CEDAR INSURANCE & REINSURANCE COMPANY LTD.

Report and separate financial statements for the year ended 31 December 2020

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Independent auditor's report
to the directors of Cedar Insurance & Reinsurance Company Ltd.

Report on the audit of the separate financial statements

Our qualified opinion

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* section of our report, the separate financial statements present fairly, in all material respects the financial position of Cedar Insurance & Reinsurance Company Ltd. ("the Company") as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's separate financial statements comprise:

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

Basis for qualified opinion

Non-preparation of consolidated financial statements

As explained in note 2.1, the Company has not yet prepared consolidated financial statements that incorporate the financial statements of its Lebanon-based subsidiary. This is not in compliance with International Financial Reporting Standard 10, "Consolidated Financial Statements" which requires that consolidated financial statements be prepared. Accordingly, as mentioned in note 2.3, the investment in subsidiary is accounted for at cost in these separate financial statements and, had the subsidiary been consolidated, many other elements in these separate financial statements would have been materially affected. The effects of not consolidating the financial statements of the subsidiary have not been determined by management.

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 separate financial statements* section of our report.

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

Independence

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

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Independent auditor's report
to the directors of Cedar Insurance & Reinsurance Company Ltd.
(continued)

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

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

In preparing the separate 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 separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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 separate 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 separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent auditor's report
to the directors of Cedar Insurance & Reinsurance Company Ltd.
(continued)

Auditor's responsibilities for the audit of the separate financial statements (continued)

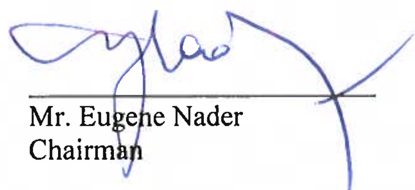
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers
Beirut, Lebanon
31 August 2021

Separate statement of financial position
at 31 December 2020

	Notes	2020 US$	Restated 2019 US$
Assets			
Investment in subsidiary and associate	5	**5,235,095**	5,235,095
Equipment		**7,266**	7,910
Deferred acquisition costs	19	**1,194,956**	1,251,263
Financial assets at fair value through profit or loss	7.3	**5,261,525**	-
Loans and receivables including retrocession receivables	8	**33,711,463**	34,167,847
Retrocession assets	6,12	**67,537,318**	27,472,179
Bank balances	10	**1,656,998**	15,580,690
Cash and cash equivalents	9	**16,527,356**	5,322,287
Total assets		**131,131,977**	89,037,271
Equity and liabilities			
Equity			
Share capital	11(a)	**16,000,000**	16,000,000
Capital reserve	11(b)	**(3,099,976)**	(3,099,976)
Retained earnings		**11,430,142**	9,945,546
Net equity		**24,330,166**	22,845,570
Liabilities			
Reinsurance liabilities	12	**97,949,253**	56,520,738
Unearned retrocession commission	17	**193,263**	322,243
Accounts payable	13	**8,659,295**	9,348,720
Total liabilities		**106,801,811**	66,191,701
Total equity and liabilities		**131,131,977**	89,037,271

The separate financial statements on pages 4 to 53 were authorised for issue by the Directors on 31 August 2021 and were signed on its behalf by:



Mr. Eugene Nader
Chairman

Separate statement of comprehensive income for the year ended 31 December 2020

	Notes	2020 US$	2019 US$
Reinsurance premium revenue	14	**21,135,304**	21,813,214
Reinsurance premium ceded to retrocessionaires	14	**(8,386,995)**	(12,443,395)
Net reinsurance premium revenue		**12,748,309**	9,369,819
Investment income	15	**4,416,858**	6,125,782
Unrealised fair value gains on financial assets at fair value through profit or loss	16	**216,745**	-
Interest income on bank deposits		**214,934**	1,206,520
Commission income on retrocession	17	**1,048,707**	2,175,781
Net income		**18,645,553**	18,877,902
Reinsurance claims and loss adjustment expenses	18	**(59,471,034)**	(18,284,580)
Reinsurance claims and loss adjustment expenses recovered from retrocessionaires	18	**49,400,244**	11,586,135
Net reinsurance claims		**(10,070,790)**	(6,698,445)
Expenses for the acquisition of reinsurance contracts	19	**(5,354,092)**	(5,450,018)
Administrative and other expenses	20	**(765,582)**	(732,093)
Provision for impairment of loans and receivables	8	**(332,403)**	-
Total expenses		**(16,522,867)**	(12,880,556)
Operating profit		**2,122,686**	5,997,346
Net finance costs		**(200,590)**	(50,904)
Other income		**-**	23,717
Profit before tax		**1,922,096**	5,970,159
Withholding taxes	15	**(437,500)**	(612,500)
Profit for the year		**1,484,596**	5,357,659
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**1,484,596**	5,357,659

Separate statement of changes in equity for the year ended 31 December 2020

	Share capital US$	Capital reserve US$	Retained earnings US$	Total US$
Balance at 1 January 2019	16,000,000	(3,099,976)	7,587,887	20,487,911
Total comprehensive income for the year	-	-	5,357,659	5,357,659
Transactions with owners:				
- Dividends declared (note 21)	-	-	(3,000,000)	(3,000,000)
Balance at 31 December 2019	16,000,000	(3,099,976)	9,945,546	22,845,570
Total comprehensive income for the year	-	-	1,484,596	1,484,596
Balance at 31 December 2020	**16,000,000**	**(3,099,976)**	**11,430,142**	**24,330,166**

The notes on pages 8 to 53 are an integral part of these separate financial statements.

Separate statement of cash flows for the year ended 31 December 2020

	Notes	2020 US$	Restated 2019 US$
Cash flows from operating activities			
Profit before tax		**1,922,096**	5,970,159
Adjustments for:			
Depreciation expense		**644**	121
Interest income on bank deposits		**(214,934)**	(1,206,520)
Dividend income	15	**(4,375,000)**	(6,125,000)
Provision for impairment of loans and receivables	8	**332,403**	-
Unrealised fair value gains on financial assets	16	**(216,745)**	-
Decrease (increase) in deferred acquisition costs	19	**56,307**	(152,181)
(Increase) decrease in retrocession assets	6,12	**(40,065,139)**	3,229,798
Decrease (increase) in loans and receivables including retrocession receivables		**123,981**	(7,516,332)
Increase in reinsurance liabilities	12	**41,428,515**	2,847,296
Decrease in unearned retrocession commission		**(128,980)**	(288,411)
Decrease in accounts payable		**(689,425)**	(1,030,257)
Cash used in operations		**(1,826,277)**	(4,271,327)
Interest income received		**214,934**	1,206,520
Taxes paid	15	**(437,500)**	(612,500)
Net cash used in operating activities		**(2,048,843)**	(3,677,307)
Cash flows from investing activities			
Dividend received	15	**4,375,000**	6,125,000
Decrease (increase) in bank balances		**13,923,692**	(965,726)
Purchase of equipment		**-**	(8,031)
Purchase of financial assets	7.3	**(5,044,780)**	-
Net cash generated from investing activities		**13,253,912**	5,151,243
Cash flows from financing activity			
Dividends paid	21	**-**	(3,000,000)
Net increase (decrease) in cash and cash equivalents		**11,205,069**	(1,526,064)
Cash and cash equivalents at beginning of year	9	**5,322,287**	6,848,351
Cash and cash equivalents at end of year	9	**16,527,356**	5,322,287

Notes to the separate financial statements
for the year ended 31 December 2020

1 General information

Cedar Insurance & Reinsurance Company Ltd. ("the Company") is engaged in writing all classes of insurance except for life long-term insurance contracts. The Company acts principally as a reinsurer for the Middle East and North Africa region.

Pursuant to section 4 of the Bermuda Insurance Act 1978 ("the act"), the Bermuda Monetary Authority has duly registered the Company as a class 3A insurer (effective 1 January 2010).

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is, P.O. Box: HM 666, Clarendon House, 2 Church Street, Hamilton HMCX, Bermuda.

The Company is wholly owned by Nasco Insurance Group Limited (incorporated in Bermuda). The ultimate parent is Nasco Ultimate Holding Limited (incorporated in Bermuda) and the ultimate controlling party is Mr. Eugene Nader.

These separate financial statements have been authorized on 30 August 2021.

1.1 COVID 19

In January 2020, the World Health Organization (WHO) announced a global health emergency because of the "COVID 19 outbreak". Subsequently (March 2020), the WHO classified COVID 19 outbreak as a pandemic based on the rapid increase in exposure and infections across the world. The pandemic nature of this disease has necessitated global travel restrictions and total lockdown in most countries of the world, with negative implications on the global economy and social life.

Management assessed the impact of COVID 19 on the reinsurance liabilities and believes that the current provisions, including the provision for claims incurred but not reported, are sufficient to cover COVID 19 reinsurance claims incurred as at 31 December 2020. The Company's claim development tables have been based on attritional claims where claims due to COVID 19 have explicitly been considered through appropriate loss ratio loadings to the affected lines of business.

The Company is also protected in its retrocession contracts against such losses, in case they occur. In addition, starting 2020, the Company started to exclude pandemics from its covers. As a result, COVID 19 is not expected to have a material impact on the Company's separate financial statements in 2021.

The assumptions used by management to develop its estimate will be revised and updated according to the development of the situation and the availability of data allowing better estimation. The Company will continue to monitor the situation and make the necessary judgement and estimates as may be required.

Notes to the separate financial statements (continued)

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

2.1 Basis of presentation

The separate financial statements of Cedar Insurance & Reinsurance Company Ltd. have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations applicable to companies reporting under IFRS. The separate financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB"). The separate financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The Company's separate statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, financial assets at fair value through profit or loss, deferred acquisition costs, unearned retrocession commission, accounts payable and loans an receivables. The following balances would generally be classified as non-current: equipment and investment in subsidiary and associate. The following balances are of mixed nature (including both current and non-current portions): bank balances, retrocession assets, and reinsurance liabilities.

These separate financial statements are the financial statements of the Company as a separate legal entity and are not the Group consolidated financial statements. Under IFRS, the Company which is a wholly owned subsidiary is exempt from the requirement to present Group consolidated financial statements, as its immediate parent company, Nasco Insurance Group Limited, itself prepares consolidated financial statements. These can be obtained from the parent company's registered office at the following address: P.O. Box: HM 666, Clarendon House, 2 Church Street, Hamilton, Bermuda.

Notwithstanding the above exemption, the Company presents annually, under separate cover, Group consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) for the Company and its subsidiary (the "Group") for Bermuda regulatory purposes. However, these consolidated financial statements have not yet been finalised at the time of the issuance of these separate financial statements due to delays caused by the implementation of the hyperinflation accounting standard IAS 29 at the level of the subsidiary.

Users of these separate financial statements should read these separate financial statements together with the Group's consolidated financial statements as at and for the year ended 31 December 2020, when they become available, in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole.

The preparation of the separate financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in note 3.

Notes to the separate financial statements (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of presentation (continued)

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting year commencing 1 January 2020:

Title	Key requirements	Effective Date
Definition of Material – Amendments to IAS 1 and IAS 8	The IASB has made amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* which use a consistent definition of materiality throughout International Financial Reporting Standards and the *Conceptual Framework for Financial Reporting*, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: • that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and • the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.	1 January 2020
Definition of a Business – Amendments to IFRS 3	The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.	1 January 2020
Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39	The amendments made to IFRS 7 *Financial Instruments: Disclosures*, IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement* provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.	1 January 2020

Notes to the separate financial statements (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of presentation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(a) New and amended standards adopted by the Company (continued)

Title	Key requirements	Effective Date
Revised Conceptual Framework for Financial Reporting	The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: • increasing the prominence of stewardship in the objective of financial reporting • reinstating prudence as a component of neutrality • defining a reporting entity, which may be a legal entity, or a portion of an entity • revising the definitions of an asset and a liability • removing the probability threshold for recognition and adding guidance on derecognition • adding guidance on different measurement basis, and • stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.	1 January 2020
Covid-19-related Rent Concessions – Amendments to IFRS 16	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.	1 June 2020

There is no material impact on the financial statements of the Company from the adoption of the above new standards on 1 January 2020.

Notes to the separate financial statements (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of presentation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted

The following new standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company:

Title	Key requirements	Effective Date
IFRS 9, 'Financial instruments'	The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. Management of the Company took the decision to defer the application of IFRS 9 until the effective date of the new insurance contracts standard 'IFRS 17' by applying the temporary exemption from applying IFRS 9 as introduced by the Amendments to IFRS 4. Refer to the below for further details.	1 January 2018
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022

Notes to the separate financial statements (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of presentation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

Title	Key requirements	Effective Date
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.	1 January 2023
Reference to the Conceptual Framework – Amendments to IFRS 3	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	The following improvements were finalised in May 2020: • IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. • IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.	1 January 2022

Notes to the separate financial statements (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of presentation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

Title	Key requirements	Effective Date
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively. ** In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.	n/a**
Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments'	In September 2016, the IASB published an amendment to IFRS 4 which addresses the concerns of insurance companies about the different effective dates of IFRS 9 Financial instruments and the forthcoming new insurance contracts standard. The amendment provides two alternative options. (1) apply a temporary exemption from implementing IFRS 9 until the earlier of (i) the effective date of IFRS 17; or (ii) annual reporting periods beginning on or after 1 January 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and that have not applied IFRS 9 previously; or (2) adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before IFRS 17 is implemented. During the interim period, additional disclosures are required. IFRS 4 (including the amendments) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the 'overlay approach' are expected to cease to be applicable when the new insurance standards becomes effective. The Company has determined that they are eligible for the temporary exemption option (1). The eligibility conclusion is based on an analysis of the percentage of the total carrying amount of liabilities connected with insurance activities relative to the total carrying amount of all liabilities, which indicates that the Company's activities are predominately connected with insurance. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. The amendments permitting the temporary exemption are effective for annual periods beginning on or after 1 January 2018.	Extended to 1 January 2023 by the IASB in March 2020

Notes to the separate financial statements (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of presentation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

Title	Key requirements	Effective Date
IFRS 17 'Insurance contracts'	IFRS 17 was issued in May 2017 as a replacement for IFRS 4 'Insurance contracts'. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of: ➢ discounted probability-weighted cash flows ➢ an explicit risk adjustment, and ➢ a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.	1 January 2023
Amendments to IFRS 17, 'Insurance Contracts' and amendment to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments'	The IASB issued the amendments to IFRS 17, 'Insurance contracts', on 25 June 2020, together with an amendment to IFRS 4, so that eligible insurers can still apply IFRS 9 alongside IFRS 17. This concluded the IASB's targeted amendments to IFRS 17 which aimed to ease implementation of the standard by reducing implementation costs and making it easier for entities to explain, to investors and others, the results from applying IFRS 17. IFRS 17 should be applied to annual reporting periods beginning on or after 1 January 2023, with earlier application permitted, and the amendments should be applied at the same time. Given the nature of the business, the Company is expected to adopt the Premium Allocation Approach ("PAA") measurement model.	1 January 2023

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable. Management is in the process of assessing the impact of the above new standards on its separate financial statements.

There are no other relevant applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Company's financial year beginning on 1 January 2020.

Notes to the separate financial statements (continued)

2 Summary of significant accounting policies (continued)

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the separate financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The separate financial statements are presented in US Dollars ("US$"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or the valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities (held at amortised cost) denominated in foreign currencies are recognised in the separate statement of comprehensive income.

Foreign exchange gains and losses that relate cash and cash equivalents are presented in the separate statement of comprehensive income within 'Investment income. All other foreign exchange gains and losses are presented in the separate statement of comprehensive income within 'other income'.

2.3 Investment in subsidiary and associate

(a) Associate

Associates are all entities over which the Company has significant influence but not control or joint control. This is generally the case where the Company holds between 20% and 50% of the voting rights.

Investment in an associate is accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. An impairment loss is recognised for the amount by which the investment's carrying amount exceeds its recoverable amount. The recoverable amount is higher of the investment's fair value less costs of disposal and value in use.

Details of the Company's associate are shown in note 5.

Notes to the separate financial statements (continued)

2 Summary of significant accounting policies (continued)

2.3 Investments in subsidiary and associate (continued)

(b) Subsidiary

Subsidiaries are all entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investment in subsidiary is accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. An impairment loss is recognised for the amount by which the investment's carrying amount exceeds its recoverable amount. The recoverable amount is higher of the investment's fair value less costs of disposal and value in use.

Dividend income is recognised in the separate statement of comprehensive income in the same period of its declaration by the subsidiary.

Details of the Company's subsidiary are shown in note 5.

2.4 Financial assets

2.4.1 Classification

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables including retrocession receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss (FVPL)

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception.

A financial asset is classified into the 'financial assets at fair value through profit or loss' category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by management.

Notes to the separate financial statements (continued)

2 Summary of significant accounting policies (continued)

2.4 Financial assets (continued)

2.4.1 Classification (continued)

(a) Financial assets at fair value through profit or loss (continued)

Financial assets designated at fair value through profit or loss at inception are those that are:

- Held in internal funds to match insurance and investment contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; and

- Managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. The Company's investment strategy is to invest in mutual funds and equity securities and to evaluate them with reference to their fair values. Assets that are part of these portfolios are designated upon initial recognition at fair value through profit or loss.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company intends to sell immediately or in the short term. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise cash and cash equivalents, receivables arising from reinsurance contracts, and bank deposits with original maturity of more than three months and other bank balances. These financial assets are reviewed annually for impairment.

2.4.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the separate statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Notes to the separate financial statements (continued)

2 Summary of significant accounting policies (continued)

2.4 Financial assets (continued)

2.4.2 Recognition and measurement (continued)

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the separate statement of comprehensive income within 'Net fair value gains on financial assets' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the separate statement of comprehensive income as part of 'Investment income' when the Company's right to receive payments is established.

Loans and receivables are carried at amortised cost using the effective interest method.

Refer to note 2.6 for the impairment for the Company's accounting policies relating to impairment of financial assets.

2.4.3 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole, the Company ranks fair value measurements based on the type of inputs, as follows:

- Level 1 The fair value of financial instruments traded in active markets (such as publicly traded equities, bonds derivatives) is based on quoted market prices at the end of the reporting period.
- Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Notes to the separate financial statements (continued)

2 Summary of significant accounting policies (continued)

2.4 Financial assets (continued)

2.4.3 Determination of fair value (continued)

For assets and liabilities that are recognised in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Company's management determines the policies and procedures for both recurring fair value measurement, such as unquoted financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.5 Reclassification of financial assets

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

The Company did not reclassify any of its financial assets.

2.6 Impairment of financial assets

Financial assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Notes to the separate financial statements (continued)

2 Summary of significant accounting policies (continued)

2.6 Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The criteria that the Company uses to determine whether there is objective evidence of impairment loss include:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a Company of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
  - adverse changes in the payment status of issuers or debtors in the Company; or
  - national or local economic conditions that correlate with defaults on the assets in the Company.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the separate statement of comprehensive income.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e on the basis of the Company's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in separate statement of comprehensive income.

Notes to the separate financial statements (continued)

2 Summary of significant accounting policies (continued)

2.7 Offsetting financial instruments

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

2.8 Cash and cash equivalents

Cash and cash equivalents include deposits held at call, short-term deposits with banks and other short-term highly liquid instruments with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

2.9 Bank deposits

Bank deposits are initially measured at fair value and subsequently measured at amortised cost.

2.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

2.11 Reinsurance contracts

(i) Recognition and measurement

The Company's reinsurance contracts are of short term nature and cover general insurance risks (i.e. casualty, property, etc.).

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Reinsurance premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the separate statement of financial position date is reported as the unearned premium liability. Premiums are shown before deduction of commission paid to ceding companies.

Notes to the separate financial statements (continued)

2 Summary of significant accounting policies (continued)

2.11 Reinsurance contracts (continued)

(i) Recognition and measurement (continued)

Claims and loss adjustment expenses are charged to the separate statement of comprehensive income as incurred based on the estimated liability for compensation owed to ceding companies. The estimated liability covers future payments obligations from claims in respect of which the amount of the insurance benefit and / or the time of payment are still uncertain. These are established for losses from loss events that occurred prior to the separate statement of financial position date. The level of the provision is based on information provided by cedants. Additional provisions are constituted in cases where the provisions indicated by cedants are considered to be inadequate. The provisions also include claim settlement costs.

Taking into consideration the fact that significant time lags may exist between loss events and notification of the claims to the Company, incurred but not reported claims ("IBNR") are established on the basis of the Company's own estimates for claims that have already been incurred but not yet reported. These are guided by the principle of best estimate using actuarial methods (e.g. chain ladder, expected loss ratio methods, Bornhuetter-Ferguson). Such estimates are based upon both past experience and assessments of the future development. The adequacy of the provisions is regularly reviewed.

(ii) Deferred policy acquisition costs ("DAC")

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset, DAC. All other costs are recognised as expenses when incurred. The DAC is subsequently amortised over the life of the contract. The resulting change to the carrying value of the DAC is charged to the separate statement of comprehensive income and presented within caption 'Expenses for acquisition of reinsurance contracts'.

(iii) Unexpired risk reserve ("URR")

Where necessary, a provision is made when the expected value of claims and administrative expenses attributable to the unexpired periods of policies in force at the separate statement of financial position date exceeds the unearned premiums provision ("UPR") in relation to such policies. The assessment of whether a provision is necessary is made by separately considering each category of business (i.e. cover) accounted for by underwriting year, on the basis of information available as at the separate statement of financial position date, taking into account related expenses and attributable investment return.

(iv) Retrocession contracts held

Contracts entered into by the Company with retrocessionaires under which the Company is compensated for losses on one or more reinsurance contracts issued by the Company are classified as retrocession contracts held.

Notes to the separate financial statements (continued)

2 Summary of significant accounting policies (continued)

2.11 Reinsurance contracts (continued)

(iv) Retrocession contracts held (continued)

The benefits to which the Company is entitled under its retrocession contracts held are recognised as retrocession assets. These assets consist of short-term balances due from the broker (Nasco France S.A.) acting on behalf of the retrocessionaires (classified within loans and receivables), as well as longer-term receivables (classified as retrocession assets) that are dependent on the expected claims and benefits arising under the related reinsurance contracts. Amounts recoverable from or due to retrocessionaires are measured consistently with the amounts associated with the retrocession contracts and in accordance with the terms of each retrocession contract. Balances due to retrocessionaires (classified under accounts payable) are primarily premiums payable for retrocession contracts and are recognised as an expense when due. Retrocession assets are primarily retrocessionaires share of claims incurred by the Company and are recognized as an income when due.

The Company assesses its retrocession assets for impairment on a yearly basis. If there is objective evidence that the retrocession asset is impaired, the Company reduces the carrying amount of the retrocession asset to its recoverable amount and recognises that impairment loss in the separate statement of comprehensive income. The Company gathers the objective evidence that a retrocession asset is impaired using the same process adopted for financial assets held at amortised cost. These processes are described in note 2.6.

(v) Receivables and payables related to reinsurance contracts

Receivables and payables are recognised when due. These include amounts due to and from ceding insurance companies. If there is objective evidence that the reinsurance receivable is impaired, the Company reduces the carrying amount of the reinsurance receivable accordingly and recognises that impairment loss in the separate statement of comprehensive income. The Company gathers the objective evidence that a reinsurance/retrocession receivable is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated under the same method for these financial assets. These processes are described in note 2.6.

2.12 Taxation

The Company is domiciled in Bermuda. Under the current laws of Bermuda, (in reference to the 1966 "Exempted Undertakings Tax Protection Act"), there is no income, estate, corporation, capital gains or other taxes payable by the Company. Accordingly, no provision for tax has therefore been accounted for.

2.13 Interest income and expenses

Interest income and expenses for all interest bearing financial instruments are recognised in the separate statement of comprehensive income using the effective interest rate method.

2.14 Dividend income

Dividend income is recognised when the right to receive payment is established. Dividend income is classified under 'Investment income' in the separate statement of comprehensive income.

Notes to the separate financial statements (continued)

2 Summary of significant accounting policies (continued)

2.15 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's separate financial statements in the period in which the dividends are approved by the Company's shareholders.

2.16 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

2.17 Accounts receivable and/or payable

Accounts receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

If settlement is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.18 Financial liabilities

The Company recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract. All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at fair value through profit or loss (FVPL)) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are subsequently measured at amortised cost.

Financial liabilities included in reinsurance and other payables are recognised initially at fair value and subsequently measured at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

2.19 Restatement of prior year balances

A prior period restatement error has been corrected in this year's separate financial statements which relates to bank balances that are subject to a significant increase in credit risk. These have been restated by being reclassified separately under the caption of bank balances instead of being included in cash and cash equivalents. Refer to note 23 for full details of the restatement of comparative figures.

Notes to the separate financial statements (continued)

3 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

3.1 Estimates

3.1.1 The ultimate liability arising from claims under reinsurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is one of the Company's critical accounting estimates. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. In addition, owing to the fact that the period of some reinsurance treaties is not the calendar year or because they are concluded on an underwriting year basis, it is frequently impossible to make an exact allocation of claims expenditures to the current financial year or the previous year.

3.2 Judgements

3.2.1 Impairment of bank placements held with Lebanese commercial banks

At 31 December 2020, management carried out an assessment of cash balances held with Lebanese commercial banks that are deemed to be subject to higher credit risk (as described in note 4.2.2), for potential impairment. No provision for impairment was considered necessary as management believe it is able to use such funds in the normal course of business despite the current banking restrictions in Lebanon.

3.2.2 Investment in subsidiary

A subsidiary of the Company, Bankers Assurance S.A.L. that is established and carries on business in Lebanon is currently operating under difficult economic and business conditions prevailing in the country and that are more fully explained in note 4.2.2. Management have given due consideration to the potential impairment in value of this investment and are satisfied that the recoverable amount of the investment in Bankers Assurance S.A.L based on its estimated market value exceeds its carrying amount, and that accordingly, no impairment provision was required against this investment.

3.2.3 Going concern

The separate financial statements have been prepared on the going concern basis, as management believe that the Company is solvent and liquid and is therefore able to meet its current liabilities as they fall due. In addition, the Company's retrocessionaires are expected to settle the Beirut Port claims if and when these claims become payable. Furthermore, the Company's immediate and ultimate parent companies have confirmed their readiness to provide the Company with the financial support needed to enable it to settle its liabilities in case of adverse developments.

Notes to the separate financial statements (continued)

3 Critical accounting estimates and judgements (continued)

The Company had no other major estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4 Management of reinsurance and financial risk

The Company issues reinsurance contracts that transfer insurance risk, moreover the operations of the Company expose it to different types of financial risk. This section summarises the way the Company manages these risks.

4.1 Reinsurance risk

The risk under one reinsurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of a reinsurance contract, this risk is random and therefore unpredictable.

The principal risk that the Company faces under its reinsurance contracts is that the actual claims and benefit payments exceed the carrying amount of the reinsurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insured events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

4.1.1 General reinsurance risk

(a) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The Company manages these risks through its underwriting strategy, adequate retrocession arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies (facultative policies), and it has the right to reject the payment of a fraudulent claim.

The Company is protected by retrocession arrangements including quota share, surplus and excess of loss treaties as well as a catastrophe excess of loss treaty that caps the overall exposure of the Company under reinsurance contracts held.

The Company has specialised claims units dealing with the mitigation of risks. These units handle claims by sub category as follows:

- Marine: Cargo, Hull, Energy, Aviation.
- Non Marine: Property, Casualty, Motor, Engineering.

Notes to the separate financial statements (continued)

4 Management of reinsurance and financial risk (continued)

4.1 Reinsurance risk (continued)

4.1.1 General reinsurance risk (continued)

(a) Frequency and severity of claims (continued)

The concentration of reinsurance risk before and after retrocession by territory in relation to the type of reinsurance risk accepted is summarised below, with reference to the carrying amount of reinsurance liabilities (outstanding claims and claims incurred but not reported) - gross and net of retrocession:

As at 31 December 2020

		Type of risk						
Territory		**Property US$'000**	**Casualty US$'000**	**Cargo US$'000**	**Hull US$'000**	**Motor US$'000**	**Energy & others US$'000**	**Total US$'000**
Gulf countries	Gross	28,592	793	1,732	6,331	540	684	38,672
	Net	9,316	275	659	2,441	177	387	13,255
Middle East (Other)	Gross	43,188	783	1,110	1,214	247	1,001	47,543
	Net	7,987	249	458	468	138	505	9,805
Central Asia	Gross	548	18	54	160	-	79	859
	Net	144	5	22	62	-	48	281
Africa	Gross	1,114	247	243	711	-	215	2,530
	Net	364	94	102	274	-	122	956
Europe	Gross	787	32	135	279	-	150	1,383
	Net	387	10	56	109	-	90	652
Other	Gross	338	-	-	87	-	71	496
	Net	75	-	-	32	-	39	146
Total	**Gross**	**74,567**	**1,873**	**3,274**	**8,782**	**787**	**2,200**	**91,483**
	Net	**18,183**	**633**	**1297**	**3,386**	**315**	**1,281**	**25,095**

Notes to the separate financial statements (continued)

4 Management of reinsurance and financial risk (continued)

4.1 Reinsurance risk (continued)

4.1.1 General reinsurance risk (continued)

(a) Frequency and severity of claims (continued)

As at 31 December 2019

		Type of risk							
Territory		**Property US$'000**	**Casualty US$'000**	**Motor US$'000**	**Cargo US$'000**	**Hull US$'000**	**Health US$'000**	**Energy & others US$'000**	**Total US$'000**
Gulf countries	Gross	20,404	880	396	1,924	6,421	664	1,025	31,714
	Net	8,736	420	232	978	3,383	299	611	14,659
Middle East	Gross	6,887	868	119	1,235	1,231	335	1,378	12,053
	Net	3,262	391	68	664	649	206	880	6,120
Central Asia	Gross	356	20	39	60	163	-	104	742
	Net	151	8	22	32	86	-	69	368
Africa	Gross	796	275	113	270	721	-	317	2,492
	Net	402	139	67	147	380	-	191	1,326
Europe	Gross	1,622	36	24	150	284	-	203	2,319
	Net	798	15	13	81	151	-	131	1,189
Other	Gross	145	-	18	-	88	-	103	354
	Net	54	-	13	-	45	-	62	174
Total	**Gross**	**30,210**	**2,079**	**709**	**3,639**	**8,908**	**999**	**3,130**	**49,674**
	Net	**13,403**	**973**	**415**	**1,902**	**4,694**	**505**	**1,944**	**23,836**

Notes to the separate financial statements (continued)

4 Management of reinsurance and financial risk (continued)

4.1 Reinsurance risk (continued)

4.1.1 General reinsurance risk (continued)

(b) Sources of uncertainty in the estimation of future claim payments

Claims on reinsurance contracts are payable on a claim-occurrence basis. The Company is liable for all reinsured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and a significant element of the claims provision relates to incurred but not reported claims ("IBNR"). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by ceding insurance companies and the risk management procedures they adopted.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims' exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period.

In calculating the estimated cost of unpaid claims (both reported and not), the Company estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claims experience using predetermined formula where greater weight is given to actual claims experience as time passes.

The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate change, anticipated market experience and historical claims inflation.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the ceding insurance company until many years after the event that gave rise to the claims has happened.

In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from ceding insurance companies as well as information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

Where possible, the Company adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Notes to the separate financial statements (continued)

4 Management of reinsurance and financial risk (continued)

4.1 Reinsurance risk (continued)

4.1.1 General reinsurance risk (continued)

(b) Sources of uncertainty in the estimation of future claim payments (continued)

A +/- 5% change in IBNR estimate would have an impact of US$ 0.83 million on the separate statement of comprehensive income during the year (2019 – US$ 0.74 million). A +/- 5% change in outstanding reserve estimate would have an impact of US$ 3.74 million on the separate statement of comprehensive income during the year (2019 – US$ 1.75 million).

Note 12 presents the development of the estimate of ultimate claim cost for claims notified in a given year. This gives an indication of the accuracy of the Company's estimation technique for claims payments.

(c) Process used to decide on assumptions

The risks associated with these reinsurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis.

The Company uses assumptions based on a mixture of internal and market data to measure its claims liabilities. Internal data is derived mostly from the Company's quarterly claims reports and screening of the actual insurance contracts carried out at year-end to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

The Company uses several statistical methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The two methods more commonly used are the chain-ladder and the Bornhuetter-Ferguson methods.

Chain-ladder methods may be applied to premiums, paid claims or incurred claims (for example, paid claims plus case estimates). The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year. Chain-ladder techniques are most appropriate for those accident years and classes of business that have reached a relatively stable development pattern. Chain-ladder techniques are less suitable in cases in which the insurer does not have a developed claims history for a particular class of business.

The Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the paid or incurred claims to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes. This technique has been used in situations in which developed claims experience was not available for the projection (recent accident years or new classes of business).

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual accident years or groups of accident years within the same class of business.

Notes to the separate financial statements (continued)

4 Management of reinsurance and financial risk (continued)

4.2 Financial risk

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, retrocession assets and reinsurance liabilities. In particular the key financial risk is that in the long term the proceeds from its financial assets are not sufficient to fund the obligations arising from its reinsurance contracts. The most important components of this financial risk are interest rate risk, equity price risk, currency risk and credit risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risk that the Company primarily faces due to the nature of its investments and liabilities is equity price risk.

The Company manages these positions to achieve investment returns in excess of its obligations under reinsurance contracts. The Company has not changed the processes used to manage its risks from previous periods.

4.2.1 Market risk

Market risk is comprised of cash flow and fair value interest rate risk, equity price risk and currency risk.

(i) Cash flow and fair value interest rate risk

The Company's interest rate risk arises from bank deposits. Bank deposits earning variable rates expose the Company to cash flow interest rate risk. During 2020 and 2019, the Company's bank deposits earned interest at fixed rates.

(ii) Equity price risk

The Company's exposure to equity securities price risk arises from investments held by the Company and classified in the separate statement of financial position as at fair value through profit or loss (note 7.3).

To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the board.

Sensitivity
The majority of the Company's equity investments are publicly traded. If the equity indexes of those that are publicly traded had increased/decreased the post-tax profit for the period would not be materially impacted.

Amounts recognised in the separate statement of comprehensive income
The amounts recognised in profit or loss in relation to the various investments held by the Company are disclosed in note 7.3.

Notes to the separate financial statements (continued)

4 Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

(iii) Foreign currency risk

The Company underwrites reinsurance contracts in US Dollar. The Company concentrates its investment in assets denominated in the same currency as their related liability, which reduces the foreign currency exchange rate risk for these operations. In addition, the Company has no material exposure to foreign currency exchange risk resulting from its exposure to Lebanese commercial banks since bank placements were held in US Dollar.

4.2.2 Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The table below summarises assets bearing credit risk:

	2020 US$	Restated 2019 US$
Debt securities (FVPL) (note 7.3)	**3,229,000**	-
Loans and receivables including retrocession receivables (note 8)	**33,711,463**	34,167,847
Retrocession assets (note 12)	**67,537,318**	27,472,179
Bank balances (note 10)	**1,656,998**	15,580,690
Cash and cash equivalents (note 9)	**16,527,356**	5,322,287
Total assets bearing credit risk	**122,662,135**	82,543,003

The assets above are all rated according to Standard & Poors' (S&P) rating or equivalent when not available from Standard & Poors. The concentration of credit risk is substantially unchanged compared to the prior year.

Credit grade	**Credit rating**	**2020 US$**	2019 US$
Investment grade	A	**80,710,540**	27,472,179
Non-investment grade	B - to BB+	**6,578,632**	5,322.287
Default -substantial risk	D to CCC+	**1,661,500**	15,580,690
Not rated	N/A	**33,711,463**	34,167,847
		122,662,135	82,543,003

Management of credit risk for financial assets

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties and to geographical and industry segments. Such risks are subject to a regular review. Limits on the level of credit risk by category are approved regularly by the board of directors ("board"). The assumptions underlying the impairment provisions are monitored and reviewed on a quarterly basis.

Notes to the separate financial statements (continued)

4 Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.2 Credit risk (continued)

Management of credit risk for financial assets (continued)

The table below provides a geographic analysis of the Company's financial assets subject to credit risk:

	Near East & Middle East	Europe	Other	Total
	US$	US$	US$	US$
At 31 December 2020				
Debt securities(FVPL)	-	**3,229,000**	-	**3,229,000**
Loans and receivables including retrocession receivables	**1,355,272**	**12,215,050**	**20,141,141**	**33,711,463**
Retrocession assets	-	**67,537,318**	-	**67,537,318**
Bank balances	**1,656,998**	-	-	**1,656,998**
Cash and cash equivalents	**4,502**	**16,522,854**	-	**16,527,356**
Total assets subject to credit risk	**3,016,772**	**99,504,222**	**20,141,141**	**122,662,135**
At 31 December 2019				
Loans and receivables including retrocession receivables	1,355.271	14,061,338	18,751,238	34,167,847
Retrocession assets	-	27,472,179	-	27,472,179
Bank balances	15,580,690	-	-	15,580,690
Cash and cash equivalents	-	5,322,287	-	5,322,287
Total assets subject to credit risk	16,935,961	46,855,804	18,751,238	82,543,003

(i) Credit risk on retrocession assets including receivables from retrocessionaires

Retrocession is used to manage reinsurance risk. This does not, however, discharge the Company's liability as primary reinsurer. If a retrocessionaire fails to pay a claim for any reason, the Company remains liable for the payment to the ceding company. The creditworthiness of retrocessionaires is considered by reviewing their financial strength prior to finalisation of any retrocession contract. The Company chooses highly rated reinsurers for short tail business and does not exceed any specific exposure per retrocessionaire. Management did not book any impairment loss related to its retrocessionaires since there has been no history of default in the past. The carrying value of these assets is the maximum exposure to credit risk. The concentration of credit risk did not change compared to the prior year.

Notes to the separate financial statements (continued)

4 Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.2 Credit risk (continued)

(ii) Credit risk related to cash at banks

The Company manages the credit risk of balances with banks by investing surplus funds only with approved and reputable counterparties and within credit limits assigned to each counterparty.

Lebanon is experiencing a severe financial crisis that is impacting the banking sector and, more generally, the economic and business environment in the country. The impact includes a significant public debt burden (above 150% of GDP), high interest rates, a level of country risk that is far above normal and increasing unemployment. This has created liquidity pressures in most businesses.

Lebanon's sovereign credit rating was downgraded by international credit rating agencies to imminent default. Commercial banks' rating was initially downgraded to selective default but was further downgraded subsequently. On 7 March 2020, the government announced that it will withhold settlement on the bonds due on 9 March 2020, which was followed by another announcement on 23 March 2020 for the withholding of payments on all of its US Dollar denominated Eurobonds.

The ability of the Lebanese government and the banking sector in Lebanon to borrow funds from international markets was significantly reduced. Banks in Lebanon have restricted access to US Dollars and have frozen company credit facilities, which has in turn created significant liquidity pressure. Banks have implemented their own foreign exchange controls that prohibit US Dollar transfers outside Lebanon and limit the amount of US Dollars that may be withdrawn from accounts, all of which added to the disruption of the country's economic activity, given the extent to which the Lebanese economic model is reliant upon imports and consumption.

With respect to the Company's banking situation, at 31 December 2020, 9% of the bank balances were concentrated in Lebanon and 91% were concentrated with two banks in Europe (2019 – 75% in Lebanon and 25% in Europe with one bank). The balances held with Lebanese commercial banks amounted to US$ 1.66 million (2019 – US$ 15.6 million) and the balances held in commercial banks outside Lebanon amounted to US$ 16.5 million (2019 – US$ 5.3 million).

Notes to the separate financial statements (continued)

4 Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.2 Credit risk (continued)

(ii) Credit risk related to cash at banks (continued)

Significant judgement

While cash held in Lebanese commercial banks is considered to be subject to a significant increase in credit risk, no impairment provision was deemed necessary as the cash was actually utilised subsequent to the year end. Refer to note 3.2.1 for the significant judgements made in the preparation of the separate financial statements.

(iii) Credit risk related to loans and receivables including retrocession receivables

Balances due from related parties are evaluated by the board and approved based on business purpose and risk acceptable. These are monitored by the board and assessed for impairment as required. Any impairments and write-offs are also approved by the board. At 31 December 2020 and 2019, the Company was not significantly exposed to credit risk on related party balances and other receivables given the financial strength of the related parties and more generally, the ultimate parent company.

(iv) Credit risk for financial investments

The Company has a credit risk put in place and approved by the board of directors ("board"). This policy sets out how credit risk is measured, managed, monitored and reported. The oversight of the execution of the credit risk policy is delegated to the finance department. The execution itself is performed by the Company's investment team. The credit risk policy is evaluated quarterly. The Company manages credit risk by adhering to the credit risk limits within the risk appetite set by the board of directors and by the credit policy referred to above. The Company's investment team are to operate within these credit limits, and the finance department monitors whether credit limits are exceeded. Credit limits are set for individual counterparties and geographical and industry concentrations.

The Company is not materially exposed to credit risk from its debt securities as they are all investment grade.

4.2.3 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due as a result of ceding companies' benefit payments, cash requirements from contractual commitments, or other cash outflows. Such outflows would deplete available cash resources for operational, trading and investments activities. In extreme circumstances, lack of liquidity could result in reductions in the separate statement of financial position and sales of assets, or potentially an inability to fulfill policyholder commitments. The risk that the Company will be unable to do so is inherent in all reinsurance operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

Notes to the separate financial statements (continued)

4 Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.3 Liquidity risk (continued)

The Company's liquidity management process, as carried out within the Company includes day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met, maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow and monitoring the liquidity ratios of the separate statement of financial position against internal and regulatory requirements.

The tables below indicate the contractual timing of cash flows arising from assets and liabilities included in the Company's separate statement of financial position.

	Expected cash flows (undiscounted)			
	Less than 3 months US$	**Between 3 and 12 months US$**	**Above 1 year US$**	**Carrying amount US$**
At 31 December 2020				
Liabilities				
Reinsurance liabilities (excluding UPR and URR)	91,482,939	-	-	91,482,939
Accounts payable	8,659,295	-	-	8,659,295
	100,142,234	-	-	100,142,234
Assets				
Debt securities(FVPL)	3,229,000			3,229,000
Loans and receivables including retrocession receivables	12,215,050	1,355,272	20,141,141	33,711,463
Retrocession assets (excluding UPR and URR)	66,387,801	-	-	66,387,801
Bank balances	1,656,998	-	-	1,656,998
Cash and cash equivalents	16,527,356	-	-	16,527,356
	100,016,205	1,355,272	20,141,141	121,512,618
(Shortage) surplus	(126,029)	1,355,272	20,141,141	21,370,384

Notes to the separate financial statements (continued)

4 Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.3 Liquidity risk (continued)

	Expected cash flows (undiscounted)			
	Less than 3 months US$	Between 3 and 12 months US$	Above 1 year US$	Carrying amount US$
At 31 December 2019				
Liabilities				
Reinsurance liabilities (excluding UPR and URR)	49,674,103	-	-	49,674,103
Accounts payable	9,348,720	-	-	9,348,720
	59,022,823	-	-	59,022,823
Assets				
Loans and receivables including retrocession receivables	14,485,174	1,355,271	18,327,402	34,167,847
Retrocession assets (excluding UPR and URR)	25,838,353	-	-	25,838,353
Bank balances	8,112,030	7,468,660	-	15,580,690
Cash and cash equivalents	5,322,287	-	-	5,322,287
	53,757,844	8,823,931	18,327,402	80,909,177
(Shortage) surplus	(5,264,979)	8,823,931	18,327,402	21,886,354

The Company's liquidity risk is reviewed at least on a quarterly basis. The Company uses a liquidity risk model aligned with its parent company to measure the impact of severe shocks and scenarios, on the Company's liquidity position.

Notes to the separate financial statements (continued)

4 Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.4 Capital management

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To provide an adequate return to shareholders by accepting reinsurance contracts commensurately with the level of risk and invest cash generated from operations based on a set investment strategy; and
- To comply with the insurance capital requirements as set by the regulators of the Company's country of domiciliation.

4.3 Fair value estimation

The carrying value less impairment provision of financial assets and liabilities are assumed to approximate their fair values.

5 Investment in subsidiary and associate

Details of the Company's subsidiary are shown below:

	Country of incorporation	**Percentage ownership**	
		2020	2019
Bankers Assurance S.A.L.	Lebanon	**87.5%**	87.5%

	2020	2019
	US$	US$
Investment in Bankers Assurance S.A.L.	**5,235,095**	5,235,095

As stated in note 4.2.2, the operations of the Company's subsidiary ("Bankers Assurance S.A.L.") are impacted by the prevailing financial crisis in Lebanon. The subsidiary has exposure to subordinated bonds issued by Lebanese commercial banks and also holds material bank deposits with those banks which are subject to significant credit risk. Management have given due consideration to the above risk and have taken adequate provisions against those financial assets. Management are satisfied that no impairment provision is required against the carrying amount of the investment in subsidiary.

Notes to the separate financial statements (continued)

5 Investments in subsidiary and associate (continued)

Details of the Company's associate are shown below:

	Country of incorporation	Percentage ownership 2020	Percentage ownership 2019
Syndicate of Wall Street Investors NV	Netherlands, Antilles	**32.43%**	32.43%

	2020 US$	2019 US$
Syndicate of Wall Street Investors NV	**1,160,000**	1,160,000
Provision for impairment	**(1,160,000)**	(1,160,000)
	-	-

6 Retrocession assets

	2020 US$	2019 US$
Retrocessionaires' share of reinsurance liabilities (note 12)	**67,537,318**	27,472,179

This balance represents the retrocessionaires' share of the Company's technical reserves (ie outstanding claims, IBNR, UPR and URR). During 2020, the increase in the retrocessionaires' share of reinsurance liabilities was due to the Beirut Port explosion where the retrocessionaires' share of the outstanding claims amounted to US$ 36.28 million (notes 12).

Amounts due from retrocessionaires in respect of claims already paid by the Company (on contracts that are retroceded) are included in loans and receivables (note 8).

The Company does not hold any collateral as security against potential default by retrocessionaires' counterparties.

7 Financial instruments

7.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the separate financial statements.

Notes to the separate financial statements (continued)

7 Financial instruments (continued)

7.2 Categories of financial instruments

	2020 US$	Restated 2019 US$
Financial assets		
Financial assets at fair value through profit or loss (note 7.3)	**5,261,525**	-
Loans and receivables including retrocession receivables (note 8)	**33,711,463**	34,167,847
Retrocession assets (notes 6 and 12)	**67,537,318**	27,472,179
Bank balances (note 10)	**1,656,998**	15,580,690
Cash and cash equivalents (note 9)	**16,527,356**	5,322,287
	124,694,660	82,543,003
Financial liabilities		
Reinsurance liabilities (note 12)	**97,949,253**	56,520,738
Accounts payable (note 13)	**8,659,295**	9,348,720
	106,608,548	65,869,458

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the standalone financial statements approximate their fair values due to their short-term nature.

7.3 Financial assets at fair value through profit or loss

(i) Classification

The Company's financial assets at fair value through profit or loss are detailed as follows:

	2020 US$	2019 US$
Listed debt securities	**3,229,000**	-
Listed equity securities	**2,032,525**	-
	5,261,525	-

(ii) Movement

The movement in the Company's financial assets is summarised in the table below:

	US$
1 January 2020	-
Additions	**5,044,780**
Unrealised fair value gains (note 16)	**216,745**
At 31 December 2020	**5,261,525**

(iii) Risk exposure and fair value measurements

Information about the Company's exposure to price risk is provided in note 4.2.1. Refer to note 4.3 for information about the methods and assumptions used in determining fair value.

Notes to the separate financial statements (continued)

8 Loans and receivables including retrocession receivables

	2020 **US$**	2019 US$
Balances from related parties (note 22)	**33,674,787**	33,744,011
Other receivables	**369,079**	423,836
Provision for impairment of other receivables	**(332,403)**	-
	33,711,463	34,167,847

As at 31 December 2020, receivable balances from related parties of US$ 33.67 million were fully performing (2019 – US$ 33.74 million). During 2020, the Company recorded a provision of US$ 0.3 million against other receivable balances (2019 – nil).

The estimated fair value of the above balances is their carrying amount as these balances are current with maturity of less than one year.

9 Cash and cash equivalents

	2020 **US$**	Restated 2019 US$
Current accounts	**16,527,356**	5,322,287

Note 4.2.2 explains the general economic and business conditions prevailing in Lebanon and their impact on the Company's bank current and deposit accounts. With effect from October 2019, measures were adopted unofficially by Lebanese commercial banks and financial institutions that limit the amounts that may be withdrawn by clients in cash from their current accounts. In addition, foreign exchange controls were implemented unofficially that effectively prohibit most bank transfers outside Lebanon. Current bank accounts and bank deposits that were deemed to be subject to increased credit risk were reclassified from cash and cash equivalents to bank balances (note 10).

Refer note 23 for the restatement of comparative financial information.

10 Bank balances

	2020 **US$**	Restated 2019 US$
Bank current accounts	**1,623,892**	8,112,030
Bank deposits with an original maturity of more than three months but less than one year	**33,106**	7,468,660
	1,656,998	15,580,690

The above represent bank balances held with Lebanese commercial banks which were deemed to be subject to an increased credit risk. No provision was made against these balances as management was able subsequently to utilise the funds without restrictions. Refer to note 3 for the significant estimates and judgements made in the preparation of these separate financial statements.

During 2020, bank deposits carried an effective interest rate of 2.5% (2019 – 9%).

Notes to the separate financial statements (continued)

11(a) Share capital

The share capital of US$ 16 million is comprised of 16,000,000 authorised and fully paid shares with a par value of US$ 1 each. There is one class of ordinary shares. All shares issued carry equal voting rights.

11(b) Capital reserve

Upon the transition to IFRS effective 1 January 2006, a negative capital reserve of US$ 3.1 million arose from the change in accounting policy for the investment in subsidiary from the equity method to the cost method.

The Company had previously capitalised the reserves of its subsidiary. The restatement of the investment in subsidiary from equity method to cost has consequently given rise to this negative equity adjustment.

12 Reinsurance liabilities and retrocession assets

	2020 **US$**	2019 US$
Gross reinsurance liabilities		
Claims reported and loss adjustment expenses	**74,854,704**	34,971,615
Claims incurred but not reported	**16,628,235**	14,702,488
Unearned premiums provision	**4,897,572**	5,277,893
Unexpired risk reserve	**1,568,742**	1,568,742
Total reinsurance liabilities, gross	**97,949,253**	56,520,738
Recoverable from retrocessionaires		
Claims reported and loss adjustment expenses	**60,675,268**	22,228,185
Claims incurred but not reported	**5,712,533**	3,610,168
Unearned premiums provision	**813,790**	1,298,099
Unexpired risk reserve	**335,727**	335,727
Total recoverable from retrocessionaires	**67,537,318**	27,472,179
Net reinsurance liabilities		
Claims reported and loss adjustment expenses	**14,179,436**	12,743,430
Claims incurred but not reported	**10,915,702**	11,092,320
Unearned premiums provision	**4,083,782**	3,979,794
Unexpired risk reserve	**1,233,015**	1,233,015
Total reinsurance liabilities, net	**30,411,935**	29,048,559

12 Reinsurance liabilities and retrocession assets (continued)

The net outstanding claims and incurred but not reported claims provisions, net of retrocession, amounting to US$ 25.1 million (2019 – US$ 23.8 million) were reviewed by an independent actuary. In the independent actuary's opinion:

(i) the net outstanding claims provisions make a reasonable allowance in the aggregate for all unpaid losses and loss adjustment expenses, net of retrocession, under the terms of the Company's policies; and

(ii) the net outstanding claims provisions were computed in a manner that conforms to the appropriate actuarial standards of practice.

A devastating explosion occurred in the Port of Beirut on 4 August 2020 caused by a fire in one of the warehouses of the Port. The explosion caused extensive damage to a major part of the City of Beirut, including movable and immovable assets and serious injury and death to a number of people. An investigation into the cause of this event is underway and is yet to establish whether the explosion was caused by an act of war or terrorism or whether it was accidental.

The total gross exposure on the Company was estimated by management at US$ 37.01 million with a retrocession share of US$ 36.28 million. The net reinsurance claims incurred as reflected in the separate statement of comprehensive income for the year amounted to US$ 0.73 million. As explained in note 4.1.1(a), the Company is protected by retrocession arrangements including quota share and excess of loss treaties as well as a catastrophe excess of loss treaty that cap the overall exposure of the Company in relation to the Beirut Port event.

Should the cause of the explosion be determined to be an act of war or terrorism, then the losses and damages will not likely be covered by insurance and reinsurance companies due to the specific exclusion clauses within the insurance policies and reinsurance treaties. However, for risks that are covered under political violence policies, losses will be assessed based on the terms and conditions of the policy and the related reinsurance treaties.

On the other hand, should the cause of the explosion be determined to be accidental, the insurance companies will be liable to cover all valid claims submitted by policyholders under the terms of their insurance policies in respect of both life and non-life insurance claims and the reinsurers will be liable to settle the related retrocession claims.

12.1 Development claim tables

The development of reinsurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the Company's estimate of total claims outstanding for each underwriting year has changed at successive year ends. The bottom half of the tables reconciles the cumulative claims to the amount appearing in the separate statement of financial position. An underwriting year basis is considered to be most appropriate for the business accepted by the Company.

Notes to the separate financial statements (continued)

12 Reinsurance liabilities and retrocession assets (continued)

12.1 Development claim tables (continued)

Gross reinsurance claims

All reinsurance claims - gross

Underwriting year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
In US$'000											
Estimate of ultimate claims costs:											
- end of reporting year	10,032	14,520	9,717	9,691	11,792	16,851	23,494	17,528	962	14,224	150,516
- one year later	23,375	24,430	17,829	16,935	30,368	23,339	38,123	23,557	42,585	-	288,178
- two years later	28,971	31,497	19,789	19,629	31,553	28,461	25,878	29,928	-	-	267,892
- three years later	28,757	32,093	21,143	21,397	32,555	21,376	27,823	-	-	-	236,809
- four years later	27,766	34,993	20,291	22,212	24,800	22,727	-	-	-	-	200,049
- five years later	27,934	35,320	20,096	12,941	26,924	-	-	-	-	-	175,618
- six years later	28,094	35,407	12,101	15,918	-	-	-	-	-	-	144,576
- seven years later	28,082	27,816	12,226	-	-	-	-	-	-	-	121,581
- eight years later	20,794	28,529	-	-	-	-	-	-	-	-	102,922
- nine years later	20,885	-	-	-	-	-	-	-	-	-	68,017
Current estimate of cumulative claims	20,885	28,529	12,226	15,918	26,924	22,727	27,823	29,928	42,585	14,224	241,769
Current payments to date	(20,305)	(27,034)	(11,189)	(12,732)	(22,344)	(16,168)	(21,488)	(17,784)	(3,029)	(88)	(152,161)
Liability recognised in the separate statement of financial position	580	1,495	1,037	3,186	4,580	6,559	6,335	12,144	39,556	14,136	89,608
Liability in respect of prior years											1,875
Total liability included in the separate statement of financial position											**91,483**

Notes to the separate financial statements (continued)

12 Reinsurance liabilities and retrocession assets (continued)

12.1 Development claim tables (continued)

Net reinsurance claims

All reinsurance claims - net

Underwriting year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
In US$'000											
Estimate of ultimate claims costs:											
- end of reporting year	6,735	7,587	8,030	7,604	6,763	6,449	5,065	5,509	1,005	454	68,244
- one year later	10,951	12,612	13,365	9,889	7,771	7,501	10,125	6,611	13,539	-	121,371
- two years later	13,169	16,842	14,506	11,195	8,563	8,380	10,043	8,604	-	-	122,680
- three years later	13,393	17,119	14,708	11,934	8,744	3,569	10,733	-	-	-	110,252
- four years later	12,731	16,954	16,068	13,330	2,423	2,775	-	-	-	-	94,703
- five years later	12,692	17,127	15,007	7,076	1,769	-	-	-	-	-	83,836
- six years later	12,858	17,090	9,007	6,617	-	-	-	-	-	-	76,117
- seven years later	12,821	11,980	9,637	-	-	-	-	-	-	-	65,084
- eight years later	8,386	12,060	-	-	-	-	-	-	-	-	51,191
- nine years later	8,356	-	-	-	-	-	-	-	-	-	35,076
Current estimate of cumulative claims	8,356	12,060	9,637	6,617	1,769	2,775	10,733	8,604	13,539	454	74,544
Current payment to date	(7,977)	(11,243)	(8,721)	(5,966)	(1,747)	(2,645)	(7,261)	(2,548)	(2,324)	(104)	(50,536)
Liability recognised in the separate statement of financial position	379	817	916	651	22	130	3,472	6,056	11,215	350	24,008
Liability in respect of prior years											1,087
Total liability included in the separate statement of financial position											**25,095**

Notes to the separate financial statements (continued)

12 Reinsurance liabilities and retrocession assets (continued)

12.1 Development claim tables (continued)

The Company has in place a series of quota-share reinsurance covers on most of its accepted business that remain unchanged from prior years (except for retention rates). In addition, the Company has excess of loss reinsurance covers. During 2020, the Beirut Port event has resulted in losses of a sufficient size to trigger recovery on the related reinsurance contracts and which amounted to US$ 63.9 million (2019 – US$ 25.8 million).

12.2 Movements in reinsurance liabilities and retrocession assets

(a) Claims and loss adjustment expenses

	Gross US$	Reinsurance US$	Net US$
At 1 January 2020			
Outstanding claims	**34,971,615**	**24,728,185**	**10,243,430**
Incurred but not reported	**14,702,488**	**3,610,168**	**11,092,320**
	49,674,103	**28,338,353**	**21,335,750**
Claims paid during the year	**(17,662,197)**	**(8,850,795)**	**(8,811,402)**
Increase in liabilities	**59,471,034**	**46,900,243**	**12,570,791**
At 31 December 2020	**91,482,940**	**66,387,801**	**25,095,139**
At 1 January 2019			
Outstanding claims	30,274,705	21,222,139	9,052,566
Incurred but not reported	16,773,092	6,492,187	10,280,905
	47,047,797	27,714,326	19,333,471
Claims paid during the year	(15,424,820)	(13,700,366)	(1,724,454)
Increase in liabilities	18,051,126	11,824,393	6,226,733
At 31 December 2019	49,674,103	25,838,353	23,835,750

12 Reinsurance liabilities and retrocession assets (continued)

12.2 Movements in reinsurance liabilities and retrocession contracts (continued)

(b) Provision for unearned premiums

The movement in the provision for unearned premiums is summarised below:

	Gross US$	Reinsurance US$	Net US$
At 1 January 2020	**5,277,893**	**1,298,099**	**3,979,794**
Increase during the year	**218,981**	**-**	**218,981**
Release during the year	**(599,302)**	**(484,309)**	**(114,993)**
At 31 December 2020	**4,897,572**	**813,790**	**4,083,782**
At 1 January 2019	5,290,357	2,413,666	2,876,691
Increase during the year	378,707	-	378,707
Release during the year	(391,171)	(1,115,567)	724,396
At 31 December 2019	5,277,893	1,298,099	3,979,794

These provisions represent the liability for insurance contracts for which the Company's obligations had not expired at year-end.

13 Accounts payable

	2020 US$	2019 US$
Balances due to related parties (note 22)	**8,470,039**	9,154,711
Accrued expenses	**188,735**	193,488
Balances due to reinsurers and retrocessionaires	**521**	521
	8,659,295	9,348,720

All accounts payable are current liabilities. Accordingly, their estimated fair value is the carrying amount as at the separate statement of financial position date.

Notes to the separate financial statements (continued)

14 Net reinsurance premium revenue

	2020 US$	2019 US$
Premium revenue	**20,754,983**	21,800,750
Change in unearned premium provision	**380,321**	12,464
Reinsurance premium revenue	**21,135,304**	21,813,214
Premiums retroceded	**(7,902,686)**	(11,327,828)
Change in retrocession share of unearned premium provision	**(484,309)**	(1,115,567)
Reinsurance premium ceded to retrocessionaires	**(8,386,995)**	(12,443,395)
Net reinsurance premium revenue	**12,748,309**	9,369,819

Excess of loss retrocession covers were purchased in 2020 at a cost of US$ 4.26 million (2019 – US$ 3.16 million).

15 Investment income

	2020 US$	2019 US$
Dividend income, gross of withholding tax (note 22)	**4,375,000**	6,125,000
Other income	**41,858**	782
	4,416,858	6,125,782

As per the subsidiary's local tax laws, dividends are subject to 10% withholding tax deducted at source (prior to distribution). During 2020, withholding tax expense amounted to US$ 437,500 (2019 – US$ 612,500).

16 Unrealised fair value gains on financial assets at fair value through profit or loss

	2020 US$	2019 US$
Unrealised gain from financial assets (note 7.3)	**216,745**	-

17 Commission income on retrocession

	2020	2019
Commission income	**919,727**	1,887,370
Unearned retrocession commission at beginning of year	**322,243**	610,654
Unearned retrocession commission at end of year	**(193,263)**	(322,243)
	1,048,707	2,175,781

Notes to the separate financial statements (continued)

18 Net reinsurance claims

	2020 US$	2019 US$
Gross paid claims	**17,662,198**	15,424,820
Change in the provision for outstanding claims and claims incurred but not reported	**41,808,836**	2,626,306
Change in unexpired risk reserve	-	233,454
Reinsurance claims and loss adjustment expenses	**59,471,034**	18,284,580
Claims recovered from retrocessionaires	**(8,850,796)**	(13,700,366)
Change in retrocessionaires' share of outstanding claims and claims incurred but not reported	**(38,049,448)**	1,875,973
Change in reinsurance expected recoveries	**(2,500,000)**	
Change retrocessionaires' share of unexpired risk reserve		238,258
Retrocessionaires' share of claims and loss adjustment expenses	**(49,400,244)**	(11,586,135)
Net reinsurance claims	**10,070,790**	6,698,445

19 Expenses for the acquisition of reinsurance contracts

	2020 US$	2019 US$
Costs incurred for the acquisition of reinsurance contracts	**5,297,785**	5,602,199
Deferred acquisition costs at beginning of year	**1,251,263**	1,099,082
Deferred acquisition costs at end of year	**(1,194,956)**	(1,251,263)
	5,354,092	5,450,018

20 Administrative and other expenses

	2020	2019
Professional fees	**421,579**	361,806
Administration fees (note 22)	**293,200**	293,200
Other administrative expenses	**40,686**	74,809
Bank charges	**10,117**	2,278
	765,582	732,093

21 Dividends

On 27 June 2019, the board of directors convened and approved the distribution of dividends amounting to US$ 3 million in respect of 2018 (US$ 0.1875 per share).

Notes to the separate financial statements (continued)

22 Related-party transactions

Related parties comprise the Company's immediate and ultimate parent companies, their subsidiaries and associated companies and the Company's key management and companies under common control or significant influence. The Company maintains significant balances and transactions with these related parties as follows:

(a) Reinsurance related transactions

	2020 **US$**	2019 US$
(i) Reinsurance premium revenue		
Subsidiary		
Bankers Assurance S.A.L.	**1,071,691**	613,781
Entities under common control		
Al Ittihad Al Watani (L'Union Nationale) Societe Generale d'Assurances du Proche Orient S.A.L.	**801,077**	1,389,699
Nasco Gulf Insurance Agency L.L.C.	**104**	3,242
(ii) Reinsurance claims paid		
Subsidiary		
Bankers Assurance S.A.L.	**(298,165)**	(123,475)
Entities under common control		
Al Ittihad Al Watani (L'Union Nationale) Societe Generale d'Assurances du Proche Orient S.A.L.	**(655,144)**	(577,988)
Nasco Gulf Insurance Agency L.L.C.	**(2,283)**	(811)
(iii) Expenses for acquisition of reinsurance contracts		
Subsidiary		
Bankers Assurance S.A.L.	**(163,263)**	(150,870)
Entities under common control		
Al Ittihad Al Watani (L'Union Nationale) Societe Generale d'Assurances du Proche Orient S.A.L.	**(210,994)**	(343,253)
Nasco International Limited	**(178,723)**	(196,026)
Nasco Gulf Insurance Agency L.L.C.	**(26)**	(22,522)
(iv) Outstanding Claims		
Subsidiary		
Bankers Assurance S.A.L.	**(10,226,576)**	(416,461)
Entities under common controls		
Al Ittihad Al Watani (L'Union Nationale) Societe Generale d'Assurances du Proche Orient S.A.L.	**(287,911)**	(378,184)
Nasco Gulf Insurance Agency L.L.C.	**(306,504)**	(115,578)

Notes to the separate financial statements (continued)

22 Related-party transactions (continued)

	2020 US$	2019 US$
(b) Administration fees (note 18)		
Subsidiary		
Bankers Assurance S.A.L.	**(46,200)**	(46,200)
Entity under common control		
Nasco International Limited	**(247,000)**	(247,000)
	(293,200)	(293,200)
(c) Dividend income		
Subsidiary		
Bankers Assurance S.A.L. (note 15)	**4,375,000**	6,125,000

Outstanding balances arising from reinsurance and other activities:

Balances due from related parties (note 8)

	2020 US$	2019 US$
Parent company		
Nasco Insurance Group Limited	**20,104,464**	18,327,402
Entities under common control		
Nasco France S.A.	**12,215,050**	14,061,338
Nasco Insurance Agency L.L.C.	**823,322**	823,321
Nasco Gulf Insurance Agency L.L.C.	**531,951**	531,950
	33,674,787	33,744,011
Balances due to related parties (note 13)		
Entities under common control		
Nasco International Limited	**5,484,157**	4,971,502
Nasco Insurance Agency L.L.C.	**1,293,439**	4,049,280
Nasco Reinsurance Brokers S.A.L.	**1,645,823**	133,929
Bankers Assurance S.A.L.	**46,620**	-
	8,470,039	9,154,711

The above outstanding balances are interest free and are repayable on demand.

Notes to the separate financial statements (continued)

23 Prior period restatement

As at 31 December 2019, cash and cash equivalents included an amount of US$ 8.1 million for cash held in Lebanese commercial banks. Following the financial and economic crisis in Lebanon (notes 4.2.2 and 9), bank balances that were subject to a significant increase in credit risk were reclassified on the face of the separate statement of financial position under the caption of 'Bank balances', as they no longer met the definition of cash and cash equivalents (note 2.8). The restatement did not result in any change to the prior year's reported profits or to the balances reported in the separate statement of changes in equity.

Separate statement of financial position as at 31 December 2019:

Amounts in US$	As reported	Restatement	As restated
Cash and cash equivalents	13,434,317	(8,112,030)	5,322,287
Bank balances	7,468,660	8,112,030	15,580,690

Separate statement of cash flows as at 31 December 2019:

Amounts in US$	As reported	Restatement	As restated
Cash flows from investing activities			
Decrease (increase) in bank balances	7,146,304	(8,112,030)	(965,726)
Cash and cash equivalents at the end of the year	13,434,317	(8,112,030)	5,322,287

A third separate statement of financial position was not presented as the facts and circumstances related to the financial and economic crisis in Lebanon did not exist at 31 December 2018.