AUDITED FINANCIAL STATEMENTS

Alimco Re Ltd.

Period from October 18, 2019 (Date of Incorporation) to December 31, 2020
With Report of Independent Auditors

Alimco Re Ltd.
(Incorporated in Bermuda)

Audited Financial Statements

Period from October 18, 2019 (Date of Incorporation)
to December 31, 2020

Contents

INDEPENDENT AUDITORS' REPORT

To the Shareholder,
Alimco Re Ltd.

We have audited the accompanying financial statements of Alimco Re Ltd. (the "Company"), which comprise the statement of financial position as at December 31, 2020, and the statements of comprehensive income, changes in shareholder's equity, and cash flows for the period from October 18, 2019 (date of incorporation) to December 31, 2020, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alimco Re Ltd. as at December 31, 2020, and the results of its operations and cash flows for the period from October 18, 2019 (date of incorporation) to December 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

Mazars Limited

CHARTERED PROFESSIONAL ACCOUNTANTS
Hamilton, Bermuda
June 16, 2021

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Alimco Re Ltd.
Statement of Financial Position
As at December 31, 2020

(Expressed in United States Dollars)

See Accountants' Report

	Note	December 31, 2020
ASSETS		
Cash and cash equivalents	4	29,984,292
Investments	4,5,6	50,828,743
Dividends receivable		45,071
Accrued investment income		235,066
Reinsurance balances receivable		12,516,677
Prepaid expenses		9,674
TOTAL ASSETS		93,619,523
LIABILITIES		
Outstanding losses and loss expenses	8	13,148,975
Commissions payable		40,320
Deferred tax liability	12	1,644,617
Amounts due to affiliates	9	9,305,693
Accounts payable and accrued expenses	9	74,132
TOTAL LIABILITIES		24,213,737
SHAREHOLDER'S EQUITY		
Share capital	11	120,000
Additional paid-in capital	11	59,362,469
Accumulated other comprehensive income		471,269
Retained Earnings		9,452,048
TOTAL SHAREHOLDER'S EQUITY		69,405,787
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		93,619,523

The accompanying notes should be read in conjunction with these financial statements

On Behalf of the Board:

Director　　　　Director

Alimco Re Ltd.
Statement of Comprehensive Income
Period from October 18, 2019 (Date of Incorporation)
to December 31, 2020
(Expressed in United States Dollars)
See Accountants' Report

	Note	December 31, 2020
REVENUES		
Direct and assumed premiums		13,750,000
Ceded premiums written		-
Net premiums assumed		13,750,000
Change in unearned premium		-
Change in unearned premium ceded		-
Net premium earned		13,750,000
INCURRED LOSSES AND UNDERWRITING EXPENSES		
Net losses paid (Note 8)	8	820,823
Net movement in Reserves (Note 8)	8	13,148,975
Acquisition costs		412,500
AMF & UPI commissions		40,320
TOTAL INCURRED LOSSES AND UNDERWRITING EXPENSES		14,422,618
UNDERWRITING RESULT		(672,618)
NET INVESTMENT INCOME	7, 9	14,716,884
GENERAL AND ADMINISTRATIVE EXPENSES	9	(335,081)
NET INCOME FOR THE PERIOD - BEFORE TAX		13,709,185
Federal Income Tax (Note 12)	12	(2,737,795)
Change in Deferred tax (Note 12)	12	(1,519,342)
NET INCOME FOR THE PERIOD - AFTER TAX		9,452,048
OTHER COMPREHENSIVE INCOME		
Net unrealised holding losses during the year		596,544
Deferred taxation on investments		(125,275)
COMPREHENSIVE INCOME		9,923,317

The accompanying notes should be read in conjunction with these financial statements

Alimco Re Ltd.
Statement of Changes in Shareholder's Equity
Period from October 18, 2019 (Date of Incorporation)
to December 31, 2020
(Expressed in United States Dollars)
See Accountants' Report

	Note	Share Capital $	Additional Paid-In Capital $	Accumulated Other Comprehensive Income $	Retained Earnings $	Total $
Capital contributions	11	120,000	59,362,469	-	-	59,482,469
Net income for the period		-	-	-	9,452,048	9,452,048
Other comprehensive income		-	-	471,269	-	471,269
As at December 31, 2020		120,000	59,362,469	471,269	9,452,048	69,405,786

The accompanying notes should be read in conjunction with these financial statements

Alimco Re Ltd.
Statement of Cash Flows
Period from October 18, 2019 (Date of Incorporation) to December 31, 2020

(Expressed in United States Dollars)
See Accountants' Report

	Period ended December 31, 2020
Operating activities	
Net income	9,452,048
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:	
Unrealized losses (gains) on investments	(8,342,211)
Realized losses (gains) on sale of investments	(5,796,881)
Accrued loan interest	(284,893)
Amortisation	(165,088)
Net change in operating assets and liabilities:	
Dividends receivable	(45,071)
Accrued investment income	(235,066)
Reinsurance balance receivable	(12,516,677)
Prepaid expenses	(9,674)
Outstanding losses and loss expenses	13,148,975
Commissions payable	40,320
Deferred tax liability	1,519,342
Amounts due to affiliates	9,305,693
Accounts payable and accrued expenses	74,132
Net cash and cash equivalents provided by operations	6,144,949
Investing activities	
Proceeds on sales and maturities of available-for-sale securities	49,349,975
Purchase of available-for-sale securities	(62,062,540)
Net cash and cash equivalents used in investing activities	(12,712,565)
Financing activities	
Proceeds from capital contributions	36,551,908
Net cash and cash equivalents provided by financing activities	36,551,908
Net change in cash and cash equivalents	29,984,292
Cash and cash equivalents, end of period	29,984,292
Supplemental information:	
Investments contributed as capital	22,930,561

The accompanying notes should be read in conjunction with these financial statements

1. Operations

Alimco Re Ltd. ("the Company") was incorporated on October 18, 2019 and is licensed under the Insurance Act 1978 of Bermuda as a Class 3A insurer. The Company is a wholly owned subsidiary of Alimco Financial Corporation ('AFC'), a holding company registered in Delaware, USA. The Company is managed and has its principal place of business in Bermuda.

The Company sources all reinsurance business through MultiStrat Advisors Ltd. ("MultiStrat"), an Insurance Agent established in Bermuda for the purpose of sourcing business for investor-based segregated accounts and other reinsurance vehicles, such as the Company.

As at December 31, 2020 the Company had entered into one reinsurance agreement, being a Loss Portfolio Transfer ("LPT") with Canopius US Insurance, Inc. ("Canopius") to reinsure a legacy portfolio of general construction liability risks covering accident years from 2008 to 2017.

2. Significant Accounting Policies

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, denominated in U.S. dollars, which is the Company's functional currency, and which apply the following significant accounting policies adopted by the Company:

a) *Cash and Cash Equivalents*

Cash and cash equivalents comprise cash at banks, time deposits and short term investments with an original maturity of three months or less.

b) *Investments and net investment income*

The Company invests in an available-for-sale portfolio of fixed maturity and short-term investments and equity investments. The Company also has a participation in a hedge fund, various direct investments and private investment loans. Fixed income securities and the equity securities are recorded at fair value on the Statement of Financial Position with investment loans recorded at amortized cost.

For available-for-sale portfolios, the unrealized gain or loss (other than credit losses) on fixed income securities is excluded from net earnings and reported as a separate component of accumulated other comprehensive income. Investment transactions are recorded on the trade date.

2. Significant Accounting Policies

b) Investments and net investment income (continued)

The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity using the effective interest rate method. Such amortization is included in investment income.

Realized gains and losses on securities are included in investment income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in investment income and are recorded on the accrual basis and the ex-dividend date, respectively. Investment income is presented net of investment expenses.

Securities that experience a decline in value, which is considered to be other-than-temporary, are written down to their estimated realizable value. Investments are reviewed periodically to determine if they have sustained an impairment of value that is considered to be other-than-temporary. The identification of potentially impaired investments involves significant management judgment, which includes the determination of their fair value and the assessment of whether any decline in value is other-than-temporary.

An impairment on an investment is considered other-than-temporary if; (i) the Company intends to sell the security or it has sold the security subsequent to the financial reporting date; (ii) if it is more likely than not that the Company will be required to sell the security before its anticipated recovery, or; (iii) a credit loss exists that would cause the Company to receive less cash flows in the future than the present amortized cost basis of the security. If investments are determined to be other-than-temporarily impaired, a loss is charged to the income statement in that period.

c) Fair value of financial instruments

The Company records its investment in financial instruments in accordance with the Financial Accounting Standards Board Accounting Standards Codification 820, Fair Value Measurements and Disclosures (“ASC 820”). ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures regarding fair value measurements.

Fair value is defined as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 provides guidance on how to measure the fair value of financial instruments according to a fair value hierarchy that prioritizes the information used to measure fair value into three broad levels.

2. Significant Accounting Policies (continued)

d) Derivative instruments

Derivative instruments are recognized on the issuance on certain warrants and contingent value rights granted to the company. Changes in the fair value as well as realized gains or losses on derivative instruments are recognized in net earnings as they are not designated as qualifying hedging instruments and they do not create a hedging relationship for net investment hedges.

e) Use of Estimates

To prepare the financial statements, management must make estimates and assumptions that affect the book value of assets and liabilities, income and expenses, and data disclosed in the notes to the financial statements.

All estimates are subjective in nature and could materially influence the financial statements. Accordingly, management makes these estimates and assessments on an ongoing basis according to past experience and various factors that are deemed reasonable and which constitute the basis for these assessments. The amounts shown in the Company's future financial statements are likely to differ from these estimates in accordance with changes in assumptions or different conditions.

The principal significant estimates made by the Company's management primarily affect the provision for outstanding losses and loss expenses, fair value of investments and determination of other than temporary impairment ("OTTI") of investments.

f) Losses and Loss Expenses

Losses and loss expenses paid are recorded when advised by ceding companies. The liability for losses and loss expense provisions includes an amount determined from loss reports and individual cases and an amount, based on past experience and industry loss development factors, for losses incurred but not reported. These estimates are continually reviewed and are necessarily subject to the impact of future changes in such factors as claims severity and frequency. While management believes that the amount is adequate, the ultimate liability is subject to inherent uncertainty given the nature of the reinsurance coverage in place and may be materially in excess of, or less than, the amounts provided and any adjustments will be reflected in the periods in which they become known.

2. Significant Accounting Policies (continued)

g) Foreign Exchange

The Company maintains assets and liabilities in foreign currencies related to the operation of its business. All transactions denominated in foreign currency are translated at the average rate for the month. At period end, the Company re-measures non-US currency financial assets and liabilities to their current US dollar equivalent using the month end rate. All resulting gains or losses on foreign denominated investments is reflected separately in the Statement of Comprehensive Income.

h) Premiums and Acquisition Costs

Premiums written and acquisition costs are reported as earned on a pro-rata basis over the applicable policy period.

Acquisition costs, consisting principally of commission expenses incurred at the time a contract or policy is issued, are deferred and amortized over the period in which the related premiums are earned.

Other fees incurred include Account Management Fees ("AMF"), calculated on rolling average annual net loss reserves and paid monthly as well as Underwriting Performance Incentive ("UPI") fees calculated on a sliding scale basis dependent on contract performance.

i) Taxation

The Company provides for income taxes in accordance with applicable accounting guidance. The Company has a tax sharing agreement in place with AFC. The Company records its share of allocated tax expense in accordance with the terms of the agreement.

The Company's deferred tax liability primarily results from temporary differences between the amounts recorded in the financial statements and the tax basis of the Company's assets and liabilities. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The deferred tax liability balance is analyzed regularly by management. This assessment requires significant judgment and considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of carryforward periods, and tax planning strategies and/or actions.

Please see Note 12 for a discussion of the Company's tax uncertainties.

2. Significant Accounting Policies (continued)

j) Going Concern

The accompanying financial statements and notes have been prepared in conformity with GAAP, assuming that the Company will continue as a going concern. No conditions or events have been identified which raise substantial doubt about the Company's ability to continue as a going concern.

k) New Accounting Standards to be adopted

In December 2019, the FASB issued ASU 2019-12 "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes". The amendments in this update simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify generally accepted accounting principles for other areas of Topic 740 by clarifying and amending existing guidance. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2021.

In October 2020, the FASB issued ASU 2020-10 "Codification Improvements". The amendments in this update contains improvements that vary in nature and enhance the consistency of the Codification. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2021.

Management does not believe the adoption of these amendments will have a material effect on the Company's financial statements. The Company has determined that all other recently issued pronouncements do not apply to its operations.

3. Fair Value of Financial Instruments

Fair value disclosures with respect to certain financial instruments are included separately herein where appropriate. The carrying values of cash and cash equivalents, reinsurance balances receivable, accrued interest receivable, reinsurance balances payable, accounts payable and accrued expenses approximate their fair values due to the short-term nature of the balances.

(Expressed in United States Dollars)

4. Pledged assets

The Company has negotiated a letter of credit facility in an amount not to exceed $30,000,000 with a United States financial institution. The Company has pledged certain cash and securities in support of the facility.

As of December 31, 2020, no letters of credit had been issued under the facility. The Company has placed cash equivalents of $29,572,569 and investments with a fair value of $29,780,964 in a designated account to support the potential issuance of letters of credit under the facility.

5. Investments

The following is a summary of investments held as at December 31, 2020:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate debt securities	$ 7,647,591	$ 1,130,209	$ 352,438	$ 8,425,362
Mortgage-backed and asset-backed securities	7,395,578	95,159	276,387	7,214,350
Equity securities	11,222,583	4,530,848	1,327,930	14,425,501
Notes/loans receivable	3,060,377	-	-	3,060,377
Limited partnership interests	11,818,238	393,574	-	12,211,812
Other	745,621	4,745,720	-	5,491,341
	$ 41,889,988	$ 10,895,510	$ 1,956,755	$ 50,828,743

For the period ended December 31, 2020, the gross unrealized gains included in other comprehensive income were $1,225,369 and gross unrealized losses for the same period were $628,825.

Other fair value disclosures are provided in Note 6.

(Expressed in United States Dollars)

5. Investments (continued)

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as at December 31, 2020:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Corporate debt securities	$ 57,014	$ 352,438	$ –	$ –	$ 57,014	$ 352,438
Mortgage-backed and asset-backed securities	4,957,834	276,387	–	–	4,957,834	276,387
Equity Securities	973,810	1,327,930	–	–	973,810	1,327,930
Total	$ 5,988,658	$ 1,956,755	$ –	$ –	$ 5,988,658	$ 1,956,755

5. Investments (continued)

At December 31, 2020, there were 110 securities in an unrealized loss position of which none had been in an unrealized loss position for 12 months or greater.

The amortized cost and estimated fair value of securities at December 31, 2020, by contractual maturity, are shown below:

	31-Dec-20 (Expressed in US Dollars)	
	Fair Value	**Cost or Amortized Cost**
Corporate Debt Securities:		
In one year or less	$ 250,125	$ 244,816
After one year through five years	1,098,750	1,265,739
After five years through ten years	7,019,473	6,024,512
After ten years through twenty-five years	-	-
After twenty-five years	57,014	112,524
Total Corporate Debt Securities	8,425,362	7,647,591
Mortgage-backed and asset-backed securities	7,214,350	7,395,578
Equity securities	14,425,501	11,222,583
Notes/loans receivable:		
In one year or less	733,801	733,801
After one year through five years	2,326,576	2,326,576
Total Notes/loans receivable	3,060,377	3,060,377
Limited partnership interests	12,211,812	11,818,238
Other	5,491,341	745,621
	$ 50,828,743	$ 41,889,988

5. Investments (continued)

The contractual maturities in the foregoing table may differ from the actual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

The following table sets forth certain information regarding the investment ratings of the Company's available for sale fixed maturity securities for the period ended December 31, 2020. Ratings are the lower of those assigned by Standard & Poor's or Moody's.

	31-Dec-20 (Expressed in US Dollars)	
	Amortized Cost/Cost	**Percent of Total**
AAA	$ 124,745	1%
AA	7,509,397	50%
A	-	0%
BBB	889,617	6%
BB+ and lower	6,519,410	43%
	$ 15,043,169	100%

Proceeds from sales and maturities of investments during the period ended December 31, 2020 were $43,962,110 and $5,387,865, respectively. Gross gains of $9,377,227 and gross losses of $3,580,346 were realized on the sales. There were no other-than-temporary losses recognized in the statement of income during the period ended December 31, 2020.

Included within other investments are derivative instruments which were granted to the Company as part of a loan issuance. It grants the Company a number of warrant and contingent value rights based on performance.

6. Fair Value Measurements

The Company has adopted Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 clarifies the definition of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

In accordance with ASC 820, a company must determine the appropriate level in the fair value hierarchy for each fair value measurement. The fair value hierarchy in ASC 820 prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or liability, into three levels, which are described in detail below. The hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Quoted prices for similar assets in markets that are active, quoted prices for identical or similar assets in markets that are not active or inputs that are observable either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities other than quoted prices in Level 1; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and are significant to the fair value measurement of the assets or liabilities. Unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In accordance with ASC 820, the Company maximizes the use of observable inputs in its valuation techniques and applies unobservable inputs only to the extent that observable inputs are unavailable.

6. Fair Value Measurements (continued)

The major classes of assets and liabilities carried at fair value by the Company as at December 31, 2020, included corporate debt securities, mortgage and asset-backed securities, and equity securities including mutual funds.

The determination of fair values in the absence of quoted market prices is based on: (i) valuation methodologies; (ii) securities management deems to be comparable; and (iii) assumptions deemed appropriate given the circumstances. The fair value estimates are made at a specific point in time, based on available market information and judgments about financial instruments, including estimates of the timing and amounts of expected future cash flows, and the credit standing of the issuer or counterparty.

Factors considered in estimating fair value include coupon rate, maturity, estimated duration, call provisions, credit rating, and industry sector of the issuer, and quoted market prices of comparable securities.

While the Company believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such investments existed, or had such investments been liquidated, and these differences could be material to the financial statements.

The Company's available-for-sale investments are comprised of a variety of different securities, which are leveled based on the valuation technique and inputs used in their valuation. The valuation of U.S. Treasury securities and equity (common stock, preferred stock and some mutual funds) securities are generally based on Level 1 inputs, which use the market approach valuation technique. The valuation of the Company's other available-for-sale investments, including obligations of U.S. government corporations and agencies, non-agency mortgage, corporate debt and asset-backed securities generally incorporate significant Level 2 inputs using the market, and income approach techniques, and are categorized as Level 2 in fair value hierarchy.

The Company has adopted Accounting Standards Update ("ASU") 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent*). As a result of this adoption, instruments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient, which includes some of the Company's investment in mutual funds, have not been categorized within the fair value hierarchy.

(Expressed in United States Dollars)

6. Fair Value Measurements (continued)

The following table sets forth the Company's investments categorized by the level within the ASC 820 hierarchy in which the fair value measurements fall, on a recurring basis as at December 31, 2020:

		Level 1	Level 2	Level 3	
December 31, 2020	**Total**	**Quoted Prices**	**Other Signficant Observable Inputs**	**Significant Unobservable Inputs**	**Investments valued using NAV as practical expedient**
Equity securities	$ 14,425,501	$ 14,425,501	$ -	$ -	$ -
Corporate debt securities	8,425,362	-	8,425,362	-	-
Mortgage-backed and asset backed securities	7,214,350	-	7,214,350	-	-
Notes/loans receivable	3,060,377	-	-	3,060,377	-
Limited partnership interests	12,211,812	-	-	-	12,211,812
Other	5,491,341	-	-	5,491,341	-
Total	**$ 50,828,743**	**$ 14,425,501**	**$ 15,639,712**	**$ 8,551,718**	**$ 12,211,812**

Level 3 Measurements

The following table presents a reconciliation of the beginning and ending balances for all investments measured at fair value on a recurring basis using Level 3 inputs during the period ended December 31, 2020:

	Notes/loans receivable	Other	Total
Beginning fair value	$ -	$ -	$ -
Purchases	2,673,317	745,621	3,418,938
Accretion	102,167	-	102,167
Accrued loan interest	284,893	-	284,893
Total unrealised gains	-	4,745,720	4,745,720
Ending fair value	**$ 3,060,377**	**$ 5,491,341**	**$ 8,551,718**

6. Fair Value Measurements (continued)

Net realized and unrealized gains related to Level 3 assets in the table above are included in net realized and unrealized gains in our Statement of Comprehensive Income.

The Warrants and Contingent Value Right ("CVR"), included within Other above, relate to a US listed company and were provided as part of a private loan.

The Warrants are exercisable into common shares at an exercise price of $0.01. The Company's valuation of these warrants is based on underlying market value less a liquidity discount as there is no active market for these. The discount for the Warrants accounts for the illiquidity of the Warrant relative to the shares. The Warrant must be exercised before the Warrant shares are tradable.

The CVR represents a 10.4% interest in each of the entity's operating subsidiaries' note payable. The Company engaged an independent valuation specialist, Valuescope Inc, to perform a valuation of the CVR as at December 31, 2020.

The valuation methodologies used in the valuation of the CVR included:

Residual Value Method

This determines the value of the entity utilizing appropriate business valuation methodologies including:

Income approach – This directly measures the value of a company by estimating the expected cash flows derived from the business.

Market approach – Provides an indication of value of each company's shares by observing the market value of guideline companies based on various pricing measures or transactions.

Cost approach – This was considered and excluded for the valuation of the entity as this approach tends to misstate the fundamental economic value of an ongoing business enterprise.

Once the value of the business was calculated per the above, subtractions for the value of debt, the market capitalization of equity and the value of the warrants and options were applied. The amount remaining, the residual, is the value of the CVR.

6. Fair Value Measurements (continued)

Option Pricing Method

The CVR has a contingent claim on the value of the entity, whereby their claim is contingent upon the occurrence of a sale. A Monte Carlo simulation model to simulate the value of the entity and the occurrence of a transaction was created.

Black-Scholes Option Pricing Model

This model is used for determining the value of options on stocks. The call value is calculated as the difference between the benefit of acquiring the stock outright, given the stock price exceeds the exercise price and the present value of the payment of the exercise price at expiration.

The Binomial Option Pricing Model

This uses a step procedure, allowing for the specification of nodes during the time span between the Valuation Date and the options expiration date. Each node represents a step of the model and each step contains a decision between one possible upward and one possible downward movement.

This model reduces possibilities of price changes, arbitrage, assumes a perfectly efficient market and shortens the duration of the option. It also provides a stream of valuations for a derivative at each node in a span of time which is useful for valuing derivatives such as American options which allow the owner to exercise the option at any point in time until expiration.

The following are pricing model inputs utilized in the above models:

1) Stock price
2) Strike price or exercise price
3) Risk-free rate
4) Expected dividend yield
5) Volatility of stock returns
6) Time to expiration

(Expressed in United States Dollars)

7. Net Investment Income

The net investment income for the period ended December 31, 2020 consists of the following items:

	Period Ended December 31, 2020
Interest income	$ 1,824,133
Dividend income	5,203,472
Net Realized gains on investments	5,796,881
Change in unrealized gains (losses) on investments	8,342,211
Investment fees	(6,614,900)
Accretion	165,087
Net investment income	**$ 14,716,884**

8. Losses and Loss Expenses

The liability for losses and loss adjustment expenses comprises:

	December 31, 2020
Outstanding Losses	$ 7,341,734
Losses Incurred But Not Reported (“IBNR”)	5,807,241
	$ 13,148,975

8. Losses and Loss Expenses (continued)

a) Activity in the liability for losses and loss expenses is summarized as follows:

	December 31, 2020
Balance, beginning of period	**$ -**
Less: Reinsurance recoverable	**-**
	-
Incurred Losses relating to:	
Current year	**-**
Prior years	13,969,798
Total incurred	**13,969,798**
Less Losses Paid relating to:	
Current year	**-**
Prior years	820,823
Total paid	**820,823**
Net balance, end of period	13,148,975
Add: reinsurance recoverable	-
Balance, end of period	$ **13,148,975**

The liability for losses and loss expenses is established at management's best estimate of expected losses having regard to the advice from the Company's third-party consulting actuary.

b) Methodologies for determining incurred but not reported claims ("IBNR") and expected development on reported claims and significant changes to those methodologies.

The following methods are used in determining IBNR and expected development on reported claims:

8. Losses and Loss Expenses (continued)

Indicated ultimate losses and allocated loss adjustment expenses by program year on a gross basis are developed for each line of coverage based on five commonly used actuarial methodologies set out below:

Paid Loss Development (Paid LDF)

Ultimate losses are estimated by calculating past paid loss development factors and applying them to exposure periods with further expected paid loss development.

The paid loss development method assumes that losses are paid at a consistent rate. It provides an objective test of reported loss projections because paid losses contain no reserve estimates. Thus, paid loss estimates are not influenced as heavily by changes in claims reserving policies and procedures, as are reported loss estimates.

In some circumstances, paid losses for recent periods may be too immature or erratic for accurate predictions. In many coverages, claim payments are made very slowly and it may take years for claims to be fully reported and settled. Payments may be erratic because of shifts in settlement patterns or large settlements in the early stages of development. Choosing an appropriate "tail factor" to determine the amount of payments from the latest development period to ultimate may also require considerable judgment, especially for coverages which have long payment patterns. In these cases, alternate methods are relied upon in selecting ultimate losses.

Reported Loss Development (Reported LDF)

Ultimate losses are estimated by calculating past reported loss development factors and applying them to exposure periods with further expected reported loss development.

Since reported losses include payments and case loss reserves, changes in both of these amounts are incorporated in this method. This provides a larger volume of data than just payments to estimate ultimate losses. Thus, reported loss patterns may be less erratic than paid loss patterns, especially for coverages that have a long payout pattern but for which claims are reported relatively early and case loss reserve estimates are established.

This method assumes that those who have been setting reserves have been following consistent practices over the historical period that is reviewed. Changes in claims handling procedures, large claims, or significant numbers of claims of an unusual nature may cause results to be erratic. Also, choosing an appropriate "tail factor" to determine the change in reported loss from the latest development period to ultimate may require considerable judgment, especially for coverages which have long reporting patterns.

8. Losses and Loss Expenses (continued)

Bornhuetter-Ferguson Paid Loss Method (Paid B-F)

The Bornhuetter-Ferguson paid loss method is a combination of the paid loss development method and a loss ratio method. The amount of losses yet to be paid is based on expected ratio of losses to standard premiums. These expected loss ratios are then modified to the extent that paid losses to date differ from what would have been expected based on the selected paid loss development pattern.

The formula used to estimate reserves for unreported claims and for any additional development on case reserves are estimated as the product of expected losses (ultimate payrolls x the loss rates) and [1 - (1/CLDF)], where CLDF is the appropriate cumulative paid loss development factor. These reserves are added to cumulative paid losses to produce the ultimate loss estimates.

This method avoids some of the distortion that could result if a large development factor were applied to a small base of paid losses to calculate ultimate loss. This method will react slowly if actual loss ratios develop differently because of major changes in rate levels, retentions or deductibles, the forms and conditions of reinsurance coverage, the types of risks covered or a variety of other changes.

Bornhuetter-Ferguson Reported Loss Method (Reported B-F)

The Bornhuetter-Ferguson reported loss method is similar to Bornhuetter-Ferguson paid loss method with the exception that it uses reported loss and reported loss development factors.

Frequency-Severity

This method develops the number of ultimate claims as well as the expected average amount of these claims separately using triangular methods for each accident year. The total expected ultimate loss is derived as the ultimate number of claims multiplied by the expected average amount of these claims.

The following is information about incurred and paid claims development as of December 31, 2020, as well as cumulative claim frequency and the total of incurred but not reported liabilities plus expected development on reported claims included within the net incurred claims amounts.

(Expressed in United States Dollars)

8. Losses and Loss Expenses (continued)

General Liability

Incurred Claims and Claims Expenses, Net of Reinsurance
For the Period ended December 31,

Accident Year	2020 $	At December 31, 2020 Total IBNR Plus Expected Development on Reported Claims $	Cumulative Number of Reported Claims
2008	-	-	-
2009	149,342	65,290	326
2010	412,611	189,928	394
2011	621,881	322,532	446
2012	1,513,711	336,257	564
2013	2,392,729	1,001,816	674
2014	4,107,253	1,361,190	712
2015	3,149,985	1,489,074	467
2016	1,477,521	896,389	148
2017	144,765	144,765	8
	13,969,798	5,807,241	

Paid Claims and Claims Expenses, Net of Reinsurance
For the Period ended December 31,

Accident Year	2020 $
2008	-
2009	6,768
2010	23,361
2011	17,101
2012	112,973
2013	136,402
2014	263,279
2015	231,295
2016	29,644
2017	-
	820,823
Liability for losses and loss expenses, net of reinsurance	13,148,975

8. Losses and Loss Expenses (continued)

As noted in Note 1, the company assumed certain insurance business through a loss portfolio transfer effective September 30, 2020. As such, the Company does not yet have a 10-year history of incurred and/or paid losses. Consequently, its claims pay out history is not yet adequate to generate the average annual percentage pay out of incurred losses by age for presentation as supplementary required information in these financial statements.

9. Amounts due to Affiliates

The following transactions were conducted in the normal course of operations and are measured at the exchange amount, which is the consideration established and agreed to by the related parties:

Ocmila Advisors Inc. ("Ocmila"), a related party, has been retained by the Company to act as an investment manager. Under the terms of the investment management agreement, Ocmila is entitled to a fee that includes an incentive provision equal to 30% of the net appreciation of the investment portfolio over specified time periods. As at December 31, 2020 the investment management fees accrued under the agreement amounted to $6,562,898. The fee is payable upon demand by Ocmila and is included within 'amounts due to affiliates' on the Statement of Financial Position.

As at December 31, 2020 amounts due to affiliates include $5,000 owing to AFC which was interest free and repayable on demand.

The Company has entered into a tax sharing agreement with AFC. Under the terms of the agreement, at December 31, 2020 the Company has recorded a net liability payable to AFC of $2,737,795 for current tax expense, included within 'amounts due to affiliates' on the Statement of Financial Position.

Milfam LLC ("Milfam"), a related party, provides ancillary investment support functions of the Company's investment portfolio. Under the agreement with Milfam the Company incurs a quarterly fee of 2.5 basis points on assets under management at the end of each quarter. During the period fees of $33,723 were charged and are included within 'general and administrative expenses' on the Statement of Comprehensive Income, of which $17,491 remained owing to Milfam as at December 31, 2020 and is included within 'Accounts payable and accrued expenses' on the Statement of Financial Position.

Certain directors of the Company also hold positions as Directors or officers of other entities in which the Company may be invested in either through public market participation or private placements.

(Expressed in United States Dollars)

10. Concentration of Credit Risks

The Company is a party to financial instruments with concentration of credit risk. These financial instruments include cash and cash equivalents and investments.

As of December 31, 2020, all cash and cash equivalents are held with two financial institutions located the United States and one financial institution located in Bermuda.

Credit risk arises from the failure of the counterparty to perform according to the terms of a contract. The Company does not require collateral or other security to support financial instruments with credit risk.

11. Shareholder's Equity

Share Capital

		December 31, 2020
Authorized:		
120,000 common shares of par value $1 each	$	**120,000**
Issued and fully paid:		
120,000 common shares of a par value of $1 each	$	**120,000**

Additional Paid-in Capital

Additional paid-in capital represents additional contributions to capital made by the shareholder less returnable amounts declared by the Company. The total additional paid in capital during the period ended December 31, 2020 was $59,362,469, representing cash and investment contributions of $36,551,908 and $22,930,561, respectively.

12. 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.

(Expressed in United States Dollars)

12. Taxation (continued)

On March 30, 2021, the Company made an irrevocable election under Section 953(d) of the Internal Revenue Code, as amended, to treat the Company as a United States ("U.S.") domestic insurance company for U.S. federal income tax purposes. As a result of the "domestic election" the Company will be subject to U.S. taxation on its worldwide income as if it were a U.S. corporation. The Company's filing is made as part of a consolidated filing with that of its parent company.

The Company has made provision for obligations under the tax sharing agreement with AFC as follows:

	Dec 31, 2020
Current tax expense (benefit) at statutory rate of 21%	$ 2,737,795
Net changes in deferred tax liability (asset)	1,519,342
Net tax expense (benefit)	$ 4,257,137

As a result of the tax sharing agreement in place with AFC, the Company has recorded a current tax payable to AFC of $2,737,795. The Company's effective tax rate for the period ended December 31, 2020 was 31.1%

Deferred tax expense/benefits are based upon temporary differences between the financial statements and tax basis of assets and liabilities. The following deferred taxes are recorded:

	Dec 31, 2020
Deferred Tax Assets	
Discounted Reserves	$ 232,522
Deferred Tax Liabilities	
Unrealized gains on equity securities	(1,751,864)
Unrealized investment gains - other comprehensive income	(125,275)
Total Deferred Tax Liabilities	(1,877,139)
Net deferred tax liability	$ (1,644,617)

The Company does not believe it has any uncertain tax positions and the Company is not currently under any tax audits.

13. Statutory Requirements

The Bermuda Insurance Act 1978 and Related Regulations requires the Company to maintain a minimum statutory capital and surplus (Enhanced Capital Requirement or "ECR") at least equal to the greater of a minimum solvency margin or the Bermuda Solvency Capital Requirement ("BSCR"). The BSCR is calculated based on a standardized risk-based capital model. Statutory capital and surplus at December 31, 2020 was $74,561,000 and the amount required to be maintained by the Company was $22,379,000. The Company met the minimum solvency margin at December 31, 2020 and exceeded minimum solvency requirements by $69,970,000.

In this regard, distributions from retained earnings and additional paid-in capital are limited to the extent that the above requirements are met. At December 31, 2020, retained earnings and additional paid-in capital amounting to $7,723,000 was available for distribution.

14. Legal/Regulatory Risk

Legal/regulatory risk is the risk that the legal or regulatory environment in which an insurer operates will change and create additional loss costs or expenses not anticipated by the insurer in pricing its products. That is, regulatory initiatives designed to reduce insurer profits or new legal theories may create costs for the insurer beyond those recorded in the financial statements. The Company mitigates this risk through its underwriting and loss adjusting practices which identify and minimize the adverse impact of this risk.

15. Market Risk

The novel coronavirus ("COVID-19"), a global pandemic, stands to substantially impact the global economy, including significant volatility in the financial markets. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as of the ultimate material adverse impact of COVID-19. Although the Company cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Company's results of future operations and financial.

16. Subsequent Events

Subsequent events were evaluated to 16 June 2021, the date the financial statements were available to be issued. No subsequent events were noted that would have a material impact on the financial statements.