The Board of Directors
Xpedition Re Limited
c/o Marsh Management Services (Bermuda) Limited
Power House
7 Par-la-Ville Road
Hamilton HM11

Attention: Bradley Meindersma

May 31, 2021

Reference: DCG/SOB/cd 0.1570185.001

Subject: Xpedition Re Limited

Dear Recipient,

We enclose one signed copy of the financial statements of Xpedition Re Limited, for the year ended December 31, 2020. We draw your attention to Appendix A attached, which includes matters that the auditor is required to communicate to those charged with governance in accordance with generally accepted auditing standards.

Very truly yours,

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

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"PwC" refers to PricewaterhouseCoopers Ltd. (a Bermuda limited company), which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity. "Partner" is a title referring to a shareholder, managing director or employee of equivalent standing of PricewaterhouseCoopers Ltd.

Appendix A

As required by AU-C 260, 'The Auditor's Communication with Those Charged with Governance', we are writing to report the following significant matters which were identified as a consequence of our audit and that we, as the auditors of the Company, wish to draw to your attention.

We note that our requirement to report significant matters is restricted to include only those audit matters of governance interest that have come to our attention as a result of the performance of the audit.

An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters.

This appendix has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as this appendix has not been prepared for, and is not intended for, any other purpose.

Matter to be communicated	***Our response***
Relationships between PwC (or any affiliates of the Firm) and the Company (and its affiliates) and other matters that might reasonably be thought to bear on independence - We are required to report on relationships and other matters between the Company, its management and ourselves that may reasonably be thought to bear on our independence.	There were no relationships or other matters identified that might reasonably be thought to bear on independence.
Auditor's responsibility under Generally Accepted Auditing Standards – We are required to communicate our responsibility under generally accepted auditing standards. We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of those charged with governance are presented fairly, in all material respects, in conformity with generally accepted accounting principles. We are required to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. An audit is not designed to detect error or fraud that is immaterial to the financial statements. An audit is not designed to provide assurance on internal control or to identify material weaknesses. An audit does not relieve management or those charged with governance of their responsibilities.	These standards are discussed in the Company's engagement letter.

Appendix A (cont'd)

Matter to be communicated	*Our response*
Audit scope and timing – We are required to communicate an overview of our planned audit scope and timing.	There has been no change in the scope of our audit since previously communicated on December 8, 2020 during our audit planning meeting.
Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles, and the auditor's judgment about the quality of accounting policies – We are required to communicate our views about qualitative aspects of the Company's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures.	The Company's accounting policies are in accordance with generally accepted accounting principles and are considered to be appropriate. During the year, we have not discussed with management any significant alternative treatments for accounting policies and practices. There were no significant changes in accounting policies from the prior year. We have not identified any other matters required to be communicated.
Management judgments and accounting estimates – We are required to communicate significant areas requiring the use of management judgments and accounting estimates and our conclusions regarding the reasonableness of those judgments and estimates.	The most significant area requiring the use of judgments and accounting estimates is IBNR. We have concluded that judgments and accounting estimates in this area is reasonable.
Audit Adjustments – All significant audit adjustments and uncorrected misstatements, individually or in the aggregate, should be communicated.	There were no significant audit adjustments arising from the audit. Please see Appendix A of the representation letter for a listing of uncorrected misstatements.
Potential effect on the financial statements of any significant risks and exposures – We are required to communicate the potential effect on the financial statements of any significant risks and exposures.	We are not aware of any significant risks and exposures, such as pending litigation, which could materially affect the financial statements.

Appendix A (cont'd)

Matter to be communicated	*Our response*
Material uncertainties related to events and conditions that may cast doubt on the ability to continue as a going concern – We are required to communicate material uncertainties related to events and conditions that may cast doubt on the Company's ability to continue as a going concern.	We are not aware of any material uncertainties related to events and conditions that may cast doubt on the Company's ability to continue as a going concern.
Disagreements with management – We are required to communicate any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the Company's financial statements, the effectiveness of internal control or our audit report.	There were no disagreements with management.
Consultation with other accountants – We are required to communicate when management has consulted with other accountants about significant accounting or auditing matters.	Management has advised us that they have not relied on consultations with other accounting firms regarding any significant accounting matters in 2020.
Significant issues discussed, or subject to correspondence, with management prior to retention – We are required to communicate any issues discussed.	No such issues were discussed with management.
Significant difficulties encountered during the audit – We are required to communicate any significant difficulties encountered.	No difficulties were encountered while performing our audit that are required to be communicated.
Fraud and illegal acts – We are required to communicate any irregularities, frauds or illegal acts involving senior management or that would cause a material misstatement to the financial statements.	No such matters came to our attention as a result of our audit procedures.
Other material written communications – We are required to communicate other material written communications.	Other material written communications as part of our audit, include: ▪ Engagement letter ▪ Management representation letter
Audit report – We are required to report any expected modifications to our audit report.	There were no modifications to our audit report.

Appendix A (cont'd)

Matter to be communicated	*Our response*
Other matters – We are required to communicate any significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including the existence of any material weaknesses. We are also responsible, where applicable, for communicating particular matters required by laws or regulations.	We have not identified any other matters required to be communicated.

Xpedition Re Limited

(Incorporated in Bermuda)

Financial Statements

December 31, 2020

(expressed in U.S. dollars)

May 31, 2021

Report of Independent Auditors

To the Board of Directors and Shareholders of Xpedition Re Limited

We have audited the accompanying financial statements of Xpedition Re Limited, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income and comprehensive income, of changes in shareholder's equity and of cash flows for the years then ended.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of the 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 the 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 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 our 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, we consider 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 opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Xpedition Re Limited as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matter
Management has omitted the required supplemental information under Accounting Standards Update 2015-09, Disclosure about Short-Duration Contracts that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

Xpedition Re Limited

Balance Sheet

As at December 31, 2020

(expressed in U.S. dollars)

	2020 $	2019 $
Assets		
Cash and cash equivalents (note 3)	1,306,935	2,909,323
Investments – available for sale securities (note 3,4)	2,651,491	3,778,615
Deferred acquisition costs (note 12)	584,084	675,198
Premiums receivable	167,359	1,293,974
Due from related party	32,858	29,560
Prepaid expenses	16,991	-
Total Assets	4,759,718	8,686,670
Liabilities		
Accrued expenses	77,714	54,301
Due to related party	3,757	3,757
Investment payable	-	890,061
Loss and loss expenses payable	334,463	1,483,974
Loss and loss expense provisions (note 5)	460,167	933,720
Unearned premiums	901,164	1,310,647
Total Liabilities	1,777,265	4,676,460
Shareholder's Equity		
Share capital -		
Authorized, issued and fully paid		
120,000 shares of a par value of $1 each	120,000	120,000
Contributed surplus (note 7)	5,315,197	6,181,089
Accumulated other comprehensive income	(343)	978
Retained (deficit)	(2,452,401)	(2,291,857)
Total Shareholder's Equity	2,982,453	4,010,210
Total Liabilities and Shareholder's Equity	4,759,718	8,686,670

Approved by the Board of Directors

________________________ Director   ________________________ Director

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

Xpedition Re Limited

Statement of Income and Comprehensive Income

For the year ended December 31, 2020

(expressed in U.S. dollars)

	2020 $	2019 $
Underwriting income		
Gross premiums written	1,542,815	4,301,023
Change in unearned premiums	409,483	(416,510)
Net premiums earned	1,952,298	3,884,513
Underwriting expenses		
Loss and loss expenses (note 5)	919,448	2,536,457
Acquisition costs	992,141	2,606,544
Total underwriting expenses	1,911,589	5,143,001
Net underwriting profit (loss)	40,709	(1,258,488)
General and administrative expenses	(247,049)	(202,559)
Amortization on investments (note 4)	17,825	72,471
Investment income (note 4)	27,971	25,318
Net (loss) for the year	(160,544)	(1,363,258)
Other comprehensive (loss) income		
Other comprehensive (loss) income	(1,321)	889
Comprehensive (loss) for the year	(161,865)	(1,362,369)

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

Xpedition Re Limited

Statement of Changes in Shareholder's Equity

For the year ended December 31, 2020

(expressed in U.S. dollars)

	Contributed Surplus $	Share capital $	Retained Earnings $	Accumulated Other comprehensive income $	Total $
Opening Balance	4,806,284	120,000	(928,599)	89	3,997,774
Issued during period	-	-	-	-	-
Net loss for period	-	-	(1,363,258)	-	(1,363,258)
Other Comprehensive income	-	-	-	889	889
Paid in Surplus during period	1,374,805	-	-	-	1,374,805
Balance - December 31, 2019	6,181,089	120,000	(2,291,857)	978	4,010,210
Issued during year	(865,892)	-	-	-	(865,892)
Net loss for year	-	-	(160,544)	-	(160,544)
Other Comprehensive income	-	-	-	(1,321)	(1,321)
Paid in Surplus during year	-	-	-	-	-
Balance - December 31, 2020	5,315,197	120,000	(2,452,401)	(343)	2,982,453

Xpedition Re Limited

Statement of Cash Flows

For the year ended December 31, 2020

(expressed in U.S. dollars)

	2020 $	2019 $
Cash flows used in operating activities		
Net (loss) for the year	(160,544)	(1,363,258)
Non-cash adjustments:		
Change in unrealized (loss) gain	(1,321)	889
Prepaid expenses	(16,991)	8,366
Changes in operating assets and liabilities:		
Premiums receivable	1,126,615	(983,089)
Deferred acquisition costs	91,114	(138,715)
Loss deposits	-	10,185
Due to related party	-	(135,017)
Unearned premium reserves	(409,483)	416,510
Loss and loss expenses payable	(1,149,511)	1,483,974
Loss and loss expense provisions	(473,553)	673,186
Investment payable	(890,061)	890,061
Accounts payable and accruals	23,413	(10,027)
Net cash (used in) from operating activities	(1,860,322)	853,065
Cash flows used in investing activities		
Purchases of investments	(17,249,631)	(14,488,991)
Proceeds on investments	18,373,457	11,105,607
Net cash from (used in) investing activities	1,123,826	(3,383,384)
Cash flows from financing activity		
Return of contributed surplus	(865,892)	1,374,805
Net cash (used in) from financing activities	(865,892)	1,374,805
(Decrease) in cash and cash equivalents	(1,602,388)	(1,155,514)
Cash and cash equivalents - Beginning of year	2,909,323	4,064,837
Cash and cash equivalents – End of year	1,306,935	2,909,323

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

(expressed in U.S. dollars)

1. The Company

Xpedition Re Limited (the “Company”), a wholly-owned subsidiary of Xpedition Re Holdings Limited, was incorporated in Bermuda on May 23, 2017 and is registered as a Class 3A insurer under The Insurance Act 1978, amendments thereto and related regulations (“The Act”) as of December 22, 2017. The Company reinsures travel risks written through an affiliated managing general agent. The reinsurance agreement commenced on January 1, 2018 and the Company’s participation in these risks in 2019 and 2020 was equal to a 100% quota share of the total business produced by UnivOps Insurance Services LLC, and written by select companies within the State National Group.

2. Significant accounting policies

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities as at the balance sheet date. Estimates also affect the reported amounts of income and expenses for the reporting period. Actual results could differ from those estimates.

The following is a summary of the significant accounting policies adopted by the Company:

(a) **Cash and cash equivalents**
Cash includes amounts held in financial institutions in operating accounts, treasury bills, and money market funds. The Company considers money market funds and securities with maturities within 3 months of the purchase date to be equivalent to cash. The carrying amount approximates fair value because of the short maturity of these investments.

(b) **Premiums written and unearned premiums**
Premiums are recognized as revenue on a pro-rated basis over the period of the exposure. The exposure period is determined to be the date from which the policy was sold to the date the respective travel ends. The unearned portion of premiums is deferred on the balance sheet.

(c) **Acquisition costs and deferred acquisition costs**
Acquisition costs are comprised of ceding commissions, general agent commissions, partner commissions, and premium taxes that relate directly to the acquisition of premium.

Deferred acquisition costs are recognized in expenses on a pro-rated basis over the exposure period which is the date from which the policy was sold to the date the respective travel ends.

(d) **Loss and loss expenses**
Losses and loss expenses are recognised as incurred and are based on the estimated ultimate cost of settlement. Measures of experience and judgement are involved in assessing outstanding liabilities, the ultimate cost of which may not be known with certainty at the balance sheet date. Such liabilities are necessarily based on estimates and while the directors and management believe that the amounts are fairly stated, the ultimate liability may be in excess of, or less than, he amounts provided.

(expressed in U.S. dollars)

2. Significant accounting policies (cont'd)

(e) **Loss and loss expense provisions**
The provision for unpaid claims and claims expenses includes losses reported at the balance sheet date and an amount, based on past experience, for losses incurred but not reported ("IBNR"). The Company provides IBNR based on an analysis of the loss experience of the risks insured and the recommendations of independent actuaries. Adjustments to estimates will be included in the financial statements of subsequent periods when such adjustments become known.

(f) **Fair value of financial instruments**
Fair values of financial instruments are disclosed in the notes to the financial statements when they differ from the carrying values. Where amounts receivable and payable are subject to normal credit terms, their carrying values are used as an approximation of their fair values.

- Level 1 – inputs are based upon quoted prices for identical instruments traded in active markets.

- Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for similar or identical instruments in inactive markets and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets and liabilities.

- Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models and similar valuation techniques.

(g) **Investments**
Fixed interest securities are classified as available-for-sale and are carried at fair value with the unrealized holding gain or loss reported in a separate component of accumulated other comprehensive income.

Interest income is recognized on an accrual basis. Premium or discount on fixed interest securities purchased at amounts different from their par value are amortized using the straight line method.

Realized gains and losses on sales of investments classified as available-for-sale are recognized in investment income on the specific identification basis.

Investments are periodically reviewed to determine if they have sustained an impairment of value that is considered to be other than temporary. If investments are determined to be other than temporarily impaired, the cost basis of the investment is written down to fair value and a corresponding realized loss is recognized in investment income in the period in which it is determined.

(h) **Investment income**
Investment income on cash and cash equivalents is recorded as earned and accrued to the balance sheet date.

(i) **Use of estimates**
The financial statements include amounts based on informed estimates and judgements of management for those transactions that are not yet complete or for which the ultimate effects cannot be precisely determined. Such estimates and judgements 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

(expressed in U.S. dollars)

2. *Significant accounting policies (cont'd)*

(i) **Use of estimates (cont'd)**
amounts of revenues and expenses during that reporting period. Actual results could differ from those estimates to the balance sheet date.

3. *Restricted balances*

Under the terms of the reinsurance agreement, the Company has established a trust account for the benefit of the ceding insurer as security for the Company's obligations for losses, loss expenses, and unearned premiums. The fair value of restricted assets in the trust accounts as a December 31, 2020 is $3,380,604 and is comprised of $729,113 of cash and $2,651,491 of investments.

4. *Investments – available for sale securities*

The amortized cost and estimated fair value of available for sale investments is as follows:

As at December 31, 2020	Amortized cost $	Gross unrealized gains $	Gross unrealized losses $	Fair value $
US government securities	1,994,699	75	-	1,994,774
Corporate bonds	657,061	-	(344)	656,717
	2,651,760	75	(344)	2,651,491

As at December 31, 2019	Amortized cost $	Gross unrealized gains $	Gross unrealized losses $	Fair value $
US government securities	3,777,637	1,165	(187)	3,778,615
	3,777,637	1,165	(187)	3,778,615

The following is a summary of our securities measured at fair value at December 31, 2020:

	Total $	Level 1 $	Level 2 $	Level 3 $
US government securities	1,994,774	-	1,994,774	-
Corporate bonds	656,717	-	656,717	-
	2,651,491	-	2,651,491	-

(expressed in U.S. dollars)

4. Investments – available for sale securities (cont'd)

The following is a summary of our securities measured at fair value at December 31, 2019:

	Total $	Level 1 $	Level 2 $	Level 3 $
US government securities	3,778,615	-	3,778,615	-
	3,778,615	-	3,778,615	-

The following table sets forth certain information regarding the investment ratings by Standard and Poor, of the Company's fixed interest securities portfolio as at December 31:

	2020 Amortized cost $	%
AA+	100,933	4
AA	0	0
AA-	101,009	4
A+	101,519	4
A	353,600	13
A-1+	1,994,699	75
	2,651,760	100

	2019 Amortized cost $	%
AAA	3,777,637	100
	3,777,637	100

For fixed interest securities held as at December 31, 2020, the maturity distribution is as follows:

	Amortized cost $	Fair value $
Within one year	2,651,760	2,651,491
	2,651,760	2,651,491

(expressed in U.S. dollars)

4. Investments – available for sale securities (cont'd)

Proceeds from maturities of investments classified as available-for-sale were $18,373,457 for the year ended December 31, 2020.

Major categories of investment income are summarized as follows:

	2020 $	2019 $
Amortization on fixed interest securities	17,825	72,471
Interest income	27,031	25,318
Realized gain on sale of investments	940	-
	45,796	97,789

5. Provision for loss and loss expenses

	2020 $	2019 $
Outstanding loss reserves	33,459	777,561
Incurred but not reported	426,708	156,159
Total	460,167	933,720

	2020 $	2019 $
Balance - Beginning of period	933,720	260,534
Losses incurred for the period related to:		
Current period	599,083	1,146,860
Prior period	320,365	1,389,597
Total	919,448	2,536,457
Losses paid for the period related to:		
Current period	282,024	623,433
Prior period	1,110,977	1,239,838
Total	1,393,001	1,863,271
Balance - End of period	460,167	933,720

The unfavourable developments in losses incurred related to the current year of $599,083.

(expressed in U.S. dollars)

Reserving Methodology

The Company uses a combination of methods to project ultimate losses for all lines of business, which include:

- Expected Loss Ratio Method
- Paid Bornhuetter-Ferguson Method

- **Expected Loss Ratio Method** – In the Expected Loss Ratio method, the ultimate losses are estimated by multiplying the earned premium by a selected ultimate loss ratio. The Expected Loss Ratio method was also used to estimate expected losses for the Expected Paid Emergence method. The selected ultimate loss ratio was based on the third party actuary's review of the company's data and insurance industry data.
- **Paid Bornhuetter-Ferguson Method** – The Paid Bornhuetter-Ferguson method estimates ultimate losses as the sum of two components: actual paid losses and expected unpaid losses. To estimate the expected unpaid losses, the Paid Bornhuetter-Ferguson method requires paid loss development factors (LDFs) and an initial expectation of the ultimate loss amount. The payment patterns associated with the LDFs imply that a specific percentage of the ultimate loss will be paid after the evaluation date. The amount of unpaid loss is estimated by applying this percentage to the expected ultimate loss. As stated above, the expected ultimate losses are based on the Expected Loss Ratio method.

6. *Provision for unpaid claims and claims expenses*

In determining management's best estimate of the reserves for losses and loss adjustment expenses as at December 31, 2020, consideration was given both to the input of the Company's engaged third party actuary estimate and a number of other internal and external factors, including:

- Competitive changes within the industry;
- Geographic / industry concentrations;
- Access to capital markets;
- Legislative and judicial changes in the jurisdictions in which the Company writes insurance business;
- Industry experience.

The following factors are relevant to the additional information included in the tables below:

- **Table Organization:** The tables are organized by accident period and include policies written on an occurrence basis.
- **Groupings:** We believe our policies have homogenous risk characteristics with similar development patterns and would generally be subject to similar trends and therefore are presented as one grouping.
- **Claim counts:** We consider a reported claim to be one claim for each claimant for each loss occurrence.
- There are limitations that should be considered on the reported claim count data in the tables below, including:
  - Claim counts are presented only on a reported (not an ultimate) basis.

(expressed in U.S. dollars)

6. Provision for unpaid claims and claims expenses (cont'd)

1) Schedules of incurred and paid losses and loss adjustment expenses by accident period

a) **Travel:**

Incurred losses and loss adjustment expenses by accident period, undiscounted and net of reinsurance recoveries:

Reporting Period ended December 31, 2020

Accident Period	2020 Incurred Losses	2020 Reserves for losses and loss adjustment expenses incurred but not reported	2020 Paid Losses	Cumulative number of reported claims
2020	307,897	291,186	282,024	44
2019	369,011	129,743	782,631	224
2018	(28,009)	5,779	328,346	147
Total	**648,899**	**426,708**	**1,393,001**	**415**
Cumulative paid losses and loss adjustment expenses from the column on the right	(1,393,001)			
Reserves for losses and loss adjustment expenses, net undiscounted and net of reinsurance	33,459			

Reconciliation of claims development table to balance sheet claims liabilities, net of reinsurance recoveries:

	Reporting Period ended December 31, 2020
Reserves for loss and loss adjustment expenses, net of reinsurance recoverable	33,459
Reinsurance recoverable	-
Reserves for loss and loss adjustment expenses, gross of reinsurance recoverable	33,459

(expressed in U.S. dollars)

7. Contributed Surplus

On December 14, the Company was granted approval from the BMA to release capital to the Ultimate Parent in an amount not exceeding $1,500,000. As a result, during 2020 the Company distributed $865,892 of Contributed Surplus to members. In 2019, members contributed capital of $1,374,805.

8. Concentration of risk

The Company issues contracts that transfer insurance risks or financial risks or both. This section summarises these risks and the way the Company manages them.

(a) **Insurance risk**
The main insurance risk is that claims exceed net premiums less acquisition costs. The objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The Company's actuary prepares annual reserving analysis to manage this risk. By nature of the coverage liabilities are typically short term in nature.

(b) **Market risk**
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: interest rate risk, Currency risk and other price risk.

The estimates of fair values presented herein are subjective in nature and are not necessarily indicative of the amounts that the Company would actually realize in a current market exchange. However, any differences would not be expected to be material.

i) **Interest rate risk**
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to change in market interest rates. The Company is exposed to minimal interest rate risk; all cash reserves are in cash and cash equivalents and all investments are in US Treasury securities.

ii) **Currency risk**
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The company has no exposure to currency risk as the company transacts in US dollars only.

iii) **Other price risk**
Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company has no exposure to other price risk.

(c) **Liquidity risk**
Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet its commitments. Trust accounts are in place to ensure that the Company is able to meet liabilities arising from claims and all other obligations as per the terms of the reinsurance agreement.

(expressed in U.S. dollars)

8. Concentration of risk (cont'd)

(d) **Credit risk**
Credit risk is the risk that one party to a financial instrument fails to discharge on obligations and thereby causes financial loss to another party. The Company's credit risk is primarily attributed to cash and cash equivalents at a bank, investments held by a bank, and premium receivables. At December 31, 2020, cash at a bank amounts to $27,442 (2019 - $21,370) and are with a bank with a high credit rating (A- by S&P). Cash and cash equivalents in the investment custody account and trust accounts amounts to $1,279,493 (2019 - $2,887,953) and are with a financial institution with a high credit rating (A- by S&P). Investments totaling $2,651,491 (2019 - $3,778,615) are with a financial institution with a high credit rating (A- by S&P).

At December 31, 2020 there was $167,359 (2019 - $1,293,974) premium receivable due from a related party without a credit rating.

9. Related party transactions

At December 31, 2020, there was a premiums receivable balance from a related party totalling $167,359 (2019 - $1,293,974).

At December 31, 2020, there were amounts due from and to a related party in the amounts of $32,858 (2019 - $29,560) and $3,757 (2019 - $3,757), respectively.

10. Statutory capital

Under The Act, the Company is required to meet certain minimum statutory capital and surplus requirements. At December 31, 2020, the Company's statutory capital and surplus was $2,966,783 (2019 - $4,010,210) and the minimum required statutory capital and surplus was $1,000,000.

The Company is required to maintain a minimum liquidity ratio, which was met for the period.

11. Share capital

The Company has authorized, issued and fully paid in capital of 120,000 common shares at a par value of $1 each.

12. Premium deficiency

As of December 31, 2020 the Company had $nil liabilities (2019 - $401,678) related to premium deficiency applied against deferred acquisition costs.

13. Taxation

Bermuda
The Company has received an undertaking from the Bermuda government exempting it from all local income, withholding and capital gains taxes until March 31, 2035. At present time no such taxes are levied in Bermuda.

United States
The Company does not consider itself to be engaged in trade or business in the United States and, accordingly, does not expect to be subject to United States taxation.

(expressed in U.S. dollars)

The Company is required to recognize the tax benefits of uncertain tax positions inly where the position is "more likely than not" to be sustained, assuming examination by tax authorities. The Company has not recognized any liabilities for unrecognized tax benefits as a result of this guidance as management believes that the Company does not have any uncertain tax positions.

14. Subsequent events

The Company has evaluated subsequent events through May 31, 2021 which is the date that the financial statements were available to be issued.

Since the outbreak of COVID-19 in the first quarter of 2020, global financial markets have experienced, and may continue to experience significant volatility and there are significant consequences for the global economy from travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on the global economy and the sectors in which the Company, its parents and Xpedition Re Limited operate is uncertain at this time. The Company currently believes that it has the ability to meet statutory solvency and liquidity ratio requirements and continue to operate the business and mitigate the risks associated with COVID-19 for the next 12 months from the date of this report.