KELVIN RE

SUMMARY ANNUAL REPORT & AUDITED FINANCIAL STATEMENTS

For the Year Ended 31 December 2021

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COMPANY INFORMATION

DIRECTORS

Ahmed Al Fahim

Jeremy Arden

Richard Babbe

Niklaus Hilti

John Rowson

Shivaramakrishnan Srinivasan

Paul Sykes (resigned on 21 March 2021)

INSURANCE MANAGER AND GENERAL REPRESENTATIVE

Aon Insurance Managers (Guernsey) Limited
PO Box 33
Dorey Court
Admiral Park
St. Peter Port
Guernsey GY1 4AT

COMPANY SECRETARY

Aon Insurance Managers (Guernsey) Limited
PO Box 33
Dorey Court
Admiral Park
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Guernsey GY1 4AT

INDEPENDENT AUDITOR

KPMG Channel Islands Limited
Glategny Court
Glategny Esplanade
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Guernsey GY1 1WR

REGISTERED OFFICE

PO Box 33
Dorey Court
Admiral Park
St. Peter Port
Guernsey GY1 4AT

REGISTERED NUMBER

58943

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their report and the audited financial statements of Kelvin Re Limited ("the Company") for the year ended 31 December 2021.

INCORPORATION

The Company was incorporated in Guernsey on 29 August 2014 as 'Kelvin Limited' and subsequently changed its name to 'Kelvin Re Limited' on 29 September 2014. The Company operates in accordance with the provisions of the Companies (Guernsey) Law, 2008 and the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended.

PRINCIPAL ACTIVITY

The Company's principal activity was the provision of property and natural catastrophe reinsurance business. The Company's principal focus was short-tail, geographically diversified property and specialty lines. The Company wrote a combination of proportional and non-proportional reinsurance contracts. The Company however entered a run-off scenario on 2 December 2020.

The Company was licenced under Section 7 of the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended to carry on general insurance business, excluding domestic business, on 6 November 2014. The Company's A.M. Best Financial Strength Rating of A- (Excellent) Under Review was confirmed on 6 January 2022.

CORPORATE GOVERNANCE FRAMEWORK

The Board discharges its responsibilities through meetings held regularly commensurate with the size of the Company's operations. The Board also oversees the activities of management and its committees, which comprise:

- Enterprise Risk Management Committee
- Underwriting & Claims Committee
- Investment Committee
- Remuneration Committee

Each committee operates within defined terms of reference which outline its role and responsibilities. Each committee is a committee of the Board and generally meets at least quarterly, however in the Company's run-off state meetings of certain committees have been held less frequently.

RESULTS

The results for the year are set out in the statement of comprehensive income on page 7.

DIVIDENDS

During the year ended 31 December 2021 capital distributions of USD745,905,800 were made by the Company (2020: $nil). There were no other forms of dividend paid in the year (2020: $nil).

DIRECTORS

The Directors of the Company who served during the year, and up to the date of this report, are set out on page 2.

SECRETARY

Aon Insurance Managers (Guernsey) Limited was appointed as the secretary on 30 September 2014.

INSURANCE MANAGER

Aon Insurance Managers (Guernsey) Limited was appointed as the insurance manager of the Company on 30 September 2014.

GOING CONCERN

In the current year, the financial statements have not been prepared on a going concern basis for the reasons set out in note 2, which the Directors believe is appropriate. The Shareholders and Board of Directors of the Company for strategic reasons resolved, at a Board meeting on 2 December 2020, not to underwrite any further business, and pursue a controlled exit. Despite this the Company has net assets significantly in excess of its regulatory solvency requirement and is not dependent on any external finance. After making enquiries, the Directors have a reasonable expectation that the Company has adequate financial resources to meet its obligations and continue in operational existence during its run off.

A specific provision for liquidation costs has been made in these Financial Statements however no further provisions have been deemed necessary. Aside from the liquidation provision the change in going concern status of the Company has had no impact on the value of assets and liabilities, their classification or measurement, nor on their classification between current and non-current.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. In the current year, the financial statements have not been prepared on a going concern basis for the reasons set out in note 2.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008 and the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DISCLOSURE OF INFORMATION TO AUDITOR

In accordance with Section 249 of the Companies (Guernsey) Law, 2008, the Directors who held office at the date of approval of this Directors' report confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

INDEPENDENT AUDITOR

The independent auditor, KPMG Channel Islands Limited, have indicated their willingness to continue in office.
A resolution that they be reappointed will be considered at the next annual general meeting.

By Order of the Board and signed on 3 May 2022 by:

DIRECTOR

DIRECTOR

Registered office
PO Box 33
Dorey Court
Admiral Park
St. Peter Port
Guernsey GY1 4AT

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS OF KELVIN RE LIMITED

OPINION

The summary financial statements which comprise the Statement of Financial Position as at 31 December 2021, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and related notes, are derived from the audited financial statements of Kelvin Re Limited for the year ended 31 December 2021. These summary financial statements have not been prepared on the going concern basis for the reason set out in Note 2.

In our opinion, the accompanying summary financial statements are a fair summary of the audited financial statements, in accordance with the provisions of The Insurance Business Rules and Guidance, 2021, in a manner authorised by the Guernsey Financial Services Commission.

SUMMARY FINANCIAL STATEMENTS

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards as adopted by the European Union. Reading the summary financial statements and our report thereon, therefore, is not a substitute for reading the audited financial statements and our report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

THE AUDITED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited financial statements in our report dated 12 April 2022.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summary financial statements on the basis described in Note 2.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summary financial statements are a fair summary of the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

KPMG Channel Islands Limited

KPMG Channel Islands Limited
Chartered Accountants
Guernsey
6 May 2022

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	2021 USD	2020 USD
ASSETS			
Cash and cash equivalents	9	394,358,279	419,652,582
Investment assets	10	-	732,043,018
Insurance receivables	11	152,308,841	205,130,254
Claims recoverable from reinsurers	15	65,081,664	171,187,509
Other receivables and prepayments	12	74,057	1,229,814
Deferred insurance and reinsurance assets	13	1,349,957	5,005,205
Computer hardware and software		-	10,674
TOTAL ASSETS		**613,172,798**	**1,534,259,056**
EQUITY AND RESERVES			
Share capital	14	204,064,900	600,000,000
Capital contribution	14	-	349,970,700
Retained earnings		87,067,412	89,529,518
TOTAL EQUITY AND RESERVES		**291,132,312**	**1,039,500,218**
LIABILITIES			
Claims liabilities	15	309,256,954	425,575,635
Insurance and reinsurance payables	16	6,915,028	24,973,225
Other payables and accruals	10	2,541,168	2,337,291
Deferred insurance and reinsurance liabilities	17	3,327,336	41,872,687
TOTAL LIABILITIES		**322,040,486**	**494,758,838**
TOTAL EQUITY, RESERVES AND LIABILITIES		**613,172,798**	**1,534,259,056**

Approved for issue by the Board of Directors on 3 May 2022 and signed on its behalf by:

DIRECTOR

DIRECTOR

The accompanying notes on pages 10 to 31 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 USD	2020 USD
INSURANCE PREMIUM REVENUE			
Gross written premium		3,370,969	156,717,688
Outwards reinsurance premium		3,996,485	846,293
NET WRITTEN PREMIUM		**7,367,454**	**157,563,981**
Movement in unearned premium		38,545,351	46,044,835
Movement in unearned outwards reinsurance premium		177,003	(7,176,923)
NET EARNED PREMIUM		**46,089,808**	**196,431,893**
Acquisition costs		(3,592,723)	(18,961,171)
Net other insurance income and expenses		(160,208)	(2,683,037)
NET INSURANCE PREMIUM REVENUE		**42,336,877**	**174,787,685**
INSURANCE CLAIMS EXPENSES			
Insurance claims expenses		(35,884,552)	(55,451,751)
Insurance claims expenses recoverable from reinsurers		(25,361,822)	(54,466,069)
NET INSURANCE CLAIMS EXPENSES		**(61,246,374)**	**(109,917,820)**
(LOSS)/PROFIT ATTRIBUTABLE TO UNDERWRITING ACTIVITIES		**(18,909,497)**	**64,869,865**
INVESTMENT INCOME			
Net gains from financial assets at fair value through profit or loss		27,707,405	46,995,862
Interest (expense)/income		(116,430)	2,297,735
Investment fee rebates		716,371	839,074
NET INVESTMENT INCOME		**28,307,346**	**50,132,671**
OTHER OPERATING EXPENSES			
Administration expenses	18	(8,794,458)	(8,815,611)
Foreign exchange losses		(3,065,497)	(773,512)
NET OTHER OPERATING EXPENSES		**(11,859,955)**	**(9,589,123)**
(LOSS)/PROFIT BEFORE TAX		**(2,462,106)**	**105,413,413**
Tax		–	–
(LOSS)/PROFIT FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE (LOSS)/INCOME		**(2,462,106)**	**105,413,413**

The accompanying notes on pages 10 to 31 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital USD	Capital contribution USD	Retained earnings USD	Total equity USD
Balance at 1 January 2020	600,000,000	349,970,700	(15,883,895)	934,086,805
Total comprehensive income for the year	–	–	105,413,413	105,413,413
BALANCE AT 31 DECEMBER 2020	**600,000,000**	**349,970,700**	**89,529,518**	**1,039,500,218**
Total comprehensive loss for the year	–	–	(2,462,106)	(2,462,106)
Capital distributions paid	(395,935,100)	(349,970,700)	–	(745,905,800)
BALANCE AT 31 DECEMBER 2021	**204,064,900**	**–**	**87,067,412**	**291,132,312**

The accompanying notes on pages 10 to 31 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 USD	2020 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit for the year		(2,462,106)	105,413,413
ADJUSTMENTS:			
Net gains from financial assets at fair value through profit or loss		(27,707,405)	(46,995,862)
Interest income		116,430	(2,297,735)
Depreciation		10,674	24,471
Investment fee rebates		(716,371)	(839,074)
MOVEMENT IN OPERATING ASSETS AND LIABILITIES:			
Decrease in insurance receivables		52,821,413	42,065,895
Decrease in claims recoverable from reinsurers		106,105,845	146,631,537
Decrease/(increase) in other receivables and prepayments		1,231,608	(2,156,103)
Decrease in deferred insurance and reinsurance assets		3,655,248	11,933,747
Decrease in claims liabilities		(116,318,681)	(143,248,576)
Decrease in insurance and reinsurance payables		(18,058,197)	(25,898,598)
Increase in other payables and accruals		203,877	1,854,004
Decrease in deferred insurance and reinsurance liabilities		(38,545,351)	(46,044,835)
NET CASH (OUTFLOWS)/INFLOWS FROM OPERATING ACTIVITIES		**(39,663,016)**	**40,442,284**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment assets		(1,950,000)	(77,982,500)
Sale of investment assets		405,167,608	198,786,299
Interest income		(115,953)	3,469,180
Investment fee rebates		716,371	839,074
NET CASH INFLOWS FROM INVESTING ACTIVITIES		**403,818,026**	**125,112,053**
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital distributions paid		(389,372,986)	-
NET CASH OUTFLOWS FROM FINANCING ACTIVITIES		**(389,372,986)**	**-**
NET (INCREASE)/DECREASE IN CASH AND CASH EQUIVALENTS		**(25,217,976)**	**165,554,337**
Cash and cash equivalents at beginning of the year	9	419,652,582	242,096,531
Effect of foreign exchange rate changes on cash and cash equivalents		(76,327)	12,001,714
		419,576,255	**254,098,245**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**9**	**394,358,279**	**419,652,582**

The accompanying notes on pages 10 to 31 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 CORPORATE INFORMATION

Kelvin Re Limited ("the Company") is a limited company incorporated and domiciled in Guernsey. The registered office of the Company is PO Box 33, Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 4AT.

The Company's principal activity was the provision of property and natural catastrophe reinsurance business. The Company however entered a run-off scenario on 2 December 2020. The Company is licenced under Section 7 of the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended, to carry on general insurance business.

The Company is wholly owned by CS Iris A Fund Limited.

2 BASIS OF PREPARATION

These financial statements give a true and fair view and have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

In the current year, the financial statements have not been prepared on a going concern basis, which the Directors believe is appropriate. The Shareholders and Board of Directors of the Company for strategic reasons resolved, at a Board meeting on 2 December 2020, not to underwrite any further business, and pursue a controlled exit. Despite this the Company has net assets significantly in excess of its regulatory solvency requirement and is not dependent on any external finance. After making enquiries, the Directors have a reasonable expectation that the Company has adequate financial resources to meet its obligations and continue in operational existence during its run off. A specific provision for liquidation costs has been made in these Financial Statements however no further provisions have been deemed necessary. Aside from the liquidation provision the change in going concern status of the Company has had no impact on the value of assets and liabilities, their classification or measurement, nor on their classification between current and non-current.

The financial statements are prepared in compliance with the Companies (Guernsey) Law, 2008 and the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended.

The financial statements have been prepared under the historical cost convention, except financial assets at fair value through profit or loss, which are measured at their fair value.

The accounting policies adopted in preparing these financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2020 unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. Although estimates are based on management's best knowledge of current events and actions, actual results could ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are described in note 5 below.

The financial statements are presented in United States dollars (USD, $), which is also the Company's functional currency.

The financial statements were authorised for issue by the Board of Directors on 11 April 2022.

3 ADOPTION OF NEW OR REVISED STANDARDS

3.1 NEW AND AMENDED STANDARDS AND INTERPRETATIONS EFFECTIVE ON OR AFTER 1 JANUARY 2021

The new and amended standards and interpretations effective on or after 1 January 2021 that were applicable to the Company are described below.

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest rate benchmark Reform – Phase 2*

In August 2020, the IASB published 'Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' covering amendments which address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. These amendments have not had a material impact on the Company.

3.2 NEW AND AMENDED STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The new and amended standards and interpretations in issue but not yet effective that are applicable to the Company and have not yet been adopted by the Company are described below.

(a) IFRS 17 Insurance contracts

IFRS 17, issued in May 2018, establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. It introduces a new comprehensive model (general model) for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts such as reinsurance contracts, direct participating contract and investment contracts with discretionary participation features.

IFRS 17 Insurance Contracts is effective for years beginning on or after 1 January 2023 with restated comparatives. The Directors have entered into a process of assessing the impact on the financial statements of the Company. The assessment is not finalised and therefore the overall and financial impact is not yet known. More knowledge of the impact of implementing the standard on the Company will be known at the next financial reporting date.

(b) IFRS 9 Financial instruments and amendments to IFRS 4 Insurance contracts – Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts

In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9, the IASB's project to replace IAS 39, 'Financial instruments: recognition and measurement' and all previous versions of IFRS 9. The final standard has a mandatory effective date of 1 January 2018 with early adoption permitted.

However, in September 2016 the IASB also issued amendments to the existing insurance contracts standards, IFRS 4. The amendments to IFRS 4 introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

The optional temporary exemption from IFRS 9 gives companies whose activities are predominantly in connection with insurance an optional temporary exemption from applying IFRS 9 until 1 January 2023. Entities deferring the application of IFRS 9 will continue to apply the existing financial instruments standard, IAS 39.

The overlay approach gives all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is applied.

The Company considers that its activities are predominantly connected with insurance and that it qualifies for the optional temporary exemption from applying IFRS 9. The Company has elected to apply this optional temporary exemption from 1 January 2018 and expects to do so until application of the new insurance contracts standard, IFRS 17.

In order to assess that the Company's activities are predominantly connected with insurance, the Company is required to demonstrate that the percentage of the total carrying amount of its liabilities connected with insurance are, at a minimum, greater than 80 per cent of its total liabilities. This assessment is required to be made at the annual reporting date immediately preceding 1 April 2016, which is 31 December 2015 in the Company's case. At this date, the Company considered that the underwriting activities undertaken is evidence of meeting the required criteria and therefore that the Company qualified for this temporary exemption.

The impact of IFRS 9 continues to be assessed during the temporary exemption period. The Company expects that all financial assets currently classified as loans and receivables will continue to be measured at amortised cost under IFRS 9.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into the functional currency using the rate of exchange prevailing at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of the exchange prevailing at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the date at which the asset or liability first arose.

Any resulting exchange differences are recognised within foreign exchange gains or losses in the statement of comprehensive income.

4.2 INSURANCE CONTRACTS – CLASSIFICATION

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract.

The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

4.3 GROSS WRITTEN AND EARNED PREMIUM

Written premiums are first recognised in the period in which the contract incepts or the period in which the contract is bound, if later.

The Company writes both proportional and non-proportional reinsurance contracts. For non-proportional contracts, gross written premium is recorded based on the deposit or flat premium (net of taxes) as defined in the contract. Subsequent adjustments to the premium are recognised in the period in which they are determined.

For proportional contracts, written premium is recognised based on estimates of ultimate premiums provided by the reinsured. Initial estimates of written premium are recognised in the period in which the contract incepts, or in the period in which the contract is bound, if later. Subsequent adjustments, based on reports of actual premium by the reinsured, or revisions in estimates, are recognised in the period in which they are determined.

The proportion of gross written premium attributable to periods after the reporting date is deferred as unearned premium. The change in this reserve is recognised as income in corresponding periods so that premium is recognised over the period of risk coverage.

For inwards contracts premium is earned proportionally over the policy contract period, except where the period of risk differs significantly from the contract period. In these circumstances, premium is earned over the period of risk in proportion to the amount of reinsurance protection provided.

Where contract terms require the reinstatement of coverage after a reinsureds loss, the estimated reinstatement premiums are recorded as written premiums.

4.4 OUTWARDS REINSURANCE PREMIUM

Outwards reinsurance premiums are recognised in the period in which the contract incepts or the period in which the contract is bound, if later.

The Company purchases both proportional and non-proportional reinsurance contracts. For non-proportional contracts, outwards reinsurance premium is recorded based on the deposit or flat premium as defined in the contract. Subsequent adjustments to the premium are recognised in the period in which they are determined.

For proportional contracts, outwards reinsurance premium is recognised based on the proportion of the underlying contract being ceded. Initial estimates of written premium are recognised in the period in which the contract incepts, or in the period in which the contract is bound if later. Subsequent adjustments, based on changes to the premium of the underlying reinsurance contract(s) written, are recognised in the period in which they are determined.

The proportion of outwards reinsurance premium attributable to periods after the reporting date is deferred as unearned outwards reinsurance premium. The change in this asset is recognised as an expense in future periods in order that premium is recognised over the period of risk protection.

For outwards contracts outwards reinsurance premium is earned proportionally over the policy contract period, except where the period of risk differs significantly from the contract period. In these circumstances, premium is amortised over the period of risk in proportion to the amount of reinsurance protection received.

Where contract terms require the reinstatement of coverage after a loss, the estimated outwards reinstatement premiums are recorded as outwards reinsurance premiums.

4.5 ACQUISITION COSTS AND DEFERRED ACQUISITION COSTS

Acquisition costs represent commissions, brokerage and other variable costs that relate directly to the successful sale of new contracts and the renewal of existing contracts. Acquisition costs are deferred and amortised over the period in which the related premiums are earned. Deferred acquisition costs are reviewed at the reporting date and impaired where they are no longer considered to be recoverable out of future margins from the related revenues.

4.6 OUTWARDS REINSURANCE EXPENSES AND DEFERRED OUTWARDS REINSURANCE EXPENSES

Outwards reinsurance expenses represent commissions, brokerage and other variable costs that relate directly to the purchase of outwards reinsurance contracts. Outwards reinsurance expenses are deferred and amortised over the period in which the related outward reinsurance premiums are expensed. Outwards reinsurance expenses are included within Net other insurance income and expenses.

4.7 OTHER INSURANCE INCOME AND EXPENSES

Commissions receivable on outwards reinsurance contracts are deferred and earned using the same principles as for acquisition costs on inwards business.

Contingent profit commissions on outwards reinsurance contracts are accrued when it is highly probable that the income will be realised.

4.8 INSURANCE CLAIMS EXPENSES AND CLAIMS LIABILITIES

Insurance claims expenses comprise of claims and loss adjustment expenses incurred in the period based on the estimated compensation owed to reinsureds on the reinsurance contracts written by the Company, whether or not reported to the Company by the reporting date.

Claims paid are defined as those claims transactions settled up to the reporting date.

Claims liabilities represent the total estimated claims and loss adjustment expenses incurred on the reinsurance contracts written by the Company that have not been settled as at the reporting date and comprise:

- Claims payable represent liabilities to pay claims where claims on the underlying insurance contract(s) written by the reinsured have been settled in excess of the reinsurance contract's attachment point.
- Specific loss reserves are made for known or anticipated liabilities under reinsurance contracts written that have been notified to the Company.
- Incurred but not reported (IBNR) reserves are established to provide for claims expenses on insured events that have occurred but for which loss notifications have not been received by the Company prior and up to the reporting date. These liabilities are determined by the Company based on recognised actuarial methods and assumptions. These methods and assumptions are regularly reviewed through the use of catastrophe models, own loss experience, historical industry loss experience, underwriting and originator experience, estimates of pricing adequacy trends and the Board and management's professional judgement.

Certain contracts written by the Company require the Company to fund cedents' estimates of their claims recoverable from the Company in full ("a cash call advance"), regardless of whether the cedent has settled their own underlying claims liabilities. The Company may also choose to provide such cash call advances on an ex-gratia basis. Where cash call advances made are in excess of claims paid or claims payable, they are recorded as cash call advances made to cedents as a netting item against the related claims liabilities in the statement of financial position.

Where the amount of cash call advances paid exceeds the Company's own estimated claims liabilities, the excess amounts paid are classified within insurance receivables as claims deposits due back from cedents.

Changes in estimates of insurance claims liabilities are recognised in the statement of comprehensive income in the period in which the estimate changes.

4.9 INSURANCE CLAIMS EXPENSES RECOVERABLE FROM REINSURERS AND CLAIMS RECOVERABLE FROM REINSURERS

Insurance claims expenses recoverable from reinsurers comprise recoverable claims and loss adjustment expenses recoverable in the period based on the estimated compensation due from reinsurers on the outwards reinsurance contracts purchased by the Company, whether or not reported by the Company to the reinsurer by the reporting date.

Claims recoverable from reinsurers represent the total estimated recoverable claims and loss adjustment expenses recoverable on the outwards reinsurance contracts purchased by the Company that have not been settled as at the reporting date.

Reinsurance receivables represent amounts due to the Company where claims on the underlying reinsurance contract written by the Company have been settled and payment has been requested from the outwards reinsurer. Reinsurers' share of specific loss reserves represents known or anticipated recoveries under outwards reinsurance contracts purchased that correspond to specific loss reserves on inwards reinsurance contracts.

4.9 INSURANCE CLAIMS EXPENSES RECOVERABLE FROM REINSURERS AND CLAIMS RECOVERABLE FROM REINSURERS CONTINUED

Where outwards reinsurance contracts permit, cash may be called from reinsurers in settlement of claims and claims expenses recoverable in advance of the settlement of claims and claims expense liabilities on the underlying inwards contracts. Where such cash call advances received from reinsurers are in excess of reinsurance receivables settled or due they are recorded as cash call advances received from reinsurers as a netting item against the related claims recoverable from reinsurers in the statement of financial position, in anticipation of future receivable amounts coming due.

Where the current estimated value of claims and claims expenses recoverable from reinsurers on a contract is less than the value of cash call advances received, any such excess is classified within insurance and reinsurance payables as cash call returns due to reinsurers until settled with the reinsurer.

Changes in estimates of claims recoverable from reinsurers are recognised in the statement of comprehensive income in the period in which the estimate changes.

4.10 FINANCIAL ASSETS

(a) Classification

Management determines the appropriate classification of financial assets at initial recognition.

The Company classifies its investments in equity securities as financial assets designated at fair value through profit or loss at inception because these groups of financial assets are both managed and their performance evaluated on a fair value basis.

The Company classifies its investments in fixed deposits as held-to-maturity as such investments are non-derivative financial assets with fixed or determinable payments and fixed maturity for which there is a positive intention and ability to hold to maturity.

Loans and receivables, including cash and cash equivalents and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as 'trading' assets and have not been designated at fair value through profit or loss or as available-for-sale. Cash and cash equivalents comprise cash at bank and in hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

(b) Recognition, derecognition and measurement

Purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the asset. Receivables are recognised as assets when the Company becomes a party to the contract.

Financial assets are initially recognised at fair value. Transaction costs on financial assets at fair value through profit or loss are expensed as incurred in the statement of comprehensive income. The initial carrying amounts of instruments classified as held-to-maturity and loans and receivables are adjusted for transaction costs and included in the calculation of the effective interest method.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented as net gain or loss from financial assets at fair value through profit or loss in the statement of comprehensive income.

Held-to-maturity investments and loans and receivables are subsequently measured at amortised cost using the effective interest method. Gains arising from changes in amortised cost are presented as a component of interest income in the statement of comprehensive income. Held-to-maturity investments and loans and receivables are subject to annual reviews for impairment. If there is any objective evidence that the asset is impaired, the Company reduces the carrying amount accordingly and recognises the impairment loss in profit or loss.

Financial assets are derecognised when the right to receive cash flows from the assets have expired or the Company has transferred substantially all the risks and rewards of ownership. Gains or losses arising on derecognition of financial assets are recognised as a component of investment income in profit or loss.

(c) Fair value estimation of financial assets at fair value through profit or loss

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. Investments in underlying funds which are not quoted or dealt on a recognised stock exchange or other trading facility or in an active market are valued at the net asset values provided by such entities or their administrators. These values may be unaudited or may themselves be estimates and may not be produced in a timely manner. If such information is not provided, or is insufficiently timely, the Company uses appropriate valuation techniques to estimate the value of investments. In determining the fair value of such investments, the Company takes into consideration relevant factors which may include the impact of suspension, redemptions, liquidation proceedings and other significant factors. The estimates may differ from actual realisable values.

The Company's policy is to recognise transfers between levels of the fair value hierarchy at the end of the reporting period.

(d) Impairment of financial assets at amortised cost

The Company assesses at the end of each reporting period as to whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired, and impairment losses are determined, if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition (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.

4.11 FINANCIAL LIABILITIES

(a) Classification

Management determines the appropriate classification of financial liabilities at initial recognition.

Other payables are classified as other financial liabilities as they are neither held for trading nor designated at fair value through profit or loss.

(b) Recognition, derecognition and measurement

Payables are recognised as liabilities when the Company becomes a party to the contract.

Other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses arising from changes in amortised cost and on derecognition are presented as a component of investment income in the statement of comprehensive income.

4.12 OTHER INCOME

(a) Interest income

Interest income comprises interest on fixed deposits classified as held-to-maturity and cash and cash equivalents and is recognised in the statement of comprehensive income as it accrues. Interest on fixed deposits classified as held-to-maturity is calculated using the effective interest rate method.

When a financial asset measured at amortised cost is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(b) Investment fee rebates

Investment fee rebates comprise of rebates of hedge fund management fees and are recognised on an accruals basis.

4.13 TAXATION

The Company is taxable in Guernsey at the standard company rate of zero percent as per the Income Tax (Zero 10) (Guernsey) Law, 2007 (2018: 0%).

4.14 COMPUTER HARDWARE AND SOFTWARE

Computer hardware and software is measured at cost, excluding the cost of day-to-day servicing, less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on a straight line basis over the estimated useful life of three years. The assets' residual values, useful lives and method of depreciation are reviewed and adjusted, if appropriate, at each period end and adjusted prospectively.

4.14 COMPUTER HARDWARE AND SOFTWARE CONTINUED

An item of computer hardware or software is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

4.15 SHARE CAPITAL

Issued ordinary shares are classified as equity instruments.

4.16 CAPITAL CONTRIBUTION

Capital contributions represent amounts invested into the Company without an issuance of ordinary shares.

4.17 DIVIDENDS

Dividend distributions to the Company's shareholder are recognised in the year in which the dividends are approved for distribution.

4.18 ADMINISTRATION EXPENSES

Administration expenses are recognised on an accruals basis.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The key assumptions concerning the future and key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Gross written premium estimation – proportional contracts

The calculation of estimated premium income on proportional contracts is inherently subjective as the amount of premium written is dependent on estimates of ultimate premiums provided by the reinsured, which are reviewed and adjusted by the Company's underwriters as necessary before being recognised. These estimates are reviewed on a quarterly basis by the Company and on receipt of bordereaux statements and adjusted where necessary.

(b) Valuation of claims incurred but not reported

Liabilities for claims incurred but not reported require a significant amount of judgement as, by their nature, they are based on information that has not been reported to the Company. As such, these reserves are based on the best information available at a given time that may consequently change as a result of changes in assumptions or information. Such changes may result in either increases or decreases to the reserves recognised at the reporting date, as disclosed in note 15(c). Further disclosures in respect of the sensitivity to insurance risk are provided in note 6.5(b).

(c) Valuation of financial assets at fair value through profit or loss

The valuation of financial assets at fair value through profit or loss is subject to estimation uncertainty depending on the nature of the investments. The fair value recognised may not represent actual realisable value for such investments. Investments in underlying funds which are not quoted or dealt on a recognised stock exchange or other trading facility or in an active market are valued at the net asset values provided by such entities or their administrators. These values may be unaudited or may themselves be estimates and may not be produced in a timely manner. Further disclosures in respect of financial assets at fair value through profit or loss are provided in note 7. All financial assets at fair value through profit or loss were sold during the year and therefore there are no such assets at 31 December 2021.

6 RISK MANAGEMENT

6.1 RISK MANAGEMENT FRAMEWORK

The Company discharges its risk management responsibilities through the Board and its committees. The Enterprise Risk Management Committee maintains the Company's Enterprise Risk Management policy and framework and is responsible for oversight of each of the Company's committees, maintaining the Company's risk register and monitoring emerging risks.

The Company's risk monitoring practices encompass both quantitative and qualitative views of risk across all major risk categories. This includes regular reporting on the Company's exposures to credit risk, liquidity risk, market risk and insurance risk, among others. A more detailed description of the major risk categories to which the Company is exposed is provided below.

6.2 CREDIT RISK

Credit risk is the risk that one party to a financial arrangement will fail to discharge an obligation and cause the other party to incur a financial loss. The Company seeks to manage this risk by actively monitoring the financial strength ratings of its counterparties (including financial investments and cedents) and assessing the recoverability of insurance receivables and claims recoverable from reinsurers.

The Company considers that the carrying amount of financial assets best represents the maximum exposure to credit risk.

The Company's investment guidelines require that financial assets (other than hedge funds and trade receivables) have a credit rating that corresponds with a long-term rating of AA/Aa3 by Fitch, Moody's and Standard & Poor's, except for money market funds where a credit rating of AAA applies. Exceptions to these guidelines are granted by the Investment Committee of the Board.

An analysis of financial assets by Standard & Poor's credit rating is provided below.

Financial assets credit rating analysis	Fair value through profit or loss USD	Loans and receivables USD	Total USD
AS AT 31 DECEMBER 2021			
AAA	–	382,139,018	382,139,018
AA-	–	30,515	30,515
A+	–	12,190,540	12,190,540
TOTAL FINANCIAL ASSETS	**–**	**394,360,073**	**394,360,073**
AS AT 31 DECEMBER 2020			
AAA	–	379,104,047	379,104,047
A+	–	40,550,806	40,550,806
Not rated	732,043,018	–	732,043,018
TOTAL FINANCIAL ASSETS	**732,043,018**	**419,654,853**	**1,151,697,871**

The Company monitors its credit risk in respect of hedge funds through regular review of investment and operational due diligence reports provided by a third party investment advisor.

The credit quality of insurance receivables and claims recoverable from reinsurers is assessed through at least quarterly reviews of cedent and reinsurer credit ratings. These cedent and reinsurer credit ratings range from A++ to Not Rated (A.M. Best) and from AA- to Not Rated (Standard & Poor's). Where the credit rating of outwards reinsurers do not meet the minimum criteria prescribed by the Company's underwriting guidelines, the protection is collateralised by a combination of cash advances, letters of credit and reinsurance trusts which, in turn, have minimum credit rating requirements.

An analysis of premiums receivable that are past due but not impaired is provided below. None of these receivables have a recent history of default and the Company considers the amounts recoverable in full. No other financial assets are past due but not impaired. There are also no receivables that are past due and impaired.

Aged premium receivables analysis As at 31 December	2021 USD	2020 USD
0 to 30 days	–	2,614,941
31 to 60 days	1,263,061	14,287
61 to 90 days	2,754,739	2,138,839
More than 90 days	2,012,559	2,683,197
TOTAL PREMIUM RECEIVABLES PAST DUE BUT NOT IMPAIRED	**6,030,359**	**7,451,264**

6.3 LIQUIDITY RISK

Liquidity risk is the risk that the Company will be unable to meet its obligations as they fall due. The most significant liquidity risk of the Company is the availability of cash resources in respect of actual or potential claims arising from a major insured event.

In respect of claims liabilities, the Company manages its liquidity risk by ensuring that there is sufficient cash in the operating and expense accounts that are readily available to fulfil claims payments as they fall due. For potential future claims liabilities, the Company manages its liquidity risk by holding a minimum amount of cash and cash equivalents to cover potential losses arising from a defined major catastrophe scenario.

A maturity analysis of financial and insurance liabilities that shows the remaining contractual maturities is provided below. Claims liabilities other than claims payable have not been included in the analysis as they have no stated contractual maturity.

Maturity analysis of financial and insurance liabilities	1 to 3 months USD	3 to 12 months USD	Total USD
AS AT 31 DECEMBER 2021			
Claims payable	34,739,795	–	34,739,795
Insurance and reinsurance payables	6,915,028	–	6,915,028
Other payables	2,399,414	141,754	2,541,168
TOTAL FINANCIAL AND INSURANCE LIABILITIES	**44,054,237**	**141,754**	**44,195,991**
AS AT 31 DECEMBER 2020			
Claims payable	46,883,290	–	46,883,290
Insurance and reinsurance payables	24,973,225	–	24,973,225
Other payables	2,272,948	64,343	2,337,291
TOTAL FINANCIAL AND INSURANCE LIABILITIES	**74,129,463**	**64,343**	**74,193,806**

6.4 MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market factors. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

(a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in foreign exchange rates.

The Company manages currency risk by generally only maintaining sufficient balances in each currency account to settle outwards reinsurance premiums due in foreign currencies. In situations where claims liabilities denominated in a currency other than the Company's functional currency are significant, the Company may mitigate the associated currency risk by holding additional cash and cash equivalents in that foreign currency for the purpose of asset and liability matching.

(a) Currency risk continued

An analysis of the gains or losses that would result in profit or loss from the impact on financial instruments and insurance contract balances (excluding non-monetary items) of an improvement or deterioration of 10% in each currency to which the Company has significant exposure is provided below. The Directors believe that 10% improvement or deterioration in foreign exchange rates represents a reasonable possible change, while also providing year-on-year comparability.

Currency sensitivity analysis	10% improvement USD	10% deterioration USD
AS AT 31 DECEMBER 2021		
AUD	(141,389)	141,389
EUR	(684,598)	684,598
GBP	(1,277,323)	1,277,323
JPY	(1,467,350)	1,467,350
AS AT 31 DECEMBER 2020		
AUD	(2,927,258)	2,927,258
EUR	(1,821,115)	1,821,115
GBP	(618,057)	618,057
JPY	(4,301,329)	4,301,329

An analysis of financial instruments and insurance contract balances (excluding non-monetary items) by each currency to which the Company has significant currency exposure is provided below. The amounts are stated in the USD equivalent of the foreign currency in order that the amounts can be reconciled to the statement of financial position.

Currency balance sheet	AUD	EUR	GBP	JPY	USD	Other	Total USD
AS AT 31 DECEMBER 2021							
ASSETS							
Cash and cash equivalents	•	•	•	•	•	•	•
Investment assets	•	•	•	•	•	•	•
Insurance receivables	•	•	•	•	•	•	•
Reinsurance receivables	•	•	•	•	•	•	•
Other receivables	•	•	•	•	•	•	•
TOTAL MONETARY ASSETS	•	•	•	•	•	•	•
LIABILITIES							
Claims liabilities	•	•	•	•	•	•	•
Insurance and reinsurance payables	•	•	•	•	•	•	•
Other payables	•	•	•	•	•	•	•
TOTAL MONETARY LIABILITIES	•	•	•	•	•	•	•
NET MONETARY ASSETS/(LIABILITIES)	**(1,413,888)**	**(6,845,977)**	**(12,773,235)**	**(14,673,495)**	**331,263,752**	**(2,519,729)**	**293,037,428**

*Items marked as • have been redacted.

(a) Currency risk continued

Currency balance sheet	AUD	EUR	GBP	JPY	USD	Other	Total USD
AS AT 31 DECEMBER 2020							
ASSETS							
Cash and cash equivalents	•	•	•	•	•	•	•
Investment assets	•	•	•	•	•	•	•
Insurance receivables	•	•	•	•	•	•	•
Reinsurance receivables	•	•	•	•	•	•	•
Other receivables	•	•	•	•	•	•	•
TOTAL MONETARY ASSETS	•	•	•	•	•	•	•
LIABILITIES							
Claims liabilities	•	•	•	•	•	•	•
Insurance and reinsurance payables	•	•	•	•	•	•	•
Other payables	•	•	•	•	•	•	•
TOTAL MONETARY LIABILITIES	•	•	•	•	•	•	•
NET MONETARY ASSETS/(LIABILITIES)	**(29,272,583)**	**(18,211,149)**	**(6,180,565)**	**(43,013,295)**	**1,175,677,858**	**(3,870,783)**	**1,075,129,483**

(b) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its cash and cash equivalents. Money market fund investment performance is regularly monitored against benchmarks based on market returns and interest rates.

If the applicable interest rate had been 50 basis points (2020: 50 basis points) higher or lower throughout the period, the profit of the Company would have increased or decreased by $2,035,017 (2020: increase or decrease of $1,653,643). The sensitivity in the interest rate above is based on the maximum estimated potential interest rate change in the next period.

(c) Price risk

The Company is exposed to price risk because of equity investments classified as financial assets at fair value through profit or loss. Such investments are subject to price risk due to changes in the market value of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company's investment guidelines require it to manage such risks by setting and monitoring objectives and constraints on investments, diversification planning and setting limits on investments in each sector and market. The underlying leverage of the investments held within each instrument is also regularly monitored. As part of the Company's strategy its hedge fund portfolio is diversified and market neutral to seek to avoid large volatility in the valuation of these instruments.

*Items marked as • have been redacted.

(c) Price risk continued

A 10% increase/decrease in the net asset value per share of the Company's investments in equity securities at fair value through profit or loss would result in a $nil increase/decrease in the fair value of the Company's investments in equity securities (2020: $73,204,302 increase/decrease), with a corresponding gain/loss recognised in investment income in profit or loss. The directors believe that 10% improvement or deterioration in market value represents a reasonable possible change, while also providing year-on-year comparability.

6.5 INSURANCE RISK

(a) Insurance risk management

The risk under any one insurance contract is the possibility that the insured event occurs, with further risks resulting from the uncertainty of the amount and timing of the resulting claim.

The Company benefits from an underwriting process that uses a combination of experience, knowledge, exposure information and past claims data to evaluate the likely cost of claims and therefore the premium that should be sufficient (across the portfolio of contracts) to produce an acceptable profit. However, due to the nature of insurance risk there is no guarantee that the premium charged will be sufficient, and a loss may arise from insufficient premium being calculated or may result from an unexpected or unprecedented high level of claims.

The underwriting guidelines of the Company clearly define both the lines of business which the Company is authorised to underwrite and specific limits to which the Company can be exposed in relation to each particular line of business. For the purposes of these limits, all relevant risk parameters are aggregated and consolidated on the basis of modelled probable maximum loss.

The Company is also exposed to catastrophe losses which may impact many risks in single or multiple events. Outwards reinsurance is purchased to limit the impact of loss frequency and severity from such events in accordance with the Company's risk appetite.

Where insured events have occurred, the Company faces a risk that the ultimate claims payments exceed the carrying amount of the insurance liabilities at the reporting date. This could occur because the frequency or severity of claims is greater than estimated.

The Company operates a formal actuarial reserving policy that defines in detail the approach taken in determining the reserves held by the Company at each reporting date. The Company records specific loss reserves on each contract at least equal to the estimates reported by cedents and may establish additional specific loss reserves if the cedents' reported estimates are believed by the Company to be inadequate.

The Company records actuarially-determined reserves for claims incurred but not reported based on best estimates of the Company's ultimate loss and loss adjustment expenses at each reporting date. An actuarial valuation was performed by qualified actuaries to estimate the claims liabilities of the Company as at 31 December 2021 in accordance with the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended.

(b) Sensitivity to insurance risk

As disclosed in note 15(b), the most significant assumption in the determination of claims liabilities is the losses assumed for each contract. Changes to estimated loss ratios arising from actuarially-determined information or cedent loss reporting over the lifetime of each contract will result in gains or losses recognised in profit or loss.

Material uncertainty exists in respect of the amount and timing of settlement of claims. Such uncertainty arises due to the timing differences between the occurrence of an insured event, its notification to the primary insurer and subsequently to the Company, and the final settlement of the claim. The amount of a claim is also uncertain until the final settlement is agreed and paid.

(c) Concentrations of insurance risk

Policies written by the Company cover worldwide risks with no concentration at a particular location. The table below shows the Company's reserves by geography.

Concentration analysis by geography	Gross reserves USD
AS AT 31 DECEMBER 2021	
Australia	•
Europe	•
Japan	•
USA	•
Other	•
AS AT 31 DECEMBER 2020	
Australia	•
Europe	•
Japan	•
USA	•
Other	•

(d) Claims development

An analysis of current estimates of claims compared to previous estimates is provided below. The analysis is presented on an underwriting year basis and includes changes arising from fluctuations in foreign exchange rates. The Company chooses to present claims development based on estimates of ultimate loss, which include losses both incurred and not yet incurred.

	2015 USD	2016 USD	2017 USD	2018 USD	2019 USD	2020 USD	2021 USD
CLAIMS DEVELOPMENT BY UNDERWRITING YEAR – GROSS BASIS							
Estimate of ultimate claims at end of underwriting year	•	•	•	•	•	•	•
One year later	•	•	•	•	•	•	•
Two years later	•	•	•	•	•	•	•
Three years later	•	•	•	•	•	•	•
Four years later	•	•	•	•	•	•	•
Five years later	•	•	•	•	•	•	•
Six years later	•	•	•	•	•	•	•
Cumulative payments	•	•	•	•	•	•	•
ESTIMATED BALANCE	•	•	•	•	•	•	•

*Items marked as • have been redacted.

(d) Claims development continued

	2015 USD	2016 USD	2017 USD	2018 USD	2019 USD	2020 USD	2021 USD
CLAIMS DEVELOPMENT BY UNDERWRITING YEAR – NET BASIS							
Estimate of ultimate claims at end of underwriting year	•	•	•	•	•	•	•
One year later	•	•	•	•	•	•	•
Two years later	•	•	•	•	•	•	•
Three years later	•	•	•	•	•	•	•
Four years later	•	•	•	•	•	•	•
Five years later	•	•	•	•	•	•	•
Six years later	•	•	•	•	•	•	•
Cumulative payments	•	•	•	•	•	•	•
ESTIMATED BALANCE	•	•	•	•	•	•	•

6.6 COVID 19

Redacted.

7 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

7.1 FAIR VALUE MEASUREMENTS

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

The fair value of financial assets at fair value through profit or loss is based on the net asset value per share provided by the administrator of the underlying investment.

(b) Other financial assets and financial liabilities

The carrying values of other financial assets and financial liabilities measured at amortised cost are considered to approximate their respective fair values at the reporting date due to their short-term nature.

7.2 FAIR VALUE HIERARCHY

(a) Classification

The Company measures the fair value of financial instruments using a fair value hierarchy that reflects the significance of the input used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety. In making the assessment, the Company considers factors specific to the asset or liability.

*Items marked as • have been redacted.

(b) Fair value hierarchy table

An analysis of the Company's financial assets/liabilities at fair value through profit or loss by fair value hierarchy level is provided below.

Fair value hierarchy	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
AS AT 31 DECEMBER 2021				
•	•	•	•	•
•	•	•	•	•
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**-**	**-**	**-**	**-**
AS AT 31 DECEMBER 2020				
•	•	•	•	•
•	•	•	•	•
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**-**	**93,208,754**	**638,834,264**	**732,043,018**

(c) Assets and liabilities not measured at fair value

The Company's loans and receivables and financial liabilities are carried at amounts that approximate to their fair value and are categorised as Level 2 in the fair value hierarchy.

Cash and cash equivalents of $394,358,279 (2020: $419,652,582) are carried at amounts that approximate to their fair value and are categorised as Level 1 in the fair value hierarchy.

(d) Level 3 reconciliation

A reconciliation from the opening balances to the closing balances for fair value measurements categorised within Level 3 of the fair value hierarchy is provided below. The table has been re-presented on the same basis as for the fair value hierarchy in note 7.2(b) above.

Level 3 reconciliation For the year ended 31 December	2021 USD	2020 USD
Opening balance at 1 January	638,834,264	517,614,299
Purchases	234,860,455	152,982,500
Sales	(899,087,527)	(75,150,089)
Realised gains and losses	25,392,808	(2,832,411)
Movement in unrealised gains/(losses), recognised within net gains/(losses) from financial assets at fair value through profit or loss	-	46,219,965
CLOSING BALANCE AT 31 DECEMBER	**-**	**638,834,264**

The financial assets at fair value through profit or loss that are recognised in Level 3 of the fair value hierarchy relate predominantly to investment in certain hedge fund investments and outstanding hedge fund redemptions. The fair value of such investments is determined based on the net asset values provided by the funds or their administrators. In part, the Company also assesses the level of the fair value hierarchy to which assets are categorised based on the redemption periods and any applicable gating provisions stated in the applicable contractual documentation. Where an unadjusted net asset value from an open-ended fund is used as the valuation basis, the Company classifies such assets as Level 2 in the hierarchy. Where funds are closed to new investors and/or have greater than 30-day redemption provisions, the Company classifies such assets as Level 3 in the hierarchy.

As the Company cannot observe the valuation methodologies used by the funds or their administrators, a description of the valuation methods, assumptions used and quantitative information about the significant unobservable inputs, together with an accompanying sensitivity analysis, cannot be provided.

*Items marked as • have been redacted.

8 CAPITAL MANAGEMENT

The Company's objective when managing capital is to support its business in addition to adhering to regulatory requirements. The Company complies with the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended. The capital management policies adopted by the Company are operated to ensure the Company's compliance with its regulatory capital requirements and in order to target returns for the shareholder and benefits for stakeholders. The Directors meet frequently to agree the Company's immediate and long-term capital requirements, including review of the Company's forecasts, cash projections and insurance risk exposures.

The Directors also review the Company's capital structure on a regular basis to ensure adequate funds are available to meet its obligations and comply with the solvency margin requirements required by the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended. In accordance with the Insurance Business (Solvency) Rules and Guidance, 2021, the Company is required at all times to maintain regulatory capital resources greater than or equal to its Minimum Capital Requirement and its Prescribed Capital Requirement. At 31 December 2021, the Minimum Capital Requirement was $30,476,762 (2020: $35,551,297) and the Prescribed Capital Requirement was $55,433,829 (2020: $283,459,866).

The Company complied with the externally imposed capital requirements to which it was subject during the years ended 31 December 2021 and 31 December 2020.

The total amount of capital of the Company at 31 December 2021 was $291,132,312 (2020: $1,039,500,218), being net assets attributable to the holder of ordinary shares.

9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents As at 31 December	2021 USD	2020 USD
Cash	12,221,055	40,550,806
Cash equivalents	382,137,224	379,101,776
TOTAL CASH AND CASH EQUIVALENTS	**394,358,279**	**419,652,582**

Cash and cash equivalents comprise cash at bank and money market fund investments.

10 FINANCIAL ASSETS AND LIABILITIES

(a) Composition of financial assets and liabilities

As at 31 December	2021 USD	2020 USD
FINANCIAL ASSETS		
Designated at fair value through profit or loss at inception	–	732,043,018
INVESTMENT ASSETS	**–**	**732,043,018**
Loans and receivables	394,360,073	419,654,853
TOTAL FINANCIAL ASSETS	**394,360,073**	**1,151,697,871**
FINANCIAL LIABILITIES		
Other financial liabilities	2,541,168	2,337,291
TOTAL FINANCIAL LIABILITIES	**2,541,168**	**2,337,291**

Financial assets classified as loans and receivables are expected to be recovered no more than 12 months after the reporting period. There were no financial assets designated at fair value through profit or loss at 31 December 2021 as these were fully disposed of during the year.

(b) Reconciliation of opening and closing financial assets and liabilities

As at 31 December	2021 USD	2020 USD
RECONCILIATION OF OPENING AND CLOSING FINANCIAL ASSETS		
Opening balance at 1 January	1,151,697,871	1,058,325,783
Purchase of investment assets	755,159,094	765,553,675
Sale of investment assets	(1,511,753,060)	(555,333,787)
Gains on financial assets at fair value through profit or loss	27,707,405	46,995,862
Interest income on financial assets	(108,096)	2,240,381
Net movement in other receivables	(2,271)	(166,063,402)
Net movement in cash balances	(28,340,870)	(20,641)
CLOSING BALANCE AT 31 DECEMBER	**394,360,073**	**1,151,697,871**
RECONCILIATION OF OPENING AND CLOSING FINANCIAL LIABILITIES		
Opening balance at 1 January	2,337,291	483,287
Settlements	(8,590,581)	(6,961,607)
Liabilities incurred	8,794,458	8,815,611
CLOSING BALANCE AT 31 DECEMBER	**2,541,168**	**2,337,291**

11 INSURANCE RECEIVABLES

Insurance receivables As at 31 December	2021 USD	2020 USD
Premiums receivable	61,018,286	118,918,322
Collateral placed	91,330,901	86,251,966
Commission receivable	(40,346)	(40,034)
TOTAL INSURANCE RECEIVABLES	**152,308,841**	**205,130,254**

Collateral placed comprises letters of credit and premiums receivable by the Company for which access is restricted in trust until the passage of time and claims experience, as defined by the contract, allows release of the premium to the Company.

12 OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments As at 31 December	2021 USD	2020 USD
Prepayments	72,263	1,227,543
Accrued interest	1,794	2,271
OTHER RECEIVABLES AND PREPAYMENTS	**74,057**	**1,229,814**

Other receivables and prepayments are expected to be recovered no more than 12 months after the reporting period.

13 DEFERRED INSURANCE AND REINSURANCE ASSETS

(a) Composition of deferred insurance and reinsurance assets

Deferred insurance and reinsurance assets As at 31 December	2021 USD	2020 USD
Deferred acquisition costs	320,025	4,059,326
Deferred other underwriting expenses	–	123,650
Unearned outwards reinsurance premium	1,029,932	822,229
TOTAL DEFERRED INSURANCE AND REINSURANCE ASSETS	**1,349,957**	**5,005,205**

Deferred insurance and reinsurance assets are expected to be recovered no more than 12 months after the reporting period.

(b) Reconciliation of changes in deferred insurance and reinsurance assets

Reconciliation of changes in deferred insurance and reinsurance assets	Deferred acquisition costs USD	Deferred other underwriting expenses USD	Unearned outwards reinsurance premium USD	Unearned outwards reinsurance expenses USD
AS AT 31 DECEMBER 2021				
Opening balance at 1 January 2021	4,059,326	123,650	822,229	–
Deferred during the period	(146,579)	26,285	(3,819,482)	4,308
Amortised during the period	(3,592,722)	(149,935)	4,027,185	(4,308)
CLOSING BALANCE AT 31 DECEMBER 2021	**320,025**	**–**	**1,029,932**	**–**
AS AT 31 DECEMBER 2020				
Opening balance at 1 January 2020	8,194,879	744,921	7,999,152	–
Deferred during the period	14,829,157	749,566	(8,023,216)	1,312,200
Amortised during the period	(18,964,710)	(1,370,837)	846,293	(1,312,200)
CLOSING BALANCE AT 31 DECEMBER 2020	**4,059,326**	**123,650**	**822,229**	**–**

14 SHARE CAPITAL

Share capital As at 31 December	2021 USD	2020 USD
The Company has in issue 600,000 ordinary shares with a nominal value of $1,000 each, issued as fully paid		
600,000 ordinary shares	204,064,900	600,000,000
TOTAL SHARE CAPITAL	**204,064,900**	**600,000,000**

The issued and fully paid shares are held by CS Iris A Fund Limited. All ordinary shares in issue are held by CS IRIS A Fund Limited. The ownership of the shares entitles the sole shareholder to attend and vote at general meetings of the Company.

In January 2019 a Capital Contribution Agreement was signed by the Company and its sole investor, which facilitated a capital contribution to the Company. The capital contributions made during 2019 totalled $349,970,700.

During 2021 a series of capital distributions were made by the Company, totalling $745,905,800. Of this amount, $349,970,700 was paid from the Company's capital contribution account and $395,935,100 was paid from the Company's share capital account and this is reflected in the statement of changes in equity. As a result of these capital distributions there was no change in the share structure of the Company, with 600,000 ordinary shares with a nominal value of $1,000 being in issue at 31 December 2021.

15 CLAIMS LIABILITIES AND CLAIMS RECOVERABLE FROM REINSURERS

(a) Composition of claims liabilities and claims recoverable from reinsurers

Claims liabilities and claims recoverable from reinsurers As at 31 December	2021 USD	2020 USD
CLAIMS LIABILITIES		
Claims payable	34,739,795	46,883,290
Specific loss reserves	130,919,652	165,409,434
Incurred but not reported reserves	150,780,686	219,156,853
Portfolio specific reserve	1,500,000	1,500,000
Cash call advances paid to cedents	(8,683,179)	(7,373,942)
TOTAL CLAIMS LIABILITIES	**309,256,954**	**425,575,635**
CLAIMS RECOVERABLE FROM REINSURERS		
Reinsurance receivables	6,470,395	9,989,579
Reinsurers' share of specific loss reserves	4,069,241	7,281,780
Reinsurers' share of incurred but not reported reserves	58,364,893	157,739,015
Cash call advances received from reinsurers	(3,822,865)	(3,822,865)
TOTAL CLAIMS RECOVERABLE FROM REINSURERS	**65,081,664**	**171,187,509**
NET CLAIMS LIABILITIES		
Net claims payable	28,269,400	36,893,711
Net specific loss reserves	126,850,411	158,127,654
Net incurred but not reported reserves	92,415,793	61,417,838
Portfolio specific reserve	1,500,000	1,500,000
Net cash call advances paid and received	(4,860,314)	(3,551,077)
TOTAL NET CLAIMS LIABILITIES	**244,175,290**	**254,388,126**

(b) Process for determining assumptions used in measurement of claims liabilities

The most significant component of the total claims liabilities disclosed above is incurred but not reported (IBNR) reserves. As described in note 6.5(a) above, the Company operates a formal actuarial reserving policy that defines in detail the approach taken in determining the reserves held by the Company at each reporting date.

Initial IBNR reserves are accrued on a contract-by-contract basis using *a priori* loss ratios that typically use the initial pricing ratio for each contract. Such initial pricing loss ratios may be based on a variety of methodologies including catastrophe model outputs and exceedance probability curves, burning cost analyses and other actuarial on-levelling and development methods. The Company does not accrue *a priori* IBNR reserves on contracts classified as catastrophe excess of loss contracts in accordance with the Company's actuarial reserving policy, as such contracts are typically binary in nature.

Updates to initial *a priori* reserves are made on a quarterly basis based on the most recent loss information available. The quarterly analysis performed uses various generally accepted actuarial methods including loss development methods, expected emergence methods and expected loss ratio methods. Where applicable, for example where a cedent's loss history is limited or volatile, the Company utilises industry loss development patterns, trends and other key assumptions to supplement the historical loss information provided by the cedent.

(b) Process for determining assumptions used in measurement of claims liabilities continued

When a catastrophic loss occurs, the Company identifies potentially impacted contracts based on each contract's terms, discussions with the underwriter responsible for the contract, and any submission data provided by the cedent prior to policy inception. The Company then develops an estimate of initial ultimate loss for each potentially impacted contract using information that may include: outputs from catastrophe models; market share data; publicly available information; and subjective assessment of a contract's loss potential. Such initial ultimate loss estimates are held as IBNR reserves until loss reporting is received from the cedent.

(c) Effect of changes in assumptions

Changes in the estimated losses on the contracts written by the Company result in gains or losses recognised in profit or loss. The estimated claims liabilities in respect of claims incurred in previous reporting periods may change in the current period as the estimated ultimate costs of settling those claims becomes more certain over time.
The effect of movements on claims incurred in previous periods in the current year is disclosed in note 15(d) below.
Claims development tables comparing the estimates of ultimate claims at the end of each underwriting year to current estimates are provided in note 6.5(d).

(d) Reconciliation of changes in net claims liabilities

Reconciliation of changes in net claims liabilities	Claims liabilities USD	Claims recoverable from reinsurers USD	Net claims liabilities USD
AS AT 31 DECEMBER 2021			
Opening balance at 1 January 2021	425,575,635	171,187,509	254,388,126
Claims incurred and recoverable during the period:			
Current underwriting year	–	(132,399)	132,399
Previous underwriting years (including movement on claims incurred and recoverable in previous periods	35,884,552	(25,229,423)	61,113,975
Cash call advances paid to cedents	(1,309,237)	–	(1,309,237)
Cash call advances received from reinsurers	–	–	–
Claims paid and recovered	(141,918,202)	(72,796,026)	(69,122,176)
Foreign exchange differences	(8,975,794)	(7,947,997)	(1,027,797)
CLOSING BALANCE AT 31 DECEMBER 2021	**309,256,954**	**65,081,664**	**244,175,290**
AS AT 31 DECEMBER 2020			
Opening balance at 1 January 2020	568,824,211	317,819,046	251,005,165
Claims incurred and recoverable during the period:			
Current underwriting year	85,346,191	1,038,260	84,307,931
Previous underwriting years (including movement on claims incurred and recoverable in previous periods)	(29,894,440)	(55,504,329)	25,609,889
Cash call advances paid to cedents	(3,486,707)	–	(3,486,707)
Cash call advances received from reinsurers	–	(38,912)	38,912
Claims paid and recovered	(208,864,731)	(97,756,728)	(111,108,003)
Foreign exchange differences	13,651,111	5,630,172	8,020,939
CLOSING BALANCE AT 31 DECEMBER 2020	**425,575,635**	**171,187,509**	**254,388,126**

16 INSURANCE AND REINSURANCE PAYABLES

Insurance and reinsurance payables As at 31 December	2021 USD	2020 USD
Reinsurance premiums payable	4,837,050	19,861,019
Other underwriting expenses payable	2,077,978	5,112,206
TOTAL INSURANCE AND REINSURANCE PAYABLES	**6,915,028**	**24,973,225**

Insurance and reinsurance payables are expected to be settled no more than 12 months after the reporting period.

17 DEFERRED INSURANCE AND REINSURANCE LIABILITIES

(a) Composition of deferred insurance and reinsurance liabilities

Deferred insurance and reinsurance liabilities As at 31 December	2021 USD	2020 USD
Unearned premium reserve	3,327,336	41,872,687
TOTAL DEFERRED INSURANCE AND REINSURANCE LIABILITIES	**3,327,336**	**41,872,687**

Deferred insurance and reinsurance liabilities are expected to be settled no more than 12 months after the reporting period.

(b) Reconciliation of changes in deferred insurance and reinsurance liabilities

Reconciliation of changes in deferred insurance and reinsurance assets	Unearned premium reserve USD	Unearned commission received USD
AS AT 31 DECEMBER 2021		
Opening balance at 1 January 2021	41,872,687	–
Deferred during the period	2,563,641	–
Amortised during the period	(41,108,992)	–
CLOSING BALANCE AT 31 DECEMBER 2021	**3,327,336**	**–**
AS AT 31 DECEMBER 2020		
Opening balance at 1 January 2020	87,917,522	–
Deferred during the period	157,058,738	3,539
Amortised during the period	(203,103,573)	(3,539)
CLOSING BALANCE AT 31 DECEMBER 2020	**41,872,687**	**–**

18 ADMINISTRATION EXPENSES

Administration expenses For the year ended 31 December	2021 USD	2020 USD
Internal and external audit fees	•	•
Origination fees	•	•
Bank charges	•	•
Directors' and personnel fees	•	•
Insurance	•	•
Legal and professional fees	•	•
Management fees	•	•
Marketing costs	•	•
Regulatory fees	•	•
Sundry expenses	•	•
Travel and subsistence	•	•
Liquidation costs	•	•
TOTAL ADMINISTRATION EXPENSES	•	•

19 RELATED PARTY DISCLOSURES

(a) Key management personnel

Redacted.

(b) Insurance manager

Redacted.

(c) Board members

Mr Hilti is the CEO of Credit Suisse Insurance Linked Strategies Ltd ("the fund manager"). The fund manager provides investment management services to CS Iris A Fund Limited, the immediate parent company.

(d) Parent company, ultimate controlling party and entities within the same group

The Company's immediate parent is CS Iris A Fund Limited.

20 EVENTS AFTER THE REPORTING PERIOD

Redacted.

Redacted.

In addition, the Company has assessed the impact of the conflict in Ukraine on its investment holdings and its inwards and outwards insurance policies and deems the impact of the conflict to be negligible.

There were no other events after the reporting period up to the date the financial statements were authorised for issue that would require adjustment of or disclosure in this set of financial statements.

*Items marked as • have been redacted.

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