Golden Tree Reinsurance Limited
(Incorporated in Bermuda)

Financial Statements
December 31, 2020
(expressed in U.S. dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Golden Tree Reinsurance Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Golden Tree Reinsurance Limited (the "Company"), which comprise the statement of financial position as at December 31, 2020, the statements of income and comprehensive income, changes in shareholders' 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 December 31, 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
May 14, 2021

Golden Tree Reinsurance Limited

Statement of Financial Position

As at December 31, 2020

(expressed in U.S. dollars)

		December 31, 2020		December 31, 2019
Non-current Assets				
Loan to affiliates (Note 4)	$	5,238,001	$	3,936,250
Current Assets				
Cash and cash equivalents (Note 3)		2,290,603		2,552,726
Investment at fair Value (Note 8)		6,607,911		–
Accrued interest		12,346		–
Loan to affiliates (Note 4)		2,100,000		4,581,976
Insurance balances receivable (Note 5)		2,695,366		2,483,098
Prepaid expenses and other assets		26,954		13,073
Total assets	$	18,971,181	$	13,567,123
Current Liabilities				
Reserve for losses and loss expenses (Note 6)	$	240,000	$	32,060
Losses payable		531,504		238,134
Accrued liabilities		51,744		52,319
Total liabilities		823,248		322,513
Shareholder's equity				
Share capital – Authorized, issued and fully paid common shares of par value $1 each (Note 9)		120,000		120,000
Contributed surplus		7,525,688		7,525,688
Retained earnings		10,502,245		5,598,922
		18,147,933		13,244,610
Total liabilities and shareholder's equity	$	18,971,181	$	13,567,123

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

Approved by the Board of Directors

Director

May 14, 2021

Date

Director

May 14, 2021

Date

Golden Tree Reinsurance Limited
Statement of Income and Comprehensive Income
For the year ended December 31, 2020

(expressed in U.S. dollars)

	2020	2019
Underwriting Income		
Gross written premium (Note 11)	$ 6,846,221	$ 6,650,303
Net premiums earned	6,846,221	6,650,303
Underwriting Expenses:		
Acquisition costs and other underwriting expenses	(580,099)	(519,019)
Loss and loss expenses (note 6)	(1,526,042)	(339,163)
Net underwriting income	4,740,080	5,792,121
Investment income (note 7)	465,059	31,134
Foreign exchange gain (loss)	(97,634)	48,226
General and administrative expenses	(204,182)	(272,559)
Net income	4,903,323	5,598,922
Comprehensive income for the year	$ 4,903,323	$ 5,598,922

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

Golden Tree Reinsurance Limited

Statement of Changes in Shareholder’s Equity

For the year ended December 31, 2020

(expressed in U.S. dollars)

		Share capital		Contributed surplus		Retained earnings		Total shareholder's equity
Capital contributions	$	120,000	$	7,525,688	$	–	$	7,645,688
Comprehensive income for the year		–		–		5,598,922		5,598,922
December 31, 2019	$	120,000	$	7,525,688	$	5,598,922	$	13,244,610
Opening balance		120,000		7,525,688		5,598,922		13,244,610
Comprehensive income for the year		–		–		4,903,323		4,903,323
December 31, 2020	$	120,000	$	7,525,688	$	10,502,245	$	18,147,933

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

Golden Tree Reinsurance Limited

Statement of Cash flows

For the year ended December 31, 2020

(expressed in U.S. dollars)

		2020		2019
Cash flows from operating activities				
Net income for the year	$	4,903,323	$	5,598,922
Adjustment for:				
Net unrealized gain on investments		(366,230)		–
Changes in assets and liabilities				
Insurance balances receivable		(212,268)		(2,483,098)
Accrued Interest		(12,346)		–
Prepaid expenses and other assets		(13,881)		(13,073)
Losses payable		293,370		238,134
Accrued liabilities		(575)		52,319
Reserves for losses and loss expenses		207,940		32,060
Net cash flows provided by operating activities		4,799,333		3,425,264
Cash flows from financing activities				
Issuance of share capital		–		120,000
Contributed surplus received		–		7,525,688
Net cash flows provided by financing activities		–		7,645,688
Cash flows from investing activities				
Loan to affiliates		(3,800,000)		(8,518,226)
Repayments loan		4,980,225		–
Purchase of investments		(6,241,681)		–
Net cash flows (used in) investing activities		(5,061,456)		(8,518,226)
Net increase in cash and cash equivalents		(262,123)		2,552,726
Cash and cash equivalents – Beginning of year		2,552,726		–
Cash and cash equivalents – End of year	$	2,290,603	$	2,552,726

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

1. *The Company*

Golden Tree Reinsurance Limited. (the "Company") was incorporated under the laws of Bermuda on October 22, 2018 and registered effective January 1, 2019, as a Class 3A insurer under the Insurance Act, 1978, amendments thereto and related regulations ("The Act") to write general insurance of property and casualty business. The Company is a wholly owned subsidiary of Iris Financial Services Limited ("Parent Company"), a company incorporated under the laws of Bermuda. The Company's registered office is Crawford House, 50 Cedar Avenue, Hamilton HM 11, Bermuda.

Effective June 29, 2019, the Company, pursuant to the Asset Transfer Agreement, assumed the assets and liabilities of Independent Risk Solutions Ltd. (Acting in Respect of its Segregated Account 'Golden Tree Insurance').

Effective January 1, 2019, the Company entered into a novation agreement with certain reinsurers Independent Risk Solutions Ltd. in respect of its segregated account Golden Tree Insurance, Ocean International Reinsurance Company Ltd. and IRB Resseguros S.A., whereby the segregated account Golden Tree Insurance transferred all its rights and obligations under the reinsurance agreements commencing October 1, 2018. The rights and obligations were related to the Commercial Credit Insurance assumed by the segregated account Golden Tree Insurance.

The Company provides reinsurance to ExcelCredit S.A.S.(Excel) and Financiera Dann Regional (Dann) covering commercial credit risk and commercial life risks. Excel and Dann are companies within the same group as the Company. All coverages are fronted by commercial reinsurer with an A.M. Best security rating or equivalent of A- or higher.

The commercial credit coverage is provided on a claims incurred basis, that incepted on October 1, 2018. The Company provides coverage to ExcelCredit for 50% of the default of each vintage, defined as the total amount of loans provided in any one month, with a 10% deductible. The risk is 100% retained by the Company.

The credit life coverage is provided on a claims incurred basis, that incepted on October 1, 2018. The Company provides coverage to ExcelCredit for the initial loan amount of debtors with a maximum limit of indemnity of $91,100. The risk is 100% retained by the Company.

Effective October 1, 2019, the Company provides commercial credit coverage for Dann, reinsuring up to 50% of the default loan vintage value, defined as the total amount of loans provided in any one month, without deductible. The risk is 100% retained by the Company.

Effective October 1, 2019, the Company provides commercial credit coverage for Dann - Referencia, covering up to 30% of the default loan vintage value, defined as the total amount of loans provided in any one month, with a 10% deductible. The risk is 100% retained by the Company.

2. *Summary of significant accounting policies*

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the year presented.

(a) Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

2. *Summary of significant accounting policies* (continued)

(b) Basis of presentation

The Company's financial statements have been prepared under the historical cost basis, except for financial assets at fair value through profit or loss, which are stated at fair value.

The Company has prepared its Financial Statements in conformity with IFRS 4 "Insurance Contracts", effective January 1, 2006 and believes it is in compliance with the requirements as prescribed by the IASB in its first phase of the standard. IFRS 4 is an interim measure until the IASB completes the second phase of its project on insurance contracts.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Key sources of estimation uncertainty are described in these significant accounting policies.

(c) Premiums written and acquisition costs

Premiums written are recognized and acquisition costs are expensed on a pro rata basis over the terms of the policy and are recognised in the statement of income and comprehensive income. The policies provide for premium adjustments based on the results of premium base reviews. The Company has considered such adjustments using estimates of the ultimate premiums, and in the opinion of management, future adjustments to premiums will not have a material effect on the financial position of the Company.

(d) Reserve for losses and loss related expenses

The reserve for losses and loss related expenses include estimates for outstanding claims and settlement expenses incurred at the balance sheet date including an estimate for the cost of claims incurred but not reported at that date. Such reserve is based on loss adjusters' evaluations and management's best estimates on an undiscounted basis and, in the opinion of management, is reasonable. Future adjustments to the amounts recorded as of December 31, 2020, resulting from the continual review process, as well as differences between estimates and ultimate settlements, will be reflected in the Company's statement of income and comprehensive income of future year when such adjustments become known. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the liability. A substantial source of uncertainty relates to the emergence of the COVID-19 pandemic. This uncertainty could impact the estimation of ultimate claims in several different ways including distortion of development patterns as companies handle claims differently and sudden changes in exposure to specific coverages as the peril emerges. There are not any specific impacts of COVID-19 in the exposure and loss data used for losses and loss related expenses.

(e) Loans to affiliates

Loans are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value. Subsequent to initial recognition, the Loans to affiliates are measured at amortised cost using the effective interest rate method, less any impairment losses. Amortisation of interest is included in Investment income in the statement of income and comprehensive income. The Company considers that there is no significant related credit risk on the Loans as the amount is receivable from an affiliate, which has the intention and ability to repay the loan when required.

2. *Summary of significant accounting policies* (continued)

(f) Translation of foreign currencies

Monetary assets and liabilities originating in other currencies are translated into U.S. dollars (the functional currency) at the rates of exchange in effect at the balance sheet date. Non-monetary items originating in other currencies are translated into U.S. dollars at the rates of exchange in effect at the dates when the transactions occurred. Revenue and expense items are translated into U.S. dollars at the rate of exchange prevailing at the time of the transaction. The resulting exchange gains or losses are recognized in the statement of income and comprehensive income.

(g) Cash and cash equivalents

Cash and cash equivalents include amounts held in banks and other deposits having original maturity of less than ninety days. The carrying value approximates fair market value because of the short-term liquidity.

(h) Marketable investments

1. Investments classified as financial assets at fair value through profit or loss are initially recognised at fair value in the statement of financial position and are subsequently re-measured at fair value based upon market quotations or counterparty prices. Investments are accounted for on the trade date (the date the Company enters into a commitment to buy or sell the investment).

2. All of the Company's investments are classified as fair value through profit or loss ("FVTPL") and are carried at fair value. Unrealized gains and losses on fixed interest securities purchased at amounts different from their par value are reflected in the net income on the statement of income. Interest income is recognized on the accrual basis and includes the discount on fixed interest securities purchased at amounts different from their par value. Unrealized and realized gains and losses on investments are included in investment income in the statement of income and comprehensive income.

3. Other investments consist of investments in hedge funds and fund of funds and are carried at fair value. The units of account that are valued by the Company are its interest in the funds and not the underlying holdings of such funds. Thus, the inputs used by the Company to value its investments in each of the funds may differ from the inputs used to value the underlying holdings of such funds. These funds are stated at fair value, which ordinarily will be the most recently reported net asset value ("NAV") as reported by their investment managers or third-party administrators. The change in the fair value of other fund investments is included in the Statement of income and comprehensive income.

(i) Fair value measurements

Fair value of investments is disclosed based on a fair value hierarchy that reflect the quality of inputs used to measure fair value. The valuation hierarchy is based upon whether the inputs to the valuation of an asset or liability are observable or unobservable in the market at the measurement date, with quoted market prices being the highest level (Level 1) and unobservable inputs being the lowest level (Level 3). A fair value measurement will fall within the level of the hierarchy based on the input that is significant to determining such measurement. The three levels are defined as follows:

- Level 1 – inputs are based upon quoted prices for identical instruments traded in active markets.
- Level 2 – inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

2. *Summary of significant accounting policies* (continued)

(i) Fair value measurements (continued)

- Level 3 – investments are securities for which valuation techniques are not based on observable market data and require significant management judgement. The Company determines securities classified as Level 3 to include hedge funds and private investment funds. These measurements include circumstances in which there is little, if any, market activity for the asset or liability. In making the assessment, the Company considers factors specific to the asset or liability and such an assessment will involve significant management judgment. Because of the inherent uncertainty in the valuation of these Level 3 investments, fair values of such investments may differ from the values that would have been used had a ready market for these investments existed, and the differences could be material.

  The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest level input that is significant to the fair value measurement in its entirety.

(j) Application of new and revised IFRSs

<u>New and revised IFRSs in issue-adopted</u>

No new standards to adopt in the current financial year.

<u>New and revised IFRSs in issue-Not yet adopted</u>

IFRS 9 Financial Instruments

In July 2014, the IASB issued IFRS 9 – Financial Instruments (“IFRS 9”), which brings together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39.

Classification and measurement – Financial assets are classified and measured based on the business model within which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39 except that for financial liabilities measured at fair value will have fair value changes resulting from changes in the Company’s credit risk recognized in Other Comprehensive Income (“OCI”) instead of net income, unless this would create an accounting mismatch.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

The directors of the Company have assessed the impact this standard will have on future financial statements and related disclosures and do not anticipate that the application of this standard will have a material impact on the Company’s financial statements. The Company has elected to apply the deferral approach permitted by IFRS 4 (with the result that the Standard will be considered alongside IFRS 17).

(expressed in U.S. dollars)

2. *Summary of significant accounting policies* (continued)

(j) **Application of new and revised IFRSs** (continued)

For an insurer to apply this deferral:

(i) Total liabilities related to insurance must exceed 90% of total liabilities; or
(ii) Total liabilities related to insurance are greater than 80% of total liabilities but less than 90% of total liabilities so long as the insurer does not engage in significant activity unconnected to insurance.

The Company's liabilities related to insurance as at December 31, 2020 were 100% of total liabilities; the Company therefore qualifies to defer IFRS 9.

IFRS 17 Insurance Contracts

In May 2017, the IASB published IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 that was issued in 2005. IFRS 17 applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grandfathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The core of IFRS 17 is the general model, supplemented by a specific adaption for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts.

<u>New and revised IFRSs in issue-Not yet adopted</u>

IFRS 17 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 and remeasured every reporting period (the fulfilment cash flows); a contractual service margin that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (coverage period); the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of insurance services provided during the period; and extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The impact of the adoption of IFRS 17 has yet to be fully assessed by the Company but it is expected there will be significant impacts relating to the measurement and presentation of the contracts in scope of the standard. This standard applies to annual reporting periods beginning on or after 1 January 2023.

3. *Cash and cash equivalents*

		2020		2019
Cash at bank	$	2,290,603	$	2,552,726
	$	2,290,603	$	2,552,726

(expressed in U.S. dollars)

4. Related party transactions

Parties are considered to be related when one party has the ability to control the other party or exercises significant influence over the other party in making financial or operational decisions or by virtue of material contracts in existence during the year. Management has determined that all dealings with related parties are in accordance with underlying agreements in place or approval of the Board of Directors.

As per note 1 above, the Company provides reinsurance to Excel and Dann. The following amounts are related party balances and transactions with the Parent Company's affiliates at December 31, 2020 and 2019:

		2020		2019
Insurance balance receivable	$	2,695,366	$	2,483,098
Losses payable	$	531,504	$	238,134

		2020		2019
Premium written	$	6,846,221	$	6,650,303
Losses paid	$	1,319,210	$	652,439

Payments to key management personnel for 2020 and 2019 are detailed as follows:

		2020		2019
Directors fees	$	22,500	$	20,625

As at December 31, 2020, the Company had the following outstanding Loan to affiliate:

Company	Termination year		Amount	Interest rate
Silver Tree Capital Limited	2022	$	317,950	6.00%
Iris Financial Services Limited	2022		985,092	0.00%
Iris Financial Services Limited	2023		2,020,055	1.00%
Iris Financial Services Limited	2023		202,005	1.00%
Iris Financial Services Limited	2023		1,211,047	1.00%
Iris Financial Services Limited	2023		503,822	1.00%
Iris Financial Services Limited	2021		2,098,030	1.00%
		$	7,338,001	
Current			2,100,000	
Non-current			5,238,001	
		$	7,338,001	

For the year then ended December 31, 2020, the Company has an accrued interest balance of $52,909.

(expressed in U.S. dollars)

4. *Related party transactions* (continued)

As at December 31, 2019, the Company had the following outstanding intercompany loans:

Company	Termination year		Capital amount	Interest rate
Silver Tree Capital Limited	2020	$	300,092	6.00%
Iris Financial Services Limited	2020		1,000,000	0.00%
Iris Financial Services Limited	2020		2,000,000	1.00%
Iris Financial Services Limited	2021		1,250,000	0.00%
Iris Financial Services Limited	2022		1,935,000	0.00%
Iris Financial Services Limited	2022		200,000	1.00%
Iris Financial Services Limited	2023		1,800,000	0.00%
		$	8,485,092	
Current			4,548,842	
Non-current			3,936,250	
		$	8,485,092	

For the year then ended December 31, 2019, the Company has an accrued interest balance of $33,134.

5. *Insurance balance receivable*

		2020		2019
Commercial credit	$	770,214	$	795,987
Credit life		1,925,152		1,687,111
Total	$	2,695,366	$	2,483,098

The outstanding insurance balance receivable is net of commission and taxes.

6. *Reserve for losses and loss expenses*

Reserve for losses and loss expenses are estimates subject to variability, and this variability could be material in the near term. This variability arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Variability can be caused by receipt of additional claim information, changes in judicial interpretation of contracts or significant changes in the severity or frequency of claims from historical trends.

Reserve for losses and loss expenses are based on all relevant information available to the Company. Methods of estimation are used which the Company believes produce reasonable results given current information. Reserves are prepared on an undiscounted basis.

(expressed in U.S. dollars)

6. *Reserve for losses and loss expenses* (continued)

As at December 31, 2020 the reserve for losses and loss expenses totalled $240,000 and $32,060 for 2019. Claims movements for the year ended December 31, 20 are as follows:

		2020		2019
Beginning of year				
Outstanding loss reserves (OSLR)	$	–	$	–
Incurred but not reported (IBNR)		32,060		–
Total beginning of year		32,060		–
Losses incurred:				
- current year losses		992,228		707,594
- prior year losses		533,814		–
Losses incurred in year		1,526,042		707,594
Losses paid:				
- current year		(764,228)		(651,046)
- prior year		(545,438)		–
Losses paid in year		(1,309,666)		(651,046)
Foreign exchange and other		(8,436)		(24,488)
Total end of year		240,000		32,060
OSLR		–		–
IBNR		240,000		32,060
Total end of year	$	240,000	$	32,060

The Company has experienced losses incurred as of December 31, 2020 of $992,228 related to the current accident year and adverse development of $533,814 related to the prior year. The main driver of the adverse development resulted from the credit life business line. On credit life historical data indicates that on average, claims are reported 4 months after the date of death and therefore it is possible for claims to be reported late. The company used the Frequency Severity Method to establish the claims provisions as of December 31, 2020.

(expressed in U.S. dollars)

6. *Reserve for losses and loss expenses* (continued)

Claims development on all the coverage is shown below:

Reported losses per accident year		2019		2020		
1st year	$	707,594	$	992,228		
2nd year	$	1,241,408	$	–		
3rd year	$	–	$	–		
4th year	$	–	$	–		
5th year	$	–	$	–		
Total incurred losses	$	1,241,408	$	992,228	$	2,233,636
Losses paid	$	1,196,484	$	764,228	$	1,960,712
					$	**272,924**
					$	(32,924)
				Total end of year	**$**	**240,000**
				Reserves for losses incurred but not reported	$	240,000
				Total end of year	**$**	**240,000**

7. *Net Investment income*

		2020		2019
Investment Income	$	366,230	$	–
Interest Income – Cash Account		30,192		–
Interest Income – Loan to affiliates		68,637		33,134
Net investment income	$	465,059	$	33,134

8. Investments

The following table presents the analysis of the Company's investments by level of input as required by IFRS 7:

Financial instruments measured at fair value	2020			
	Fair value	**Level 1**	**Level 2**	**Level 3**
JP Morgan Fixed Income Account	$ 1,028,931	$ –	$ 1,028,931	$ –
Aqua Multistrategy Fund Limited	5,324,630	–	–	5,324,630
Vine Opportunity I Hippo, LLC	254,350	–	–	254,350
Total	$ 6,607,911	$ –	$ 1,028,931	$ 5,578,980

The rationale for choosing the level of Classification is based on the following:

JP Morgan Fixed Income Account: The investment is a separately account managed by J.P. Morgan Securities LLC. The money invested here is allocated mainly in Fixed Income and time deposits. All the securities invested are denominated in USD dollar, with defined maturities, rates and issuers, therefore, the entire account represents a pool of bonds. The account manager acts as broker for all the transactions with these securities, each bond or deposit bought or sold under this account is valued based on quoted prices observed in active markets in the US. Since the value is determined directly by observable prices, in the management judgement, these investments fall within level II inputs.

Aqua Multistrategy fund: the investment objectives of the Fund are to generate attractive returns over a 12-to-24-month time horizon and thereby increase investors' wealth; to preserve capital over that same time horizon, regardless of what transpires in the global financial markets and to target low volatility in order to control the risk of capital loss. Shareholders may redeem some or all of its shares quarterly on the last business day of each quarter ("Redemption Day") on ninety-five (95) days' written notice. At the end of December 2020, Golden Tree does not have any unfunded commitment with the fund.

This investment is a direct participation on a fund which Net assets Value is calculated and reported to the investor on a monthly basis based on the performance of their underlying's investment. The investors have the right to redeem their participation any time using the measurement value of the most recent quarter. Based on these characteristics, management has decided to classify the investment within Level III using the estimation of NAV reported by the fund's administrator each month.

Vine Opportunity I Hippo, LLC: The investment is a participation on a SPV created for investing in last equity series of the Company Hippo, based on US. The SPV does not have a redemption notice period and the investment is highly illiquid. At the end of December 2020, Golden Tree does not have any unfunded commitment with the SPV.

The investment value was initially determined based on the latest funding transaction, where the SPV entered into as minority investor in the company. Each month the SPV administrators reports Golden Tree the value of the NAV of the SPV, based on the latest transactions regarding the equity stake in the company. Based on these characteristics, management has decided to classify the investment within Level III using the estimated NAV reported by the SPV administrator each month.

9. Share capital

Share capital consists of 120,000 common shares with a par value of $1, which were authorized, issued and fully paid as at December 31, 2020 and 2019.

10. Financial risk management

The Company is exposed to market risk, credit risk, liquidity risk, interest rate risk, and currency risk among others, arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below.

Market risk

Market risk is the risk that changes in market prices such as interest rates and foreign exchange rates will affect the value of the Company's assets, the amount of its liabilities and or the Company's income.

For estimating the potential effect on the company, the Value at risk ("VaR") methodology is used to estimate a reasonable potential change in the market value of assets and liabilities over a certain period of time. The main components for estimating the VaR are the average changes in value of the financial assets and their volatility during one year, along with confidence level that the management find acceptable.

At the end of December 2020 and 2019, the Company currently has no significant exposure to market risk.

Credit risk and concentration of credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

The Company's activities are exposed to a variety of financial risks: credit risk and liquidity risk.

Management key areas where the Company is exposed to credit risk are:

- Cash and cash equivalents
- Insurance balances receivable
- Loan to affiliates
- Investments at fair value

For monitoring and controlling the credit risk, the company is continuous monitoring the credit risk rating issued by recognized Credit rating agencies in the domicile countries of the parties which the company has exposure. At the end of December 2020, none of the parties suffer a downgrade or significant change in their credit ratings that had a potential negative impact on the overall credit risk of the company.

The Company does not require collateral or other security to support financial instruments with credit risk. The Company is party to financial instruments with concentration and credit risks in the normal course of business. As of December 31, 2020, the Company had deposits, with two financial institutions, for a total of $2,290,603 (2019: $2,552,726). $2,264,168 (2019: $2,552,726) were held with The Bank of N T Butterfield & Son Ltd. with credit rating of A-2 as set out by Standards & Poor's and $26,435 (2019: $0) were held with JP Morgan A-1 as set out by Standards & Poor's.

(expressed in U.S. dollars)

10. Financial risk management (continued)

Investment at Market Value were held of $6,607,911 (2019: $0). Investment asset allocation is determined by management who manages the distribution of the assets to achieve the Company's investment objectives. JP Morgan manages the Fixed income account and Silver Tree and Vine Capital Management respectively manages the other investments. Divergence from target asset allocations and the composition of the portfolio is monitored by the Company's Board of Directors. Loans to affiliates $7,338,001 (2019: $8,518,226) are mainly to the holding company Iris Financial services. The management monitors continually the performance of Iris financial performance to identify any potential inability of the company to serve their loan obligations. Insurance balances receivable of $2,695,366 (2019: $2,483,098) are due from one insurer with a credit rating of AA- as set out by Standards & Poor's.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

Liquidity and interest risk tables

The following tables detail the Company's remaining contractual maturity for its financial liabilities.
The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Less than 3 months	3 month to 1 year	1 to 5 years	Total
Financial liabilities:				
2020:				
Accrued liabilities	$ 51,744	$ –	$ –	$ 51,744
Losses payable	531,504	–	–	531,504
		–	–	
Reserves for losses and loss related expense	240,000	–	–	240,000
	$ 823,248	$ –	$ –	$ 823,248

	Less than 3 months	3 month to 1 year	1 to 5 years	Total
2019:				
Accrued liabilities	$ 52,319	$ –	$ –	$ 52,319
Losses payable	238,134	–	–	238,134
		–	–	
Reserves for losses and loss related expense	32,060	–	–	32,060
	$ 322,513	$ –	$ –	$ 322,513

The following table details the Company's expected maturity for its financial assets. The tables below have been drawn up based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

10. Financial risk management (continued)

Financial assets:

	Less than 3 months	3 month to 1 year	1 to 5 years	Total
2020:				
Loan to Affiliates	$ –	$ 2,100,000	$ 5,238,001	$ 7,338,001
Insurance balances receivable	2,695,366	–	–	2,695,366
Investment at fair value	–	6,607,911	–	6,607,911
	$ 2,695,366	$ 8,707,911	$ 5,238,001	$ 16,641,278

	Less than 3 months	3 month to 1 year	1 to 5 years	Total
2019:				
Loan to Affiliates	$ –	$ –	$ 8,518,226	$ 8,518,226
Insurance balances receivable	2,481,493	–	–	2,481,493
Recoverable for losses and loss related expenses	–	1,605	–	1,605
	$ 2,481,493	$ 1,605	$ 8,518,226	$ 11,001,324

Interest rate risk

Interest rate risk arises from the possibility that changes in the interest rates will affect future cash flows or the fair value of financial instruments.

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. The Company invests in pool of bonds (JP Morgan fixed income account, as described above), the fair values of which are affected by changes in interest rates. Sensitivity analysis on interest rates has not been performed given the low rates earned on a relatively small portfolio, any change in the rates would not have a material impact on the financial statements. Other financial assets and liabilities are non-interest bearing with short term maturity and are not subject to significant amounts of interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Written premiums are in Colombian Pesos and these premiums generate exchange rate differences. The amounts associated with these policies are not material and decrease the currency risk.

Insurance risk

The Company accepts insurance risk through its insurance contracts where it assumes the risk of loss from affiliated entities that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts. The Company predominantly funds its insurance liabilities through its cash and in the normal course of its operations. In the event of a significant amount of claims, the insurance liabilities may require to be funded through the disposal of the Company's portfolio of investments.

(expressed in U.S. dollars)

11. Premium written and earned

The following table shows the premiums movement during the year ended December 31, 2020:

		2020		2019
Balance deferred at 1 January	$	–	$	–
Premiums written Commercial Credit		2,010,793		2,662,824
Premiums written Credit Life		4,835,428		3,987,479
Premiums earned through the income statement		(6,846,221)		(6,650,303)
Balance deferred at 31 December	$	–	$	–

12. Capital risk management and statutory financial reporting

The Company is required by its licence to comply with various provisions of The Act regarding solvency and liquidity. These provisions have been met. The required minimum statutory capital and surplus under the Act as of December 31, 2020 and December 31, 2019 was $1,000,000. As of December 31, 2020, the Company's actual statutory capital and surplus under the Act was $18,120,979 (2019: $13,231,537). Accordingly, there is no restriction on the amount of retained earnings available for the payment of dividends to shareholders. Actual statutory capital and surplus, as determined using statutory principles, as follows:

		2020		2019
Total shareholder’s equity	$	18,147,933	$	13,244,610
Less: Non-admitted assets:				
Prepaid expenses		(26,954)		(13,073)
Statutory capital and surplus	$	18,120,979	$	13,231,537

13. Taxation

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 undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being imposed the Company will be exempted from taxation until the year 2035.

14. Subsequent events

No subsequent events were noted by management as of the date of issuance of the financial statements on May 14, 2021.