BOUDICCA INSURANCE COMPANY LTD.

Financial Statements
(With Independent Auditor's Report Thereon)

Year ended February 20, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of Boudicca Insurance Company Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Boudicca Insurance Company Ltd. (the "Company"), which comprise the statement of financial position as at February 20, 2021, the statements of profit (loss) and total comprehensive income (loss), changes in shareholder's equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at February 20, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 30, 2021

BOUDICCA INSURANCE COMPANY LTD.

Statement of Financial Position

As at February 20, 2021
(Expressed in United States Dollars)

	2021	2020
Assets		
Cash and cash equivalents (Note 8)	$ 169,992,251	$ 163,842,519
Marketable securities (Notes 3 and 8)	168,410,150	168,099,053
Prepaid expenses	16,586	16,589
Total assets	$ 338,418,987	$ 331,958,161
Liabilities		
Estimated outstanding claims (Note 4)	$ 157,865,416	$ 147,953,423
Claims payable	9,155,896	13,862,686
Accounts payable and accrued liabilities	156,475	246,654
Total liabilities	167,177,787	162,062,763
Shareholder's equity		
Share capital (Note 5)	300,000	300,000
Retained earnings	170,941,200	169,595,398
Total shareholder's equity	171,241,200	169,895,398
Total liabilities and shareholder's equity	$ 338,418,987	$ 331,958,161

The notes are an integral part of these financial statements

Approved by the Board of Directors

Barbara Farella Director

John G Neal Director

BOUDICCA INSURANCE COMPANY LTD.

Statement of Profit (Loss) and Total Comprehensive Income (Loss)

For the Year Ended February 20, 2021
(Expressed in United States Dollars)

	2021	2020
Reinsurance operations		
Premium written and earned	$ 31,000,000	$ 28,250,000
Underwriting expenses		
Claims and claim expenses paid (Note 4)	(36,639,806)	(46,830,987)
Movement in estimated outstanding claims (Note 4)	(9,911,993)	(30,867,766)
Claims and claim expenses incurred	(46,551,799)	(77,698,753)
Net underwriting loss	(15,551,799)	(49,448,753)
Investment income (Note 3)	17,175,857	25,703,048
Administrative expenses	(265,756)	(310,544)
Net income (loss) being comprehensive income (loss) for the year	$ 1,358,302	$ (24,056,249)

The notes are an integral part of these financial statements

BOUDICCA INSURANCE COMPANY LTD.

Statement of Changes in Shareholder's Equity

For the Year Ended February 20, 2021
(Expressed in United States Dollars)

	Share Capital	Retained Earnings	Total
Balance as at February 20, 2019	$ 300,000	$ 193,664,147	$ 193,964,147
Net loss for the year	–	(24,056,249)	(24,056,249)
Dividends paid to owner of the Company	–	(12,500)	(12,500)
Balance as at February 20, 2020	$ 300,000	$ 169,595,398	$ 169,895,398
Net income for the year	–	1,358,302	1,358,302
Dividends paid to owner of the Company	–	(12,500)	(12,500)
Balance as at February 20, 2021	$ 300,000	$ 170,941,200	$ 171,241,200

The notes are an integral part of these financial statements

BOUDICCA INSURANCE COMPANY LTD.

Statement of Cash Flows

For the Year Ended February 20, 2021
(Expressed in United States Dollars)

	2021	2020
Operating activities		
Net income (loss) for the year	$ 1,358,302	$ (24,056,249)
Items not affecting cash:		
Net realized and unrealized gains on marketable securities	(16,650,060)	(22,329,359)
Items presented separately:		
Interest earned on cash	(719,560)	(3,563,687)
Net changes in non-cash balances relating to operations:		
Prepaid expenses	3	5,251
Estimated outstanding claims	9,911,993	30,867,766
Claims payable	(4,706,790)	12,252,873
Accounts payable and accrued liabilities	(90,179)	88,936
Cash flows used in operating activities	(10,896,291)	(6,734,469)
Investing activities		
Proceeds on sale of marketable securities	27,235,521	13,095,033
Purchases of marketable securities	(10,896,558)	–
Interest earned	719,560	3,563,687
Cash flows provided by investing activities	17,058,523	16,658,720
Financing activities		
Dividends paid to owner of the Company	(12,500)	(12,500)
Cash flows used in financing activities	(12,500)	(12,500)
Net increase in cash and cash equivalents	6,149,732	9,911,751
Cash and cash equivalents at beginning of year	163,842,519	153,930,768
Cash and cash equivalents at end of year	$ 169,992,251	$ 163,842,519

The notes are an integral part of these financial statements

1. General

Boudicca Insurance Company Ltd. (the "Company") is incorporated under the laws of Bermuda and is licensed as a Class 3A insurer under the Insurance Act 1978 of Bermuda and related regulations. The registered office of the Company is Butterfield Bank Building, 6th Floor, 65 Front Street, Hamilton HM 12, Bermuda.

The Company provides quota share and excess of loss protection and indemnity reinsurance coverage to a marine mutual insurance association (the "Association") which is incorporated in the United Kingdom.

The World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic on March 11, 2020. The resulting economic uncertainties that arose had serious and adverse consequences to business conditions around the globe. The COVID-19 outbreak resulted in limitations on travel, transportation, education, production of goods, provision of services and businesses operations generally. The COVID-19 pandemic continues to cause economic uncertainties to business conditions around the globe. While the overall impact of COVID-19 remains uncertain, the Company does not believe it poses a long-term material threat to its operational or financial integrity.

2. Significant accounting policies

These 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 April 30, 2021.

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

The financial statements are prepared on a historical cost basis with the exception of marketable securities and cash, which are presented at fair value, and outstanding claims, which are estimated.

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that may affect the application of accounting policies 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 the estimates are revised and in any future periods affected.

The following are the significant accounting policies adopted by the Company:

(a) Premiums written and earned

Premiums written are recorded on the accrual basis. Premiums are recognised as income on a pro-rata basis over the term of the underlying contracts. All contracts are coterminous with the Company's year-end.

(b) Estimated outstanding claims

Claims and claims expenses paid are recorded when advised by the reinsured. Estimated outstanding claims represent the amounts needed to provide for the estimated ultimate cost of settling claims relating to insured events (both reported and unreported) and claims adjustment expenses that have occurred before the balance sheet date. These amounts are based upon estimates of claims reported by the reinsured plus an estimate for claims incurred but not reported based on management's judgment, involvement of an actuary and using the experience of the reinsured entity.

2. Significant accounting policies (continued)

(b) Estimated outstanding claims (continued)

All provisions are periodically reviewed and evaluated in the light of emerging claims experience and changing circumstances. It is reasonably possible that changes in future conditions in the near term could require a material change in the amount estimated. The resulting changes in estimates of the ultimate liability are recorded as incurred claims in the period they are determined.

(c) Marketable securities

Marketable securities comprise investments in index linked funds. These are classified as held for trading and are carried at fair value with any unrealized gains and losses included in the statement of profit or loss and total comprehensive loss. The fair values of these assets are based on quoted prices obtained from the investment manager. Unrealized gains and losses represent the difference between the valuation of marketable securities at the balance sheet date and either their purchase price or their valuation at the commencement of the year.

Gains and losses on the disposal of marketable securities are reflected in income when realized. They are computed using the specific cost of funds sold.

(d) Investment income

All investment income is recorded on the accrual basis.

(e) Cash and cash equivalents

The Company considers all cash on hand, money market funds, deposits with financial institutions that can be withdrawn without prior notice or penalty, and short-term deposits with an original maturity of ninety days or less as equivalent to cash. The carrying amounts reported on the statement of financial position approximate their fair values.

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

IFRS 9 – Financial Instruments and Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In July 2014, the IASB issued IFRS 9 Financial Instruments ("IFRS 9") which is effective for annual periods beginning on or after January 1, 2018. The standard includes new principles around classification and measurement of financial instruments and introduces an impairment model based on expected credit losses (replacing the current model based incurred losses). The IASB subsequently issued Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ("the Amendments") which allows entities which meet certain requirements to defer their implementation of IFRS 9 until adoption of IFRS 17 or January 1, 2023, whichever is the earlier.

For an insurer to apply this deferral:

(i) Total liabilities related to insurance must exceed 90% of total liabilities; or

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

The Company's liabilities related to insurance as at February 20, 2021 were 99.91% (2020 - 99.85%) of total liabilities; the Company therefore qualifies to defer IFRS 9.

2. Significant accounting policies (continued)

The Amendments require disclosures to allow comparison of financial assets with those of entities applying IFRS 9.

As at February 20, 2021:

	Financial assets that give rise solely to payments of principal and interest		All other financial assets	
	Fair value	Fair value change in the financial year	Fair value	Fair value change in the financial year
Index linked funds	–	–	168,410,150	2,196,235
	–	–	168,410,150	2,196,235

As at February 20, 2020:

	Financial assets that give rise solely to payments of principal and interest		All other financial assets	
	Fair value	Fair value change in the financial year	Fair value	Fair value change in the financial year
Index linked funds	–	–	168,099,053	14,886,964
	–	–	168,099,053	14,886,964

The above table shows the financial assets in accordance with IFRS 9 and splits them between a group that satisfies the cash flow criterion for financial assets as well as other financial assets. Index linked funds are currently measured at fair value through profit or loss, which due to their nature cannot fulfill the IFRS 9 cash flow criterion. The cash flow criterion is met if the contractual conditions of the financial instrument give rise to cash flows at set times that are Solely Payments of Principal and Interest (the “SPPI” test). As the Company has already been reporting fair value changes through profit and loss, IFRS 9 shall have little impact to the Company.

3. Marketable securities

(i) The cost and fair value of marketable securities are as follows:

	2021		2020	
	Cost	Fair value	Cost	Fair value
Index linked funds	$ 81,781,279	$ 168,410,150	$ 83,666,417	$ 168,099,053

(ii) Investment income earned is as follows:

	2021	2020
Interest earned on cash	$ 719,560	$ 3,563,687
Net realized and unrealized gains on marketable securities	16,650,060	22,329,359
Investment expenses	(193,763)	(189,998)
	$ 17,175,857	$ 25,703,048

(iii) In accordance with the amendments to IFRS 13 Fair Value Measurement ("IFRS 13"); the fair value of marketable securities is based on a three-level fair value hierarchy that reflects the significance of the inputs used in measuring the fair values.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to fair values derived from unobservable inputs (Level 3). The three levels of the fair value hierarchy under IFRS 13 are described below:

Level 1 – Quoted prices for identical 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.

3. Marketable securities (continued)

The Company's marketable securities portfolio entirely consists of investments in index linked funds which are traded daily on an open market and as such are classified as Level 1.

As at February 20, 2021:

	Total	Level 1	Level 2	Level 3
Index linked funds	$ 168,410,150	$ 168,410,150	$ –	$ –

As at February 20, 2020:

	Total	Level 1	Level 2	Level 3
Index linked funds	$ 168,099,053	$ 168,099,053	$ –	$ –

The Company's investments in index linked funds comprise $69,587,376 (2020 - $67,242,631) of Worldwide equities, $66,494,118 (2020 - $67,540,690) of Corporate bonds and $32,328,656 (2020 - $33,315,732) of Government bonds. 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. There have been no reclassifications between levels during the year.

4. Estimated outstanding claims

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The table below illustrates how the Company's estimated outstanding claims have developed at successive year ends. The table reconciles the cumulative claims to the amounts appearing in the statement of financial position as at February 20, 2021.

Underwriting year	2018	2019	2020	2021	Total
Estimate of ultimate claims costs					
At end of reporting year	$ 55,811,816	$ 74,982,364	$ 70,482,565	$ 70,679,150	
One year later	29,328,914	79,396,124	58,513,292		
Two years later	31,412,269	71,183,995			
Three years later	27,515,432				
Four years later					
Five years later					
Current estimate of cumulative claims	27,515,432	71,183,995	58,513,292	70,679,150	227,891,869
Cumulative payments to date	(20,527,090)	(26,992,833)	(10,674,530)	(11,832,000)	(70,026,453)
Estimated outstanding claims	$ 6,988,342	$ 44,191,162	$ 47,838,762	$ 58,847,150	$ 157,865,416

On January 19, 2021 the commutation to the Association of the 2018 underwriting year was approved by the board for $6,988,342 and was unsettled at year end. The 2015 and 2017 underwriting years were commuted in 2020 and the 2016 underwriting year was commuted in 2019.

The claims and claim expenses incurred reported in the statement of profit or loss and total comprehensive loss, is comprised as follows:

	2021	2020
Current year claims and claim expenses	$ 70,679,150	$ 70,482,565
(Over) Under provision in respect of prior year claims and claim expenses	(24,127,351)	7,216,188
Claims and claim expenses incurred	$ 46,551,799	$ 77,698,753

4. Estimated outstanding claims (continued)

The movement in the reserve for estimated outstanding claims is summarised below:

	2021	2020
Balance at beginning of year	$ 147,953,423	$ 117,085,657
Claims and claim expenses incurred	46,551,799	77,698,753
Claims and claim expenses paid	(36,639,806)	(46,830,987)
Balance at end of year	$ 157,865,416	$ 147,953,423

As a result of the change in estimates of insured events in prior years, estimated outstanding claims on the excess of loss protection and indemnity reinsurance coverage experienced favorable development of $24,127,351 for the year ended February 20, 2021 (2020 - unfavorable $7,216,188).

5. Share capital

Authorised share capital consists of 300,000 ordinary shares of par value US$1 each and 700,000 8% cumulative preference shares of par value US$1 each. Of these, all of the 300,000 ordinary shares are issued and fully paid. The Company is a wholly owned and ultimately controlled by Iceni Trust, a Bermuda Purpose Trust, established under Bermuda Law.

6. 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 Bermuda government that, in the event of any such taxes being imposed, the Company will be exempted from such taxes until the year 2035.

7. Statutory requirements

The Company is required by its license to maintain capital and surplus greater than a minimum statutory amount determined as the greater of a percentage of outstanding losses or a given fraction of net written premiums. As at February 20, 2021 the Company is required to maintain a minimum statutory capital and surplus based on the minimum solvency margin of $23,679,812 (2020 - $22,193,013). Actual statutory capital and surplus is $171,224,614 (2020 - $169,878,809) and accordingly the requirement is met.

7. Statutory requirements (continued)

Actual statutory capital and surplus as at February 20, 2020, as determined using statutory accounting principles, is as follows:

Total shareholder's equity	$ 171,241,200
Less non-admitted assets:	
Prepaid expenses	(16,586)
Statutory capital and surplus	$ 171,224,614

The Company is also required to maintain a minimum liquidity ratio whereby the value of its relevant assets are not less than 75% of the amount of its relevant liabilities. Relevant assets include cash and time deposits, investments and investment income accrued. Certain categories of assets do not qualify as relevant assets under the statute. The relevant liabilities are total general business insurance reserves and total other liabilities, less sundry liabilities.

As at February 20, 2021, the Company was required to maintain relevant assets of at least $125,383,340 (2020 - $121,547,072). At that date relevant assets were $338,402,401 (2020 - $331,941,572) and the minimum liquidity ratio was therefore met.

As a Class 3A insurer, 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 and related regulations. Each year the Company is required to file with the Bermuda Monetary Authority (the "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, which was revised under new legislation enacted in 2008, 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, a schedule of fixed income securities, including a schedule for the statutory Economic Balance Sheet. The BSCR includes a standardised model used to measure the risk associated with an insurer's assets, liabilities and premiums, and a formula to take account of underwriting risk exposure. The Authority requires all Class 3A insurers to maintain their capital at a target level which is 120% of the minimum amount calculated in accordance with the BSCR or the Company's approved internal model (the Enhanced Capital Requirement or "ECR").

The Company is prohibited from declaring or paying a dividend if its Class 3A 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. Further, the Company must obtain the Authority's prior approval for a reduction by 15% or more of the total statutory capital or 25% of the total statutory capital and surplus, as set forth in its previous year's financial statements. The maximum amount available for payment of dividends or other distributions from retained earnings in the current year without prior regulatory approval is $42,469,702 (2020 - $48,485,577).

8. Financial instrument disclosure and presentation

Underwriting risk

Underwriting risk may arise from an inaccurate assessment of the risks associated with writing an insurance policy or from uncontrollable factors and as result, the insurer's costs may significantly exceed earned premiums.

The Company provides quota share and excess of loss protection and indemnity reinsurance coverage to a marine mutual insurance association and as such, would be sensitive to their favorable or unfavorable claims experience. The Company considers that the liability for insurance claims recognized in the statement of financial position is prudent. However, actual experience will differ from the expected outcome

Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk; interest rate risk, foreign currency risk and other price risk. Other price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk.

The Company funds its insurance liabilities with a portfolio of exchange traded funds which are exposed to interest rate risk. The Company manages interest rate risk by matching the cash flow profile of assets and liabilities. No other financial assets or liabilities are exposed to interest rate risk.

The Company is exposed to equity securities price risk because of its marketable securities. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

As at February 20, 2021, cash and cash equivalents total $169,992,251 (2020 - $163,842,519), the majority of which 99.71% (2020 - 99.83%) is held in highly liquid money market accounts with one global financial institution with a credit rating of Aa2. The Company invests in index linked funds and does not hold individual securities. The Company engages independent professional advisors and in the opinion of management the risk of loss due to credit risk is not significant.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet its commitments.

The Company has a maturity profile that ensures that it is able to meet liabilities arising as claims become due. Accounts payable and accrued expenses and claims payable are expected to be paid within the year and the estimated outstanding liabilities are expected to be paid in one to five years. All index linked funds can be liquidated on demand without restriction.