capital structure. The Company is supervised by the Bermuda Monetary Authority (BMA), the regulatory body in Bermuda, which obtained Solvency II equivalence. Under BMA regulations, the Company is licensed as a Class E insurer and the Company has to meet and maintain the relevant solvency margin and an enhanced capital requirement in accordance with the provisions of the Insurance Act, 1978 of Bermuda. As of 31 December 2020 and 2019, the amount of statutory capital and surplus exceeds the minimum solvency margin requirement.

The Bermuda Insurance Act 1978 and Related Regulations limits the maximum amount of annual dividends and distributions that may be paid by the Company. Before reducing by 15 percent or more of its statutory capital, as set out in the prior year’s financial statements, the Company shall request the approval of the BMA. In addition, the Bermuda Companies Act 1981 limits the Company’s ability to pay dividends and distributions to shareholders if there are reasonable grounds for believing that the Company would be unable to pay its liabilities as they become due, or if the realizable value of its assets would be less than the aggregate of its liabilities, issued share capital and contributed surplus accounts. The Company meets all requirements of the Act and there are no additional restrictions on the distribution of retained earnings.

No dividends have been paid in 2020 (2019 $Nil).

16. Related party transactions

The Company has set-up defined contribution pension plans for U.S. taxpaying employees, Bermudian employees and Non-U.S./ Non-Bermudian employees. The expense recognized for these obligations in the reporting period in accordance with IAS 19 was $440 (2019: $340), of which $318 (2019: $256) was due to obligations to members of staff in key positions.

The Company’s founding investor is the managing member of the entity managing the Company’s investment in the unconsolidated affiliate entity. The Company has reimbursed the entity managing the Company’s investment in the unconsolidated affiliate entity for expenses incurred of $363 (2019: $305) and paid $424 (2019: $244) during the year and an additional amount of $Nil is payable as at the statement of financial position date (2019: $61). The Company through its investment in the unconsolidated affiliate entity, paid to the investment manager, management fees of

$9,797 for the year (2019: $7,677). The Company through its investment in the unconsolidated affiliate entity, paid to the investment manager, performance fees of $15,046 for the year (2019: $7,505).

The Company's transactions with the unconsolidated affiliate entities are disclosed in Note 8.

Key management compensation

Key management consists of the members of the Board of Directors of the Company and the members of the Senior Management Team of the Company. These individuals have the authority and responsibility for planning, directing and controlling the activities of the Company.

In USD thousands	**2020 $000'**	**2019 $000'**
Short-term employee benefits	10,002	8,195
Share-based payments benefits	3,024	761
Directors fees	924	882
Total key management compensation	**13,950**	**9,838**

Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The Company classifies its unconsolidated interests in structured entities at fair value through profit or loss. These interests are in two affiliated entities and are disclosed in Note 8 accordingly.

17. Contingent liabilities and other financial commitments

At 31 December 2020 the Company had outstanding letter of credit facilities valued at $59,100 (2019: $60,600) and has drawn down $47,242 (2019: $10,600).

Other than the above, the Company is not aware of any guarantees or commitments that have not been adequately provided for as at the statement of financial position date.

18. Events after the reporting period

The Company is not aware of any material events that were not recorded or disclosed in these financial statements.