Mozart Insurance, Ltd.
(Incorporated in Bermuda)

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

Independent auditor’s report

To the Board of Directors and Shareholder of Mozart Insurance, Ltd.

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mozart Insurance, Ltd. (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.

What we have audited

The Company’s financial statements comprise:

- the statement of financial position as at December 31, 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholder’s equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

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Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, 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.

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 scepticism 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.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

Hamilton, Bermuda

May 27, 2021

Mozart Insurance Limited.

Statement of Income and Comprehensive Income

For the year ended December 31, 2020

(expressed in U.S. dollars)

	December 31, 2020 $	December 31, 2019 $
Assets		
Cash and cash equivalents (Note 3)	690,533	1,479,105
Investments (Note 4 and 6)	4,922,907	2,855,151
Interest receivable (Note 7)	72,109	-
Amounts due from related party (Note 9)	-	536,660
Note receivable (Note 10)	361,381	-
Accounts receivable (Note 11)	1,365,172	-
Insurance balances receivable (Notes 12)	8,112,538	8,260,435
Prepaid expenses	23,912	5,940
Deferred acquisition costs	1,424,537	700,836
Total assets	16,973,089	13,838,127
Liabilities		
Accounts payable and accrued expenses	84,750	84,875
Amounts due to related party	-	44,619
Provision for losses and loss expenses (Note 13)	4,183,273	5,508,000
Unearned premium reserve	2,629,313	1,900,136
Total liabilities	6,897,336	7,537,630
Shareholder's equity		
Capital stock	120,000	120,000
Contributed surplus (Note 14)	6,497,324	6,497,324
Retained earnings	3,458,429	(316,827)
Total shareholder's equity	10,075,753	6,300,497
Total liabilities and shareholder's equity	16,973,089	13,838,127

Approved by the Board of Directors

____________________ Director ____________________ Director

Mozart Insurance, Ltd.

Statement Comprehensive Income

For the year ended December 31, 2020

(expressed in U.S. dollars)

	2020 $	2019 $
Underwriting income:		
Gross written premium	10,924,407	3,261,574
Reinsurance premiums ceded	-	-
Net written premium	10,924,407	3,261,574
Net change in unearned premium reserve	(1,029,980)	(86,633)
Net premium earned	**9,894,427**	**3,174,941**
Underwriting expenses:		
Claims & claims expenses paid	1,282,366	494,168
Change in OSLR	184,273	510,426
Change in IBNR Reserves	(1,509,000)	1,670,000
Net premium receivable write off (Note 13)	922,195	-
Commission expense	3,972,056	1,030,401
Net commutation loss	323,508	-
Tax expense	252,524	31,396
Underwriting income (loss)	4,466,505	(561,450)
Foreign exchange (loss) gain	(175,906)	317,367
General and administrative expenses (Note 17)	(377,039)	(152,326)
Operating income (loss)	3,913,560	(396,409)
Net interest Income (Note 8)	88,709	52,343
Net investment income (Note 5)	189,647	27,239
Comprehensive income (loss) for the year	4,191,916	(316,827)

Mozart Insurance, Ltd.

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 $
October 1, 2019	120,000	6,497,324	-	6,617,324
Comprehensive loss for the year	-	-	(316,827)	(316,827)
December 31, 2019	120,000	6,497,324	(316,827)	6,300,497
Comprehensive income for the year	-	-	4,191,916	4,191,916
Dividends			(416,660)	(416,660)
December 31, 2020	120,000	6,497,324	3,458,429	10,075,753

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

Mozart Insurance, Ltd.

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 (loss) for the year	4,191,916	(316,827)
Change in non-cash balances relating to operations:		
Net unrealized gain on investments	(121,302)	(79,583)
Net realized gain	(99,971)	-
Change in Amounts due from related party	120,000	(120,000)
Change in Interest receivable	(72,109)	-
Change in Accounts receivable	(1,365,172)	-
Change in Insurance balance receivable	147,897	(1,935,625)
Change in Deferred Acquisition Cost	(723,701)	(77,153)
Change in Prepaid expenses	(17,972)	2,970
Change in Amounts due to related party	(44,619)	13,369
Change in Accrued payable and Accrued expenses	(125)	84,875
Change in Provision for losses and loss expenses	(1,324,727)	2,180,426
Change in Unearned premium reserve	729,177	86,633
Cash flow provided by (used in) operating activities	1,419,292	(160,915)
Cash flows from financing activities		
Additional capital contributions	-	120,000
Cash provided by financing activities	-	120,000
Cash flows from investment activities		
Sale of investments	1,962,217	-
Purchase of investments	(3,808,700)	-
Loans	(361,381)	-
Cash (used in) financing activities	(2,207,864)	-
Net (decrease) in cash and cash equivalents	(788,572)	(40,915)
Cash and cash equivalents – Transferred assets (note 1)	-	1,520,020
Cash and cash equivalents at beginning of year	1,479,105	-
Cash and cash equivalents at end of year	690,533	1,479,105

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

(expressed in U.S. dollars)

1. *The Company*

Mozart Insurance Ltd. ("the Company") was incorporated under the laws of Bermuda on July 12, 2019 and has its place of business in Bermuda. On September 26, 2019, the Company registered as a Class 3A insurer under The Insurance Act 1978 (Bermuda) amendments thereto and related regulations ("The Insurance Act"). The address of the Company's registered office is Crawford House, 50 Cedar Avenue, Hamilton HM11, Bermuda.

The Company is owned by Newport International Limited, a company incorporated and registered in Bermuda. The ultimate beneficial owners of Mozart are Lilian Gutt de Mishaan (75%) and Alberto Mishaan Gutt (25%). The Company assumed the business previously written in a Bermuda segregated account company managed by Independent Risk Solutions Ltd. (IRSL), a Bermuda registered company.

Effective March 1, 2017, the Bermuda segregated account entered into a reinsurance agreement with Ocean Re. Under the agreement, the segregated account ultimately provided excess of loss reinsurance under a treaty covering multiple lines of business and will take the form of a non-proportional excess of loss policy. Risks covered include Surety Bonds, General Liability, Group Life and Property. The segregated account cancelled its agreement with Ocean Re as of February 28, 2018 and entered into a reinsurance agreement with Hanover Re. This agreement covered the same lines of business as they did with Ocean Re and was effective as of May 15, 2018. The program was renewed on May 15, 2019 until May 14, 2020. The company chose Munich Re as reinsurer for the new period policy effective as of May 15, 2020 until June 30, 2021. Effective October 1, 2019, all policies underwritten by the segregated account were novated and transferred to the Company.

The table below provides details with respect to the lines of business and limits:

Hannover Re contract:

Contract Line	Contract Type	Currency	Attachment in COP	Contract Limit in COP	Signed Line	Reinstatement	Line%	Limit per Loss in COP
Motor	QS	COP	0	3,250,000,000	30%	0	100%	975,000,000
TPL Auto	QS	COP	0	3,500,000,000	30%	0	100%	700,000,000
Lease	QS	COP	0	6,000,000,000	18%	0	100%	1,080,000,000
Personal Accidents	QS	COP	0	200,000,000	48%	0	100%	96,000,000
Short Circuit	Stop Loss	COP	95%	45%	90%	0	100%	40.50%
Surety Bonds	XL CAT	COP	2,500,000	7,500,00,000	90%	0	100%	6,750,000,000

Munich Re contract:

Contract Line	Contract Type	Currency	Attachment in COP	Contract Limit in COP	Signed Line	Reinstatement	Line%	Limit per Loss in COP
Motor	QS	COP	0	3,250,000,000	39%	0	100%	1,267,500,000
TPL Auto	QS	COP	0	4,000,000,000	33%	0	100%	1,300,000,000
Lease	QS	COP	0	6,000,000,000	18%	0	100%	1,080,000,000
Personal Accidents	QS	COP	0	300,000,000	48%	0	100%	144,000,000

(expressed in U.S. dollars)

The fair value of transferred assets and liabilities on October 1, 2019 are as follows:

	October 1, 2019 $
Cash and cash equivalents	1,520,020
Marketable securities	2,203,233
Amounts due from related party	416,660
Deferred acquisition cost	623,683
Prepaid Expenses	8,910
Reinsurance balances receivable	6,324,810
Other assets	572,335
Accounts payable due to related party	(31,250)
Unearned premium reserve	(1,813,503)
Provision for losses and loss expenses	(3,327,574)
Contributed surplus	(6,497,324)

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 all the years presented.

(a) Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations as issued by the International Accounting Standards Board (IASB). The statement of financial position is presented in order of liquidity.

The financial statements were authorised for issue by the Board of Directors on May 27, 2021.

(b) Basis of presentation

The Company's financial statements have been prepared under the historical cost basis, except for investments, which are recorded at fair value, and reserves for losses and loss expenses, which are estimated.

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 judgements, estimates and assumptions that may affect the application of accounting polices and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Certain comparative figures have been reclassified to conform to the current year's presentation and disclosure.

(expressed in U.S. dollars)

(c) Functional currency

The financial statements are presented in United States dollars, which is the Company's functional currency.

(d) Translation of foreign currencies

Monetary assets and liabilities originating in other currencies are translated into United States dollars (the functional currency) at the rates of exchange in effect at the reporting date. Non-monetary items originating in other currencies are translated into United States dollars at the rates of exchange in effect at the dates when the transactions occurred. Revenue and expense items are translated into United States dollars at the rate of exchange prevailing at the time of the transaction. The resulting exchange gains or losses are recognized in net income. For the year ended, December 31, 2020, the statement of comprehensive income reflect foreign currency transaction gain (loss) of $ (175,906), for 2019 $ 317,367.

(d) Premiums assumed and acquisition cost

Premiums are assumed on an accrual basis. Premiums assumed are earned on a pro-rata basis over the term of the policies. Premium adjustments are recorded in the period in which they are known or paid. Commissions and other underwriting expenses relating to earned premiums are expensed over the policy periods.

(e) Provision for losses and loss expenses

Losses and loss expenses paid are recorded as reported. The provision for losses and loss expenses comprises estimates for known losses and loss expenses received from the ceding insurance companies plus a provision for losses incurred but not reported. The provisions are necessarily estimates and losses may ultimately be settled for a greater or lesser amount than that recorded in the financial statements. Any adjustments thereto are reflected in earnings in the period in which they become known.

(f) Related parties

Related parties include the parent, related companies, that is, fellow subsidiaries, directors and key management personnel who have the authority and responsibility for planning, directing and controlling the activities of the Company.

(g) Cash and cash equivalents

The Company considers all highly liquid debt instruments with a maturity of three months or less at the date of purchase to be cash equivalents.

(h) Investments

While a number of new or amended IFRS standards have recently been issued, there are no standards issued that have had a material impact on the Company. The Company has adopted IFRS 9, Financial Instruments for the financial year commencing September 26, 2019.

Financial Instruments Classification and measurement of financial assets and financial liabilities

IFRS 9 provides three principal classification categories for financial assets: measure at amortized cost; fair value through other comprehensive income or fair value through profit and loss. The classification of financial assets under IFRS 9 is generally based on the business model which a financial asset is managed and its contractual cash flow characteristics.

(expressed in U.S. dollars)

The Company has assessed the business model to the portfolio of financial assets held and determined that financial assets are managed and evaluated based upon their fair value performance and held for trading and thereby measured at fair value through profit or loss as financial assets are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Company therefore recognizes financial assets at fair value through profit or loss with subsequent measurement at fair value through profit or loss with any change in the fair value reported in investment income in the statement of comprehensive income.

Impairment

Under IFRS 9, investments are recorded at fair value through profit or loss, and therefore the new impairment credit model of IFRS 9 is not applicable. Furthermore, insurance and reinsurance debtors are classified as insurance assets under IFRS 4 and are also excluded from the IFRS 9 impairment model.

Realized gains and losses on sales of marketable securities are included in income on the actual cost basis.

(i) Other assets

Other assets are recorded at fair market value through profit and loss. The Company has determined that other assets are classified as a level 3 investment because significant value drivers are unobservable.

(j) Other financial assets

The Company's management assess at each reporting date whether there is objective evidence that a financial asset is impaired. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows. The carrying value of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income.

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(l) New Standards, interpretations and amendments to published standards that have been adopted by the Company

<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 17 Insurance Contracts

In May 2018, 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

(expressed in U.S. dollars)

variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration 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*

The Company has the cash and equivalents as follows:

	2020	2019
	$	$
Cash at banks	690,533	1,479,105
	690,533	1,479,105

4. *Investments*

The Company has investments in multiple financial instruments such as mutual funds, hedge funds, fixed income and equity. Also, the company has invested into two private companies as follows:

The Company entered into an Assumption and Assignment Agreement on October 3, 2019 with respect to an investment in 340 Biscayne Borrower. The Company’s investment was a loan but on 2020 was reclassified as investments with a fair value of $ 478,505 (2019 - $624,678) as at December 31, 2020. The investment does not have any interest rate attached to it. The parties agreed to share any gain on the property sale (after the investment has been repaid) in a fixed proportion between the investors and investment manager, the proportional split is 80% to investors and 20% to Kawa Capital.

(expressed in U.S. dollars)

On July 22, 2020, the company invested $508,700 on Vine Opportunity I Hippo, LLC, a company created to invest in Hippo Enterprises Inc, in exchange for Common stock.

	2020		2019	
	Cost $	Carrying value $	Cost $	Carrying value $
Mutual Fund	157,969	281,572	157,969	259,429
Hedge Fund	256,943	294,385	256,943	158,300
Aqua Funds	-	-	1,788,321	1,812,744
Corporate bonds	2,959,678	3,023,253	-	-
Equity and Exchange Traded Funds ("ETF")	298,026	336,492	-	-
Private companies	1,133,378	987,205	624,678	624,678
	4,805,994	4,922,907	2,827,911	2,855,151

5. *Investment income*

Net investment income on investments was derived from the following:

	2020 $	2019 $
Net unrealized gain	89,676	27,239
Net realized gain	99,971	- -
Total	189,647	27,239

6. *Fair value measurement*

The Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to fair values derived from unobservable inputs (Level3). The three levels of the fair value hierarchy are described below:

Level 1 - Quoted prices for instruments in active markets.

Level 2 - 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.

Level 3 - Model derived valuations in which one or more significant inputs or significant value drivers are unobservable.

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.

(expressed in U.S. dollars)

The Company determined that securities classified as Level 1 would include U.S. government and exchange traded securities and derivative financial instruments that have quoted prices on a recognized exchange. Level 2 would include corporate debt securities. The fair value of these assets is based on the prices obtained by both the investment manager and custodian who obtain market data from numerous independent pricing sources.

A review of the fair value hierarchy classifications is conducted on an ongoing basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets and liabilities.

Fair value hierarchy

The following summary presents the analysis of the Company's financial instruments by level of input for determining fair value as indicated on note 3 on significant accounting policies:

	Financial Instruments at December 31, 2020			
	Total	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**	**$**
FVPL				
Mutual Fund	281,572	-	281,572	-
Hedge Fund	294,385	-	294,385	-
Aqua Funds	-	-	-	-
Corporate bonds	3,023,253	3,023,253	-	-
Equity and ETF	336,492	336,492		
Private Companies	987,205	-	-	987,205
Note receivable				361,381
Accounts receivable				1,365,172
	4,922,907	3,359,745	575,957	2,713,758

	Financial Instruments at December 31, 2019			
	Total	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**	**$**
FVPL				
Mutual Fund FI	259,430	-	259,430	-
Hedge Fund	158,300	-	158,300	-
Aqua Fund	1,812,743	-	1,812,743	-
Private Companies	624,678	-	-	624,678
	2,855,151	-	2,230,473	624,678

(expressed in U.S. dollars)

7. *Interest receivable*

Net interest income on investments and premiums receivable was derived from the following:

	2020 $	2019 $
JP Morgan	37,787	-
Hannover Re	34,322	-
Total	72,109	-

8. *Interest income*

Interest income was derived from the following:

	2020 $	2019 $
Interest in loans	16,600	52,343
Interest JP Morgan	37,787	-
Interest Hannover Re	34,322	-
Total	88,709	52,343

9. *Amounts receivable from and payable to related companies*

As at December 31, 2020 $0 and 2019 $536,660 respectively was receivable from the Company's Parent, Newport International Limited.

When the Company received the assets and liabilities via a business transfer agreement on October 1, 2019, a loan in the amount of $416,660 made to the Company's Parent was transferred to the Company. The original loan was entered into on May 31, 2015 between Newport International Corp., and Independent Risk Solutions Ltd. in respect of its Segregated Account Mozart 06-14, with a maturity date of May 30, 2018 and an interest rate of 0%. The term and conditions of the Original Loan Agreement were extended for a period of three (3) years with a new maturity date of May 30, 2021. On January 31, 2020 Mozart issue a dividend for $416,660 to pay the loan.

An informal loan in the amount of $120,000 was also made to the Company's Parent from Independent Risk Solutions Ltd. in respect of its Segregated Account Mozart 06-14. This loan was also transferred to the Company via a business transfer agreement on October 1, 2019. The purpose of the loan was to provide the capital with respect to incorporation of the Company on July 12, 2019. The loan was collected on February 17, 2020.

10. *Note receivable*

The loan balances as of December 31, 2020 and 2019 of $ 361,381 and $ 0 respectively, correspond to the loan made to River Point Communities, LLC. on July 16, 2020, with a maturity date of July 23, 2021 and an interest rate 10%. The balance is derived on capital for $360.000 and interest for $1,381 for the 15 days accrued of December. The interest received in 2020 was $15,000.

(expressed in U.S. dollars)

11. Accounts receivable

As of December 31, 2020 and 2019 of $ 1,365,172 and $ 0 respectively, correspond to the Aqua funds that where liquidated but awaiting to be transferred.

12. Insurance balances receivable

Reinsurance balances receivable are due from Hannover Re and Munich Re. The periods of the policies written with Hannover Re are from May 15, 2018 to May 14, 2019 and May 15, 2019 to May 14, 2019. Hannover Re withhold reinsurance balances receivable for a minimum period of two years, however all balances are deemed to be collectible. The periods of the policies written with Munich Re are from May 15, 2020 to June 30, 2021.

	2020	2019
	$	$
Hannover	6,153,569	8,260,435
Munich	1,958,969	-
	8,112,538	8,260,435

13. Provision for losses and loss expenses

The analysis of liabilities under insurance contracts as at December 31, 2020 and 2019 is as follows:

Lines of business

	2020	2019
	$	$
Auto TPL	3,745,639	4,684,498
Auto Motor	159,262	370,734
Lease	194,244	336,658
Personal Accidents	12,128	33,760
Casualty	72,000	82,350
	4,183,273	5,508,000

Provision for losses and loss expenses comprises:

	2020	2019
	$	$
Provision for reported losses and loss expenses	838,273	654,000
Provision for losses incurred but not reported	3,345,000	4,854,000
Provision for loss expenses	4,183,273	5,508,000

(expressed in U.S. dollars)

Reconciliation of provision for losses and loss expenses

Gross loss and loss expense provisions – Transferred liabilities	-	3,327,574
Losses recoverable	-	-
Net loss and loss expense provisions at beginning of year	5,508,000	3,327,574
Net claims incurred for the period related to:		
Current year	2,350,333	2,491,453
Prior year	(2,392,694)	183,141
	(42,361)	2,674,594
Net paid claims for the period related to:		
Current year	1,035,717	226,212
Prior year	246,649	267,956
	1,282,366	494,168
Net loss and loss expense provisions at end of year	4,1,83,273	5,508,000
Losses recoverable	-	-
Gross loss and loss expense provision at end of year	4,183,273	5,508,000

The unfavourable development in 2020 of $ (2,392,694) (2019 - $183,141) relating to prior period was due to the development on losses reported to the Company for claims prior to December 31, 2020. The development relating to prior period represents the on-going settlement of claims which are sometimes settled for amounts either more or less than originally reserved.

During the year ended December 31, 2020 the company developed a loss on the commutation agreement with Hannover contract related with underwriting years 2018-2019 non-proportional and 2018-2019 proportional contracts of $ $323,508.

The company has written off the premium receivable of the proportional underwriting contract 2019-2020 for $922,195 due to the adverse loss development.

(expressed in U.S. dollars)

The table below illustrate how the Company's estimate of ultimate losses (i.e. the aggregate of paid losses, held case reserves and IBNR reserves) for each policy year has changed at successive year-ends. The tables analyse the loss and loss expense reserves appearing in the statement of financial position at December 31, 2020.

	Prior to 2019	**2019**	**2020**	**Current estimate**
Estimate of ultimate claims				
- At end of year		3,299,608	2,350,333	2,350,333
- One year later	79,363	2,564,047		2,564,047
- Two years later	71,801			71,801
Current estimate of ultimate claims	71,801	2,564,046	2,350,333	4,986,181
Less: Cumulative payments to date (from inception to date)				(802,908)
Liability recognised in the Statement of Financial Position				4,183,273

14. *Share Capital and contributed surplus*

Newport International Limited capitalized the Company upon incorporation by subscribing for 120,000 shares of par value US$1 each. The Company's received contributed surplus in the amount of $6,497,324 (2019 - $6,497,324) resulting from agreements transferring assets and liabilities into the Company from a Bermuda segregated account previously held in Independent Risk Solutions Ltd.

15. *Management of insurance and financial risk*

Financial risk management objectives and policies

The Company has a comprehensive risk management framework to monitor, evaluate and manage the risks assumed in conducting its business. The Company manages these risks using extensive risk management policies and practices. The risks that arise from transacting financial instruments include credit risk, market risk and liquidity risk. These risks may be caused by factors specific to an individual instrument or factors affecting all instruments traded in the market.

Risk management objectives and policies as they relate to the specific financial risks are as follows:

Concentration of credit risk

The Company is party to financial instruments with concentration of credit risk. These financial instruments consist principally of cash and cash equivalents and marketable securities.

As of December 31, 2020, cash and cash equivalents were held with financial institutions in Bermuda and in the United States, that the Company considers high quality. The Company does not believe there are significant risks associated with these risk concentrations.

The Company's investment portfolio is also managed by external managers in Bermuda and in the United States. The Company minimizes the risk associated with these concentrations by adhering to a conservative investment strategy.

(expressed in U.S. dollars)

Credit risk

Credit risk is the risk of financial loss resulting from the failure of debtors to make payments of interest and/or principal when due. The Company is exposed to credit risk principally through its cash and cash equivalents, financial assets and insurance balances receivable. Concentrations of credit risk arise from exposures to a single debtor or groups of debtors that have similar credit risk characteristics, such as debtors in the same geographic regions or in similar industries. The Company's maximum credit risk exposure is the carrying value of the assets net of any allowances for doubtful debts. Credit risk relating to financial assets at fair value through profit or loss is managed through monitoring of the issuer, industry and geographical diversification within the investment portfolio. The Company mitigates credit risk on its insurance balances receivable through detailed credit and underwriting policies and on-going monitoring of outstanding receivables.

Credit Rating

Credit ratings for investments held by the Company as at December 31, 2020 range from A to non-rated (2019 – A to non-rated) as set out by S&P, Fitch or Moody's (as available).

	2020	**2019**
	USD	**USD**
A	575,957	417,730
BB-	684,630	-
BB+	936,493	-
BB	618,993	-
B	95,550	-
B+	255,367	-
BBB-	284,408	-
B-	87,585	-
BBB	23,861	-
NR	1,360,063	2,437,421
	4,922,907	**2,855,151**

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes currency risk, interest rate risk and other price risks such as equity risk.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. At the balance sheet date, the Company did not have a material currency exposure related to financial instruments.

(expressed in U.S. dollars)

Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. The Company actively manages its interest rate exposure with the objective of enhancing net investment income within established risk tolerances and Board approved investment policies. The Company is exposed to interest rate price risk on monetary assets that have a fixed interest rate. During periods of rising interest rates, the market value of the existing fixed interest securities will generally decrease and realized gains on fixed income securities will likely be reduced. The reverse is true during periods of declining interest rates.

Liquidity risk

Liquidity risk is the risk of having insufficient cash resources to meet cash outflow commitments as they fall due. Liquidity risk arises from general business activities and in the course of managing the assets and liabilities. There is a risk of loss to the extent that the sale of a security prior to maturity is required to provide liquidity to satisfy claims and other cash outflows. The liquidity requirements of the Company's business have been met primarily by funds generated by operations, asset maturities and income and other returns received on securities. The Company generally maintains a conservative liquidity position that exceeds anticipated obligations. The Company has policies to limit and monitor its exposure to individual issuers and to ensure that assets and liabilities are broadly matched in terms of their duration. Management believes the Company has sufficient funds to meet its liabilities and to satisfy regulatory capital requirements as at December 31, 2020 due to the cash and cash equivalents held by the Company exceeding the total liabilities recognized on the statement of financial position.

(a) Maturity analysis for insurance liabilities is analyzed in the tables below.

	Carrying amount 2020	0-1 year	1-2 years
Provision for claims	4,183,273	2,519,762	1,663,511
Unearned premiums	2,629,313	2,629,313	
	6,812,586	5,149,075	1,663,511

	Carrying amount 2019	0-1 year	1-2 years
Provision for claims	5,508,000	2,122,175	3,385,825
Unearned premiums	1,900,136	1,900,136	-
	7,408,136	4,022,311	3,385,825

(expressed in U.S. dollars)

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. 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 payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random and the actual number and amount of claims will vary from year to year.

(a) Concentration of insurance risk by line of business

Gross written premium

	2020 $	2019 $
Auto TPL	6,524,276	536,512
Auto Motor	3,383,675	1,693,974
Lease	508,699	371,300
Personal Accident	191,976	128,114
Surety Bonds	204,786	394,877
Short Circult	110,995	136,797
	10,924,407	3,261,574

(b) Concentration of insurance risk by geographical locations

The entire portfolio covers Colombia.

Fair Value

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

Cash and cash equivalents: Represents cash deposits held at financial institutions and short term highly liquid investments of sufficient credit quality that are readily convertible to known amounts of cash and have original maturities of 90 days or less. The carrying amounts reported in the Statement of financial position for these instruments approximate their fair values.

Financial assets at fair value through profit or loss: Are managed and evaluated based upon their fair value performance and held for trading and thereby measured at fair value through profit or loss. The fair value of these investments and other assets are disclosed in Note 6.

Other assets and liabilities: The fair value of insurance balances receivable, accrued interest, reinsurance balances payable, premiums received in advance and accounts payable and accrued expenses approximates their carrying value due to their relative short term nature.

The estimates of fair values presented herein are subjective in nature and are not necessarily indicative of the amounts that the Company would actually realize in a current market exchange. However, any differences would not be expected to be material. Certain items such as deferred reinsurance premiums, deferred acquisition costs, outstanding loss reserve, prepayments and unearned premiums are excluded from fair value disclosure. Thus the total fair value amounts cannot be aggregated to determine the underlying economic value of the Company.

(expressed in U.S. dollars)

16. *Capital Management*

The Company's capital consists of share capital, contributed surplus and retained earnings. The Company's primary objective when managing its capital is to ensure its ability to continue as a going concern. The Company manages its capital requirements in line with the results of operations. Actions to obtain an optimal capital structure may include additional contributions or capital subscriptions or payment of dividend to the shareholder.

17. *General and administrative expenses*

The following table analyses general and administrative expenses totaling $377,039, which have been included in the statement of profit or loss:

	2020 $	2019 $
Management fees	157,545	18,750
Directors' fees	25,000	8,084
D & O liability insurance	11,385	2,970
Audit fees	47,584	30,000
Actuarial fees	70,170	30,000
Bermuda government	31,775	-
Legal and secretarial fees	21,010	39,213
Communications	1,103	500
Travel expenses	-	7,181
Investment administration fees	1,875	1,875
Office rent	5,500	3,300
Allowance for doubtful accounts	-	10,200
Miscellaneous expenses	3,042	100
Bank charges	1,050	153
	377,039	152,326

18. *Statutory requirements*

The Company must at all times maintain a solvency margin and an enhanced capital requirement in accordance with the provisions of the Insurance Act, 1978 of Bermuda. Each year the Company is required to file with the Bermuda Monetary Authority a capital and solvency return within four months of its relevant financial year end (unless specifically extended).

The prescribed form of capital and solvency return comprises the insurer's Bermuda Solvency Capital Requirement ("BSCR") model, a schedule of fixed income investments by rating category, a schedule of net loss and loss expense provision by line of business, a schedule of premiums written by line of business, a schedule of risk management and a schedule of fixed income securities.

As a Class 3A insurer, the Company is required to maintain available statutory capital and surplus in an amount that is equal to or exceeds the target capital levels based on enhanced capital requirements ("ECR") calculated using the BSCR model. The BSCR model is a risk-based capital model introduced by the Authority that measurers risk and determines ECR and a target capital level (defined as 120% of the ECR) based on the Company's statutory financial statements. In circumstances where the Authority concludes that the Company's risk profile deviates significantly from the assumptions underlying the ECR or the Company's assessment of its management policies and practices, it may issue an order requiring that the Company adjust its ECR.

(expressed in U.S. dollars)

During the year ended and as of December 31, 2020, the Company met the target capital level required under the BSCR.

The Insurance Act mandates certain actions and filings with the Authority if the Company fails to meet and maintain its ECR or solvency margin, including the filing of a written report detailing the circumstances giving rise to the failure and the manner and time within which the insurer intends to rectify the failure. The Company is prohibited from declaring or paying a dividend if its statutory capital and surplus is less than its ECR, or if it is in breach of its solvency margin or minimum liquidity ratio, or if the declaration or payment of such dividend would cause such breach.

The Company is required by its license to maintain unconsolidated capital and surplus greater than a minimum statutory amount determined as the greater of a percentage of outstanding losses (net of reinsurance recoverable) or a given fraction of net written premiums. At December 31, 2020 the Company met this requirement. Actual statutory capital and surplus is $10,051,841 (2019 - $6,294,557).

The Company is also required to maintain a minimum liquidity ratio whereby the value of its unconsolidated relevant assets is not less than 75% of the amount of its unconsolidated relevant liabilities. At December 31, 2020, the Company was required to maintain relevant assets of approximately $ 5,173,002 (2019 - $5,653,223). At that date relevant assets were $ 13,289,387 (2019 - $12,567,252) and the minimum liquidity ratio was therefore met.

19. 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.

20. Subsequent events

Since the outbreak of COVID-19 in the first quarter of 2020, global financial markets have experienced, and may continue to experience significant volatility and there are significant consequences for the global economy from travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on the global economy and the sectors in which the Company, its parent [and its policyholders] operate is uncertain at this time. Management, under the oversight of the Board of Directors, has performed an assessment of the potential effects of COVID-19 on the Company's operations and related financial performance. This assessment included consideration of: the Company's exposure to losses on its investment portfolio: the Company's exposure to COVID 19 related insurance claims; and the Company's continued ability to meet its statutory solvency and liquidity ratio requirements. As a result of this assessment management has concluded that the Company's financial performance has not been significantly impacted by the COVID-19 outbreak and it will continue to monitor the situation and any potential future impact on the Company.

In preparing the financial statements, management evaluated subsequent events through May 27, 2021, which is the date that these financial statements are available to be issued.