AUDITED FINANCIAL STATEMENTS

Ardellis Insurance Ltd.
Periods Ended December 26, 2020 and
December 28, 2019
With Report of Independent Auditors

Ardellis Insurance Ltd.

Audited Financial Statements

Periods Ended December 26, 2020 and December 28, 2019

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REPORT OF INDEPENDENT AUDITORS

The Shareholder and Board of Directors
Ardellis Insurance Ltd.

We have audited the accompanying financial statements of Ardellis Insurance Ltd. (the "Company"), which comprise the balance sheets as of December 26, 2020 and December 28, 2019, and the related statements of income, changes in shareholder's equity, and cash flows for the periods then ended, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

Management has omitted disclosure of short-duration contracts that accounting principles generally accepted in the United States of America requires to be presented in and supplement to the financial statements. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the omission of the information described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Ardellis Insurance Ltd. as of December 26, 2020 and December 28, 2019, and the results of its operations and its cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte Ltd.

April 29, 2021

Ardellis Insurance Ltd.
Balance Sheets
(Expressed in United States Dollars)
December 26, 2020 and December 28, 2019

	December 26, 2020	December 28, 2019
Assets		
Cash and cash equivalents	$ 15,422,877	$ 9,622,317
Marketable securities *(Note 3)*	41,873,299	34,740,988
Factored receivables *(Note 4)*	34,949,486	34,894,352
Due from Parent *(Note 5)*	24,046,003	24,084,618
Insurance balances receivable	10,240,305	7,974,492
Deferred tax asset *(Note 8)*	-	383,546
Loss escrow funds & prefunded claims *(Note 6)*	505,000	500,000
Prepaid expenses	7,875	20,750
	$ 127,044,845	$ 112,221,063
Liabilities		
Reserve for losses and loss expenses *(Note 7)*	$ 29,110,764	$ 28,980,869
Reserve for unearned premiums	7,134,997	7,206,413
Income tax payable *(Note 8)*	3,131,090	2,923,233
Deferred tax liability *(Note 8)*	173,584	-
Reinsurance balances payable	24,690	26,445
Accounts payable and accrued liabilities	1,105,722	801,209
	40,680,847	39,938,169
Shareholder's equity		
Share capital *(Note 10)*	120,000	120,000
Additional paid-in capital	2,820,000	2,820,000
Retained earnings	82,410,782	69,036,266
Accumulated other comprehensive income (loss) (Note 9) *(Net of tax of ($269,336) (2019: ($81,509))*	1,013,216	306,628
	86,363,998	72,282,894
	$ 127,044,845	$ 112,221,063

See accompanying notes.

On behalf of the Board:

____
Director

Ardellis Insurance Ltd.
Statements of Income
(Expressed in United States Dollars)
December 26, 2020 and December 28, 2019

	December 29, 2019 to December 26, 2020	December 30, 2018 to December 28, 2019
Premiums written, net of premium taxes	$ 44,811,004	$ 45,858,786
Reinsurance premiums ceded	(308,905)	(317,060)
Change in reserve for unearned premiums	71,415	(1,748,211)
Premiums earned	44,573,514	43,793,515
Losses and allocated expenses *(Note 7)*	(27,863,546)	(29,011,122)
Net underwriting income	16,709,968	14,782,393
Other income and expenses		
Net interest income *(Notes 4 and 5)*	1,505,246	2,146,238
Net investment income *(Notes 3)*	3,653,098	3,532,540
General and administrative expenses	(4,984,200)	(4,608,852)
Income before income tax expense	16,884,112	15,852,319
Federal income tax expense *(Note 8)*	(3,509,596)	(3,293,114)
Net income	$ 13,374,516	$ 12,559,205

See accompanying notes.

Ardellis Insurance Ltd.
Statements of Changes in Shareholder's Equity
(Expressed in United States Dollars)
December 26, 2020 and December 28, 2019

	Share Capital	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/ (Loss)	Total
Balance, December 30, 2018	$ 120,000	$ 2,820,000	$ 56,477,061	$ (174,328)	$ 59,242,733
Net income for the period	-	-	12,559,205	-	12,559,205
Net unrealized gains on debt instruments (net of tax expense of $81,509)	-	-	-	480,956	480,956
Balance, December 28, 2019	120,000	2,820,000	69,036,266	306,628	72,282,894
Net income for the period	-	-	13,374,516	-	13,374,516
Net unrealized gains on debt instruments (net of tax expense of $269,336)	-	-	-	706,588	706,588
Balance, December 26, 2020	$ 120,000	$ 2,820,000	$ 82,410,782	$ 1,013,216	$ 86,363,998

See accompanying notes.

Ardellis Insurance Ltd.
Statements of Cash Flows
(Expressed in United States Dollars)
December 26, 2020 and December 28, 2019

	December 29, 2019 to December 26, 2020	December 30, 2018 to December 28, 2019
Operating activities		
Net income	$ 13,374,516	$ 12,559,205
Adjustment for back unrealized gains on investments	(2,075,576)	(2,523,339)
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Realized investment gains	(802,025)	(258,562)
Increase in insurance balances receivable	(2,265,813)	(1,560,711)
Decrease in deferred tax asset/liability	383,546	487,154
Increase in loss escrow funds	(5,000)	-
Decrease/(Increase) in prepaid expenses	12,875	(1,305)
Increase in deferred tax liability	173,584	-
Increase in reserve for loss expenses	129,895	1,434,518
(Decrease)/Increase in reserve for unearned premiums	(71,416)	1,748,211
Increase in income tax payable	207,857	96,703
(Decrease)/Increase in reinsurance balances payable	(1,755)	2,562
Increase in accounts payable and accrued liabilities	304,513	470,275
Cash flows provided by operating activities	9,365,201	12,464,711
Investing activities		
Net increase in factored receivables	(55,134)	(11,372,369)
Decrease in due from Parent	38,615	13,719
Purchases of marketable securities	(16,476,137)	(13,284,017)
Sales of marketable securities	12,928,015	9,827,995
Cash flows used in investing activities	(3,564,641)	(14,814,672)
Net Increase/(Decrease) in cash and cash equivalents	5,800,560	(2,349,961)
Cash and cash equivalents, beginning of period	9,622,317	11,972,278
Cash and cash equivalents, end of period	$ 15,422,877	$ 9,622,317
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Income tax	$ 2,932,436	$ 2,827,107

See accompanying notes.

1. Operations

Ardellis Insurance Ltd. (the Company) was incorporated on April 21, 2001, under the laws of Bermuda and is licensed as a Class 3A insurer under the Insurance Act 1978 of Bermuda. The Company is ultimately wholly-owned by UFP Industries, Inc. (the Parent), a company incorporated in the state of Michigan, United States of America.

During 2011, the Company changed its name from UFP Insurance Ltd. to Ardellis Insurance Ltd.

The Company currently provides coverage for medical stop loss, general liability, automobile physical damage liability, property, workers' compensation, trade credit insurance and environmental liabilities of the Parent and its subsidiaries. The Company also currently provides coverage for medical stop loss, excess general liability, professional liability, property reinsurance of unrelated third parties. (approximately 42% (2019: 44%) of total is related party business).

The Board of Directors approved the Company's fiscal period-end to end on the last Saturday closest to December 31 calendar year. As a result, the period-end date fluctuates from period to period by one or more days.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, and expenses during the reporting period. Actual results could differ from those estimates. The following are the significant accounting policies adopted by the Company.

Cash and Cash Equivalents

The Company considers all time deposits and highly liquid debt investments purchased with an original maturity of ninety days or less as cash and cash equivalents.

Investments

The Company classifies its fixed maturity investments as available-for-sale with the changes in fair value of unrealized gains or losses, net of deferred taxes, reported as a separate component of comprehensive income or loss until sold. Realized gains and losses on the sale of fixed maturity investments are accounted for in the income statement.

The Company classifies its equity securities as available-for-sale, the changes in fair value of the equity investments are recognized within net investment income or loss on the statement of income statement.

2. Significant Accounting Policies (continued)

Reserve for Losses and Loss Expenses

Reserve for the provision for unsettled, reported losses is based on estimates of the final settlement.

The provision for losses incurred but not reported is based upon a review of the past loss experience estimates of management and actuarial evaluation. The final settlement of losses may be materially greater or less than amounts provided. Any such differences, when they become known, will be recognized in current operations.

Fair Value of Financial Instruments

Fair value disclosures with respect to certain financial instruments (as defined by Accounting Standards Codification (ASC) 825, *Financial Instruments)* are included separately herein where appropriate. The carrying values of other financial instruments approximate their fair values due to the short-term nature of the balances. These include due from parent, loans receivable, factored receivables, insurance balance receivable, loss escrow funds, income tax payable, and accounts payable and accrued liabilities.

Premiums

Premiums written are recognized on a pro rata basis over the terms of the policies.

Premiums written that relate to future periods are reflected as unearned premiums.

The Company may examine and audit the Parent's books and records at any time during a policy period and within five years after the final termination date of a policy. Any resulting adjustment to premium is reflected in the period they become known.

Interest Income

Interest income comprises income earned on cash and cash equivalents, common stock, marketable securities, factored receivables, amounts due from parent, and loans receivable.

Income Taxes

The Company has elected to be treated as a United States of America domestic insurance company for United States of America federal income tax purposes. The Company records its income tax liability and deferred tax assets in accordance with ASC 740, *Income Taxes*. The Company records deferred income taxes, which reflect the net tax effect of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is recognized, if based on the weight of available evidence, it is more likely than not, that some portion or all of the deferred tax asset will not be recognized.

2. Significant Accounting Policies (continued)

New Accounting Standards

New Accounting Standards – Not yet Adopted

<u>*Credit losses*</u>

In June 2016, the FASB issued a new credit loss standard ASU 2016-13 that changes the impairment model for most financial assets and certain other instruments. The guidance will replace the current "incurred loss" approach with a more forward looking "expected loss" model for instruments measured at amortized cost and will require entities to record allowances for available-for-sale debt securities rather than reduce the carrying amount. This guidance is effective for fiscal periods beginning after December 15, 2019 for public entities and effective for fiscal periods beginning after December 15, 2022 for all other entities. The Company is currently assessing the impact this guidance will have on future financial statements and related disclosures.

(Expressed in United States dollars)

3. Investments

The cost/amortized cost and estimated fair market value of the Company's investments as at December 26, 2020 and December 28, 2019, are as follows.

As of December 26, 2020:

	Cost/ Amortized Cost	Net Unrealized Gains	Net Unrealized Losses	Estimated Fair Value
Corporate bonds	$ 14,711,916	$ 1,076,970	$ -	$ 15,788,886
Foreign bonds	1,400,614	68,568	-	1,469,182
U.S. Government bonds	307,054	-	-	307,054
Bonds – Mutual funds	-	-	-	-
Domestic stock	14,040,653	3,450,277	-	17,490,930
International stock	3,583,166	711,657	-	4,294,823
Alternative investments	2,385,411	137,013	-	2,522,424
Total	$ 36,428,814	$ 5,444,485	$ -	$ 41,873,299

As of December 28, 2019:

	Cost/ Amortized Cost	Net Unrealized Gains	Net Unrealized Losses	Estimated Fair Value
Corporate bonds	$ 14,692,883	$ 335,253	$ -	$ 15,028,136
Foreign bonds	865,218	17,461	-	882,679
U.S. Government bonds	303,518	-	-	303,518
Bonds – Mutual funds	648,361	-	(21,758)	626,603
Domestic stock	9,027,770	1,961,302	-	10,989,072
International stock	3,151,622	71,663	-	3,223,285
Alternative investments	3,577,121	110,574	-	3,687,695
Total	$ 32,266,493	$ 2,496,253	$ (21,758)	$ 34,740,988

The Company's marketable securities consist of a portfolio of common stock, fixed income securities and alternative investments in a variety of industry sectors managed by Merrill Lynch and Blackrock. Fixed Income investments consist of short, intermediate, and long-term bonds, as well as fixed blend bonds. Within the fixed income investments, there is a specific mixture of US treasury notes and various corporate securities. Equity funds investments consist of small, mid, and large cap growth and value funds, as well as international equity.

(Expressed in United States dollars)

3. Investments (continued)

In evaluating credit losses, the Company considers a variety of factors in the assessment of a security including: (1) the time period during which there has been a significant decline below cost; (2) the extent of the decline below cost and par; (3) the potential for the security to recover in value; (4) an analysis of the financial condition of the issuer; (5) the rating of the issuer; and (6) failure of the issuer of the security to make scheduled interest or principal payments.

Based on the factors described above, the Company determined that no credit losses existed for the Company's investments in fixed income securities.

The amortized cost and estimated fair values of debt securities classified as available for sale as at December 26, 2020 and December 28, 2019 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

As of December 26, 2020:

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 2,555,163	$ 2,569,514
Due after one year through five years	6,714,299	7,161,655
Due after five years through ten years	7,150,122	7,833,952
Due after ten years	-	-
Fixed income securities	$ 16,419,584	$ 17,565,121

As of December 28, 2019:

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 1,232,297	$ 1,240,018
Due after one year through five years	8,221,656	8,381,137
Due after five years through ten years	6,407,666	6,593,178
Due after ten years	-	-
Fixed income securities	$ 15,861,619	$ 16,214,333

(Expressed in United States dollars)

3. Investments (continued)

Major categories of net investment income are summarized as follows:

	2020	2019
Interest	$ 456,202	$ 419,533
Dividends	498,512	493,380
Net realized gains	802,025	258,562
Net unrealized gains/ (losses)	2,075,576	2,523,339
Investment expenses	(179,217)	(162,274)
Net investment income/ (loss)	$ 3,653,098	$ 3,532,540

Fair value measurement

The Company follows ASC Topic 820, Fair Value Measurements and Disclosures, which provides a consistent definition of fair value, focuses on exit price, prioritizes the use of market-based inputs over entity-specific inputs for measuring fair value and establishes a three-tier hierarchy for fair value measurements. This topic requires fair value measurements to be classified and disclosed in one of the following three categories:

Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges.

Level 2: Financial instruments lacking unadjusted, quote prices from active market exchanges, including over-the-counter traded financial instruments. Financial instrument values are determined using prices for recently traded financial instruments with similar underlying terms and direct or indirect observational inputs, such as interest rates and yield curves at commonly quoted intervals.

Level 3: Financial instruments not actively traded on a market exchange and there is little, if any, market activity. Values are determined using significant and unobservable inputs or valuation technologies.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement of the asset or liability. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and the Company considers factors specific to the asset or liability.

(Expressed in United States dollars)

3. Investments (continued)

The Company reviews its investments measured at fair value and discusses the proper classification of such investments with its investment advisors. The Company's review process includes, but is not limited to initial and ongoing evaluation of methodologies used by outside parties to calculate fair value, where information is available, which includes selecting securities sold and comparing the executed prices to the fair value estimates from the pricing services. The Company values its investments using published market prices.

Fair value measurement

Below is a summary of the financial instruments that are measured at fair value on a recurring basis at December 26, 2020 and December 28, 2019.

As of December 26, 2020:	Level 1	Level 2	Level 3	*Practical Expedient	Total
Corporate bonds	$ -	$ 15,788,886	$ -	$ -	$ 15,788,886
Foreign bonds	-	1,469,181	-	-	1,469,181
U.S. Government bonds	307,054	-	-	-	307,054
Bonds – mutual funds	-	-	-	-	-
Domestic Stocks	17,490,930	-	-	-	17,490,930
International stocks	4,294,824	-	-	-	4,294,824
Alternative Investments	482,070	-	-	2,040,354	2,522,424
Total	$ 22,574,878	$ 17,258,067	$ -	$ 2,040,354	$ 41,873,299

As of December 28, 2019:	Level 1	Level 2	Level 3	*Practical Expedient	Total
Corporate bonds	$ -	$ 15,028,136	$ -	$ -	$ 15,028,136
Foreign bonds	-	882,679	-	-	882,679
U.S. Government bonds	303,518	-	-	-	303,518
Bonds – mutual funds	626,603	-	-	-	626,603
Domestic Stocks	10,989,072	-	-	-	10,989,072
International stocks	3,223,285	-	-	-	3,223,285
Alternative Investments	1,746,872	-	-	1,940,823	3,587,695
Total	$ 16,889,350	$ 15,910,815	$ -	$ 1,940,823	$ 34,740,988

* In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

4. Factored Receivables

On October 14, 2008, the Company entered into a Program for Accounts Receivable Transfer Agreement with a related company and the Parent. As of December 26, 2020, the Company had $34,949,486 (December 28, 2019 – $34,894,352) of receivables purchased and outstanding under the agreement. This receivable is recorded based on the face value of the receivables purchased less an agreed dilution percentage based on historical performance and is recorded net of prepaid interest of $50,514 (December 28, 2019 - $105,648).

Under the terms of this arrangement, the Company purchases specific receivables, on a non-recourse basis, from the related company at an agreed-upon price at terms ranging from one month to one year; the related company services the receivables sold and outstanding on behalf of the Company at a rate of 0.5%; and the maximum amount of receivables that may be outstanding at any point in time under this arrangement is $35,000,000 (December 28, 2019 – $35,000,000). A servicing fee for the period ended December 26, 2020 amounts to $176,458 (December 28, 2019 – $161,819), which is recorded in net interest income in the statement of income.

The Company assesses the collectability of the receivables purchased regularly and an allowance for doubtful accounts is recorded as needed. There was no allowance recorded as at December 26, 2020 or December 28, 2019.

5. Due from Parent

The Company entered into a revolving line of credit agreement with variable interest rates with the Parent and includes a loan established on September 1, 2007, amounting to $15,000,000, accruing interest based on the 90-day Libor rate on the date of inception, plus 1%. This agreement was revised on June 23, 2011 and again on June 23, 2019.

According to new terms, the Parent can borrow up to $24,000,000, as a term loan of $16,000,000, accruing interest at the rate of 4.0% compounded annually and a revolving line of credit with a limit of $8,000,000, accruing interest based on the 90 day Libor rate on the date of inception, plus 1.25%. This agreement can be closed at any time at the mutual will of both parties.

The current amount outstanding on the notes as of December 26, 2020 is $24,046,003 (December 28, 2019 – $24,084,618), which also includes accrued interest in the amount of $46,003 (December 28, 2019 – $84,618).

6. Loss Escrow Funds

As at December 26, 2020, loss escrow funds amounted to $41,065 (December 28, 2019 – $199,337) and prefunded claims of $463,935 (December 28, 2019 - $300,663). These funds represent amounts paid as a guarantee for losses and loss expenses paid by the claims handler on behalf of the Company.

(Expressed in United States dollars)

7. Reserve for Losses and Loss Expenses

The activity in the reserve for losses and loss expenses is summarized as follows:

	December 26, 2020	December 28, 2019
Balance, beginning of period	$ 28,980,869	$ 27,546,351
Incurred related to:		
Current period	29,889,581	28,529,855
Prior periods	(2,026,035)	481,267
Total incurred	27,863,546	29,011,122
Paid related to:		
Current period	(11,684,581)	(8,164,834)
Prior periods	(16,049,070)	(19,411,770)
Total paid	(27,733,651)	(27,576,604)
Net balance, end of period	$ 29,110,764	$ 28,980,869

Open claims, and reserves associated with any liability are reviewed, and assessed by management on a case by case basis throughout the period. These reserves are adjusted accordingly based on the best information available at that time.

Inherent in estimates of losses are expected trends in claim severity, and frequency, and other factors, which could vary significantly as claims are settled. The outcome of these matters is not presently determinable. Accordingly, ultimate losses may differ materially from the amounts provided in the financial statements, and potential variations in the estimates could have a significant effect on shareholder's equity, and the Company's compliance with statutory solvency requirements.

For the period ended December 26, 2020, the net favorable loss development of $2,026,035 for prior periods was primarily due to favorable development on workers' compensation, auto liability, medical stop loss and general liability for the 2019 policy period. For the period ended December 28, 2019, the net adverse loss development of $481,267 for prior periods was primarily due to favorable development on workers' compensation, auto liability, medical stop loss and general liability for the 2018 and 2015 policy period.

(Expressed in United States dollars)

8. Taxation

Bermuda

At the present time, no taxes are levied in Bermuda on receipts, dividends, capital gains, gifts or net income. In the event that such taxes are levied, the Company has received an undertaking from the Bermuda Government exempting it from all such taxes until March 31, 2035.

United States of America (U.S.)

The Company elected to be treated as a U.S. domestic insurance company for U.S. federal tax purposes under section 953(d) of the U.S. Internal Revenue Code, and is therefore subject to income taxation in the U.S. Under this election, the Company is included in a U.S. consolidated federal income tax return with its parent company. The parent allocates current and deferred income taxes on a separate company basis, as if the Company was not included in the consolidated income tax return.

The net deferred tax asset reflects the enacted tax rates and laws that will be in effect when the temporary differences between U.S. GAAP and U.S. tax accounting are expected to reverse for the discounting of reserve for losses and loss expenses and reserve for unearned premiums and unrealized gains or losses on investments.

The components of deferred tax asset as of December 26, 2020 and December 28, 2019, are as follows:

	2020	2019
Discounting of reserve for losses and loss expenses	$ 635,894	$ 600,521
Reserve for unearned premiums	299,670	302,669
Net unrealized (gain)/ loss on investments	(1,143,342)	(519,644)
Accruals	34,194	-
Deferred tax asset/(liability)	$ (173,584)	$ 383,546

The components of the income tax expense as of December 26, 2020 and December 28, 2019, are as follows:

	2020	2019
Current income tax expense	$ 3,131,090	$ 2,923,233
Deferred income tax expense/ (benefit)	378,506	369,881
	$ 3,509,596	$ 3,293,114

(Expressed in United States dollars)

9. Other Comprehensive Losses or Income

Other comprehensive income, consisting of unrealized gains on fixed maturity investments, net of tax for the period ended December 26, 2020.

	2020		
	Before Tax Amount	Tax Expense	Net of Tax Amount
Net holding income arising during period	$ 1,282,552	$ (269,336)	$ 1,013,216
Other comprehensive income	$ 1,282,552	$ (269,336)	$ 1,013,216

Other comprehensive income, consisting of unrealized losses on fixed maturity investments and equity securities, net of tax, was as follows for the period ended December 28, 2019:

	2019		
	Before Tax Amount	Tax Benefit	Net of Tax Amount
Net holding income arising during period	$ 388,137	$ (81,509)	$ 306,628
Other comprehensive income	$ 388,137	$ (81,509)	$ 306,628

10. Share Capital

	December 26, 2020	December 28, 2019
Authorized, issued and fully paid:		
120,000 shares of $1 each par value	$ 120,000	$ 120,000

11. Concentration of Credit Risk

The Company is a party to financial instruments with concentration of credit risk in the normal course of business. These financial instruments include cash and cash equivalents, factored receivables, due from parent, loans receivable, insurance balances receivable, and escrow.

12. Market Risk

The Company is subject to market risk on its securities owned. As a result of changes in market conditions, the values of these financial instruments will fluctuate.

13. Liquidity Risk

The Company is potentially subject to liquidity risk on some of its privately held or illiquid securities owned. As a result, the Company may be unable to realize the full fair value of these securities since it may not be able to liquidate its positions in a timely manner.

14. Statutory Requirements

The Company is registered under the Bermuda Insurance Act 1978, and Related Regulations (the Act), and is obligated to comply with various provisions of the Act regarding solvency, and liquidity. Statutory capital and surplus as at December 26, 2020 was $86,356,123 (December 28, 2019 – $72,262,144) and the amount required to be maintained by the Company was $6,975,315 (December 28, 2019 – $7,131,259). In addition, a minimum liquidity ratio must be maintained whereby relevant assets, as defined by the Act, must exceed 75% of relevant liabilities. As at December 26, 2020 and December 28, 2019, the liquidity ratio was met.

15. COVID-19

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 and its parent operate is still somewhat 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 through December 26, 2020. 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 through December 26, 2020. Because of this assessment, management has ultimately concluded that as at December 26, 2020, 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.

At this time, we do not foresee any adverse implications of COVID-19 on the business of the company.

16. Subsequent Events

In preparing the financial statements, management evaluated subsequent events through April 29, 2021, which is the date that these financial statements are available to be issued. No subsequent events were noted by management as of the date the issuance of the financial statements.