KELVIN RE

SUMMARY ANNUAL REPORT & AUDITED FINANCIAL STATEMENTS

For the Year Ended 31 December 2019

CONTENTS

COMPANY INFORMATION

DIRECTORS

Ahmed Al Fahim

Jeremy Arden

Richard Babbe

Niklaus Hilti

John Rowson

Shivaramakrishnan Srinivasan

Paul Sykes

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
St. Peter Port
Guernsey GY1 4AT

INDEPENDENT AUDITOR

KPMG Channel Islands Limited
Glategny Court, Glategny Esplanade
St. Peter Port
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 2019

The Directors present their summary annual report and the audited financial statements of Kelvin Re Limited ("the Company") for the year ended 31 December 2019.

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 is the provision of property and natural catastrophe reinsurance business. The Company's principal focus is short-tail, geographically diversified property and specialty lines. The Company writes a combination of proportional and non-proportional reinsurance contracts.

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) was affirmed on 13 December 2019.

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

Each committee operates within defined terms of reference which outline its role and responsibilities. Each committee is a committee of the Board and meets at least quarterly.

RESULTS

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

DIVIDENDS

During the year a special dividend of $700,000 was proposed and paid (2018: $nil).

DIRECTORS

The Directors of the Company who served during the year 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

The financial statements have been prepared on a going concern basis. The Directors believe that this basis is appropriate as 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 for the foreseeable future.

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.

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:

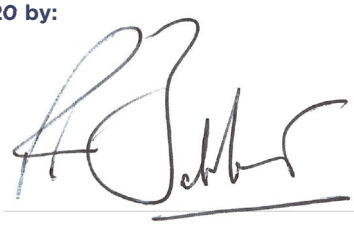
- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is 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 13 March 2020 by:

DIRECTOR



DIRECTOR

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF KELVIN RE LIMITED

OPINION

The summary financial statements, which comprise the Statement of Financial Position as at 31 December 2019, 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 2019.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with (or a fair summary of) the audited financial statements, in accordance with the provisions of The Insurance Business (Public Disclosure of Information) Rules, 2018, 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 the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

THE AUDITED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited financial statements in our report dated 13 March 2020.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements in accordance with applicable law and regulations as described in the Directors' Report.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or 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
Date: 13 March 2020

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 USD	2018 USD
ASSETS			
Cash and cash equivalents	9	242,096,531	285,277,785
Investment assets	10	650,165,851	430,610,788
Insurance receivables	11	247,196,149	214,916,026
Claims recoverable from reinsurers	15	317,819,046	214,923,556
Other receivables and prepayments	12	167,931,974	6,569,644
Deferred insurance and reinsurance assets	13	16,938,952	22,278,435
Computer hardware and software		35,145	59,836
TOTAL ASSETS		**1,642,183,648**	**1,174,636,070**
EQUITY AND RESERVES			
Share capital	14	600,000,000	600,000,000
Capital contribution	14	349,970,700	-
Retained earnings		(15,883,895)	61,199,582
TOTAL EQUITY AND RESERVES		**934,086,805**	**661,199,582**
LIABILITIES			
Claims liabilities	15	568,824,211	386,046,566
Insurance and reinsurance payables	16	50,871,823	32,862,036
Other payables and accruals	10	483,287	1,728,884
Deferred insurance and reinsurance liabilities	17	87,917,522	92,799,002
TOTAL LIABILITIES		**708,096,843**	**513,436,488**
TOTAL EQUITY, RESERVES AND LIABILITIES		**1,642,183,648**	**1,174,636,070**

Approved for issue by the Board of Directors on 5 March 2020 and signed on its behalf by:

13 3 2020

DIRECTOR

13 MAR 2020

DIRECTOR

The accompanying notes on pages 10 to 32 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 USD	2018 USD
INSURANCE PREMIUM REVENUE			
Gross written premium		300,254,645	222,941,945
Outwards reinsurance premium		(91,272,569)	(67,893,153)
NET WRITTEN PREMIUM		**208,982,076**	**155,048,792**
Movement in unearned premium		4,880,583	(30,449,813)
Movement in unearned outwards reinsurance premium		(5,286,345)	9,600,108
NET EARNED PREMIUM		**208,576,314**	**134,199,087**
Acquisition costs		(31,898,997)	(18,169,603)
Net other insurance income and expenses		(1,537,250)	(2,059,145)
NET INSURANCE PREMIUM REVENUE		**175,140,067**	**113,970,339**
INSURANCE CLAIMS EXPENSES			
Insurance claims expenses		(421,877,643)	(266,683,351)
Insurance claims expenses recoverable from reinsurers		134,395,998	153,047,643
NET INSURANCE CLAIMS EXPENSES		**(287,481,645)**	**(113,635,708)**
(LOSS)/PROFIT ATTRIBUTABLE TO UNDERWRITING ACTIVITIES		**(112,341,578)**	**334,631**
INVESTMENT INCOME			
Net gains/(losses) from financial assets at fair value through profit or loss		34,836,913	(3,854,587)
Interest income		10,128,039	9,217,409
Investment fee rebates		1,027,038	830,825
NET INVESTMENT INCOME		**45,991,990**	**6,193,647**
OTHER OPERATING EXPENSES			
Administration expenses	18	(10,013,188)	(7,405,410)
Foreign exchange losses		(20,701)	(2,384,828)
NET OTHER OPERATING EXPENSES		**(10,033,889)**	**(9,790,328)**
LOSS BEFORE TAX		**(76,383,477)**	**(3,261,960)**
Tax		–	–
LOSS FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME		**(76,383,477)**	**(3,261,960)**

The accompanying notes on pages 10 to 32 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital USD	Capital contribution USD	Retained earnings USD	Total equity USD
Balance at 1 January 2018	600,000,000	–	64,461,542	664,461,542
Total comprehensive income for the year	–	–	(3,261,960)	(3,261,960)
BALANCE AT 31 DECEMBER 2018	**600,000,000**	**–**	**61,199,582**	**661,199,582**
Total comprehensive income for the year	–	–	(76,383,477)	(76,383,477)
Capital contribution	–	349,970,700	–	349,970,700
Dividend paid	–	–	(700,000)	(700,000)
BALANCE AT 31 DECEMBER 2019	**600,000,000**	**349,970,700**	**(15,883,895)**	**934,086,805**

The accompanying notes on pages 10 to 32 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 USD	2018 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		(76,383,477)	(3,261,960)
ADJUSTMENTS:			
Net (gains)/losses from financial assets at fair value through profit or loss		(34,836,913)	3,854,587
Interest income		(10,128,039)	(9,217,409)
Depreciation		24,689	17,108
Investment fee rebates		(1,027,038)	(830,825)
MOVEMENT IN OPERATING ASSETS AND LIABILITIES:			
Increase in insurance receivables		(32,280,123)	(66,389,592)
Increase in claims recoverable from reinsurers		(102,895,490)	(144,361,831)
Decrease in other receivables and prepayments		6,279,842	11,169,803
Decrease/(Increase) in deferred insurance and reinsurance assets		5,339,483	(11,762,850)
Increase in claims liabilities		182,777,645	158,116,935
Increase/(Decrease) in insurance and reinsurance payables		18,009,787	(9,071,535)
(Decrease)/Increase in other payables and accruals		(1,245,597)	1,312,261
(Decrease)/Increase in deferred insurance and reinsurance liabilities		(4,881,480)	30,391,994
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES		**(51,246,711)**	**(40,033,314)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Pending investment settlements		(75,000,000)	–
Purchase of investment assets		(311,108,538)	(30,726,051)
Sale of investment assets		95,927,002	41,443,774
Interest income		9,984,205	6,168,977
Investment fee rebates		820,020	628,218
NET CASH (OUTFLOWS)/INFLOWS FROM INVESTING ACTIVITIES		**(279,377,311)**	**17,514,918**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from related parties		289,990,000	–
Dividend paid		(700,000)	–
NET CASH INFLOWS FROM FINANCING ACTIVITIES		**289,290,000**	**–**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(41,334,023)**	**(22,518,396)**
Cash and cash equivalents at beginning of the year	9	285,277,785	312,369,794
Effect of foreign exchange rate changes on cash and cash equivalents		(1,847,231)	(4,573,613)
		283,430,554	**307,796,181**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**9**	**242,096,531**	**285,277,785**

The accompanying notes on pages 10 to 32 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 is the provision of property and natural catastrophe reinsurance business. 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 summary financial statements are derived from the audited financial statements of the Company for the year ended 31 December 2019 and are consistent, in all material respects, with (or are a fair summary of) the audited financial statements, in accordance with the provisions of The Insurance Business (Public Disclosure of Information) Rules, 2018, in a manner authorised by the GFSC. The financial statements from which these summary financial statements are derived give a true and fair view and have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

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 2018 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 5 March 2020.

3 ADOPTION OF NEW OR REVISED STANDARDS

3.1 NEW AND AMENDED STANDARDS AND INTERPRETATIONS EFFECTIVE ON OR AFTER 1 JANUARY 2019

The new and amended standards and interpretations effective on or after 1 January 2019 that were applicable to the Company are described below.

(a) IFRIC 23 Uncertainty over income tax treatments

In June 2017, the IASB issued IFRIC 23, a new interpretation which clarifies the accounting treatment for income taxes where uncertainty exists. The standard has an effective date of 1 January 2019. As the Company does not consider its tax position to be a major source of uncertainty, no changes have been made to the way in which the Company accounts for taxation.

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

In May 2017, the IASB issued IFRS 17, which is effective for annual periods beginning on or after 1 January 2021[1]. The new insurance contracts standard covers the recognition, measurement, presentation and disclosure of insurance contracts and, once effective, will replace IFRS 4 that was issued in 2005.

[1]Subject to EU endorsement. In addition, on 14 November 2018 the IASB tentatively decided to amend the effective date of IFRS 17 to reporting periods beginning on or after 1 January 2022.

(a) IFRS 17 Insurance contracts continued

In contrast to the requirements in IFRS 4, which are largely based on grandfathering local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is a general model, supplemented by a simplified approach (the premium allocation approach) for short duration contracts.

Management is currently assessing the impact of the new standard on its financial statements and expects to adopt the new standard with effect from its final mandatory effective 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 2021[1]. 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 measured at fair value through profit and loss will continue to be measured at fair value through profit and loss under IFRS 9. Additionally, the Company expects that all financial assets currently classified as loans and receivables will continue to be measured at amortised cost under IFRS 9.

(c) Amendments to IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors – Definition of material

In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to align the definition of 'material' across the standards and clarify certain aspects of the definition. The amendments are effective for annual periods beginning on or after 1 January 2020 and are not expected to have a material impact on adoption.

(d) The conceptual framework for financial reporting

The IASB issued a revised conceptual framework for financial reporting in March 2018. The conceptual framework is not a standard and does not override any requirements of a standard, but does provide preparers with a framework to develop consistent accounting policies if there is no applicable standard in place. The revised conceptual framework is effective for annual periods beginning on or after 1 January 2020 and is not expected to have a material impact on adoption.

[1]Subject to EU endorsement. In addition, on 14 November 2018 the IASB tentatively decided to amend the effective date of IFRS 17 to reporting periods beginning on or after 1 January 2022.

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 future periods so that premium is recognised over the period of risk coverage. The unearned premium reserve includes, where necessary, a reserve for unexpired risks where, at the reporting date, the estimated costs of future claims and related deferred acquisition costs are expected to exceed the unearned premium reserve.

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.

4.4 OUTWARDS REINSURANCE PREMIUM CONTINUED

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.

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.

4.8 INSURANCE CLAIMS EXPENSES AND CLAIMS LIABILITIES CONTINUED

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.

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.

(b) Recognition, derecognition and measurement continued

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.

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.

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 allow a maximum counterparty exposure for money market instruments and cash of 20% of the Company's total assets. The Company's investment guidelines also 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	Held-to-maturity USD	Loans and receivables USD	Total USD
AS AT 31 DECEMBER 2019				
AAA	–	–	202,485,420	202,485,420
A+	–	42,951,106	39,900,913	82,852,019
Not rated	607,214,745	–	165,773,599	772,988,344
TOTAL FINANCIAL ASSETS	**607,214,745**	**42,951,106**	**408,159,932**	**1,058,325,783**
AS AT 31 DECEMBER 2018				
AAA-	–	–	274,784,461	274,784,461
AA-	–	41,837,491	–	41,837,491
A	–	72,375,341	10,493,324	82,868,665
Not rated	316,397,956	–	4,432,923	320,830,879
TOTAL FINANCIAL ASSETS	**316,397,956**	**114,212,832**	**289,710,708**	**720,321,496**

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.

6.2 CREDIT RISK CONTINUED

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	2019 USD	2018 USD
0 to 30 days	106,263	308,874
31 to 60 days	2,344,506	(166,125)
61 to 90 days	–	577,034
More than 90 days	239,663	9,947,319
TOTAL PREMIUM RECEIVABLES PAST DUE BUT NOT IMPAIRED	**2,690,432**	**10,667,102**

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. Reference may also be made to the gross occurrence exceedance probability ("OEP") curves in note 6.5(c) below in respect of major perils to which the Company is exposed.

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 2019			
Claims payable	29,350,158	–	29,350,158
Insurance and reinsurance payables	50,871,823	–	50,871,823
Other payables	447,697	35,590	483,287
TOTAL FINANCIAL AND INSURANCE LIABILITIES	**80,669,678**	**35,590**	**80,705,268**
AS AT 31 DECEMBER 2018			
Claims payable	42,669,190	–	42,669,190
Insurance and reinsurance payables	32,862,036	–	32,862,036
Other payables	1,693,858	35,026	1,728,884
TOTAL FINANCIAL AND INSURANCE LIABILITIES	**77,225,084**	**35,026**	**77,260,110**

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.

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 2019		
AUD	(4,215,362)	4,215,362
EUR	(2,445,954)	2,445,954
GBP	(242,811)	242,811
JPY	(10,606,818)	10,606,818
AS AT 31 DECEMBER 2018		
AUD	(370,648)	370,648
EUR	(2,026,088)	2,026,088
GBP	(428,260)	428,260
JPY	(4,780,960)	4,780,960

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 on the following page. 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.

(a) Currency risk continued

Currency balance sheet	AUD	EUR	GBP	JPY	USD	Other	Total USD
AS AT 31 DECEMBER 2019							
ASSETS							
•	•	•	•	•	•	•	•
•	•	•	•	•	•	•	•
•	•	•	•	•	•	•	•
•	•	•	•	•	•	•	•
•	•	•	•	•	•	•	•
TOTAL MONETARY ASSETS	•	•	•	•	•	•	•
LIABILITIES							
•	•	•	•	•	•	•	•
•	•	•	•	•	•	•	•
•	•	•	•	•	•	•	•
TOTAL MONETARY LIABILITIES	•	•	•	•	•	•	•
NET MONETARY ASSETS/(LIABILITIES)	(42,153,618)	(24,459,543)	(2,428,108)	(106,068,177)	1,181,303,525	(3,032,422)	1,003,161,657
AS AT 31 DECEMBER 2018							
ASSETS							
•	•	•	•	•	•	•	•
•	•	•	•	•	•	•	•
•	•	•	•	•	•	•	•
•	•	•	•	•	•	•	•
•	•	•	•	•	•	•	•
TOTAL MONETARY ASSETS	•	•	•	•	•	•	•
LIABILITIES							
•	•	•	•	•	•	•	•
•	•	•	•	•	•	•	•
•	•	•	•	•	•	•	•
TOTAL MONETARY LIABILITIES	•	•	•	•	•	•	•
NET MONETARY ASSETS/(LIABILITIES)	(3,706,479)	(20,260,884)	(4,282,600)	(47,809,604)	807,335,671	(1,752,512)	729,523,592

*Items marked as •/• have been redacted.

(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 (2018: 50 basis points) higher or lower throughout the period, the profit of the Company would have increased or decreased by $1,316,779 (2018: increase or decrease of $1,492,561). 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.

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 $60,721,475 increase/decrease in the fair value of the Company's investments in equity securities (2018: $31,639,796 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.

(a) Insurance risk management continued

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 2019 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. An analysis of the Company's exposure to insured events by type of insured event and geography is provided below. The table shows gross OEP (i.e., the probability that the associated loss level will be exceeded by any event in any given year) for a 100-year return period.

Concentration analysis by type of insured event and geography	Peril	1/100 Gross OEP USD
AS AT 31 DECEMBER 2019		
Australia	Earthquake	•
	Windstorm	•
Europe	Earthquake	•
	Windstorm	•
Japan	Earthquake	•
	Windstorm	•
USA	Earthquake	•
	Windstorm	•
AS AT 31 DECEMBER 2018		
Australia	Earthquake	•
	Windstorm	•
Europe	Earthquake	•
	Windstorm	•
Japan	Earthquake	•
	Windstorm	•
USA	Earthquake	•
	Windstorm	•

*Items marked as •/• have been redacted.

(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
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	•	•	•	•	•
Cumulative payments	•	•	•	•	•
ESTIMATED BALANCE	•	•	•	•	•
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	•	•	•	•	•
Cumulative payments	•	•	•	•	•
ESTIMATED BALANCE	•	•	•	•	•

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.

*Items marked as •/• have been redacted.

(a) Classification continued

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.

(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 2019				
•	•	•	•	•
•	•	•	•	•
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**-**	**89,600,446**	**517,614,299**	**607,214,745**
AS AT 31 DECEMBER 2018				
•	•	•	•	•
•	•	•	•	•
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**-**	**88,579,559**	**227,818,397**	**316,397,956**

There have been no transfers of assets between Level 1 and Level 2, or between Level 2 and Level 3, during the period.

(c) Assets and liabilities not measured at fair value

The Company's holdings of financial assets classified as held-to-maturity of $42,951,106 (2018: $114,212,832) are carried at amounts that approximate to their fair value and are categorised as Level 2 in the fair value hierarchy.

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 $242,096,531 (2018: $285,277,785) 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	2019 USD	2018 USD
Opening balance at 1 January	227,818,396	236,317,930
Purchases	556,979,527	158,138,984
Sales	(300,972,650)	(162,199,163)
Realised gains and losses	34,254,313	1,215,308
Movement in unrealised gains/(losses), recognised within net gains/(losses) from financial assets at fair value through profit or loss	(465,287)	(5,654,663)
CLOSING BALANCE AT 31 DECEMBER	**517,614,299**	**227,818,396**

*Items marked as •/• have been redacted.

(d) Level 3 reconciliation continued

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.

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 ability to continue as a going concern 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, 2015, 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 2019, the Minimum Capital Requirement was USD 40,670,722 (2018: USD 31,670,641) and the Prescribed Capital Requirement was USD 323,827,681 (2018: USD 157,764,337).

The Company complied with the externally imposed capital requirements to which it was subject during the years ended 31 December 2019 and 31 December 2018.

The total amount of capital of the Company at 31 December 2019 was $934,086,805 (2018: $661,199,582), being net assets attributable to the holder of ordinary shares.

9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents As at 31 December	2019 USD	2018 USD
Cash	39,900,913	10,493,324
Cash equivalents	202,195,618	274,784,461
TOTAL CASH AND CASH EQUIVALENTS	**242,096,531**	**285,277,785**

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	2019 USD	2018 USD
FINANCIAL ASSETS		
Designated at fair value through profit or loss at inception	607,214,745	316,397,956
Held-to-maturity	42,951,106	114,212,832
INVESTMENT ASSETS	**650,165,851**	**430,610,788**
Loans and receivables	408,159,932	289,710,708
TOTAL FINANCIAL ASSETS	**1,058,325,783**	**720,321,496**
FINANCIAL LIABILITIES		
Other financial liabilities	483,287	1,728,884
TOTAL FINANCIAL LIABILITIES	**483,287**	**1,728,884**

Financial assets designated at fair value through profit or loss at inception of $606,698,295 (2018: $315,698,657) are expected to be recovered more than 12 months after the reporting period, with the balance expected to be recovered no more than 12 months after the reporting period. Financial assets classified as held-to-maturity and loans and receivables are expected to be recovered no more than 12 months after the reporting period.

The range of applicable interest rates on financial assets classified as held-to-maturity as at 31 December 2019 was 2.80% to 3.10% (2018: 2.15% to 3.25%).

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

As at 31 December	2019 USD	2018 USD
RECONCILIATION OF OPENING AND CLOSING FINANCIAL ASSETS		
Opening balance at 1 January	720,321,495	766,499,096
Purchase of investment assets	1,068,478,471	331,602,956
Sale of investment assets	(963,051,734)	(367,984,483)
Gains on financial assets at fair value through profit or loss	34,809,913	219,192
Interest income on financial assets	8,843,408	8,419,171
Net movement in other receivables	161,340,677	(16,770,853)
Net movement in cash balances	27,583,553	(1,663,583)
CLOSING BALANCE AT 31 DECEMBER	**1,058,325,783**	**720,321,496**
RECONCILIATION OF OPENING AND CLOSING FINANCIAL LIABILITIES		
Opening balance at 1 January	1,728,884	416,623
Settlements	(11,258,785)	(6,093,149)
Liabilities incurred	10,013,188	7,405,410
CLOSING BALANCE AT 31 DECEMBER	**483,287**	**1,728,884**

Several of the investment purchases during the year represent those that were part of the capital contribution to the Company, whereby it was agreed that a large majority of the capital contribution would be made through a transfer of investments. In addition to this there have been transfers between investment share classes during the year and roll over of money market fund and fixed deposit investments. Investments purchased by way of the capital contribution, as well as any share class transfers and roll overs, are non-cash transactions and therefore are not shown in the statement of cash flows.

11 INSURANCE RECEIVABLES

Insurance receivables As at 31 December	2019 USD	2018 USD
Premiums receivable	146,932,130	156,432,929
Collateral placed	100,302,062	58,454,502
Commission receivable	(38,043)	28,595
TOTAL INSURANCE RECEIVABLES	**247,196,149**	**214,916,026**

Premiums receivable and commission receivable are expected to be recovered no more than twelve months after the reporting period.

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. Collateral placed of $100,302,062 (2018: $58,454,502) are expected to be recovered no more than 12 months after the reporting period.

12 OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments As at 31 December	2019 USD	2018 USD
Pending investment settlements	75,000,000	–
Investment redemptions receivable	90,773,600	4,060,179
Prepayments	1,868,572	2,136,721
Accrued interest	289,802	372,744
OTHER RECEIVABLES AND PREPAYMENTS	**167,931,974**	**6,569,644**

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	2019 USD	2018 USD
Deferred acquisition costs	8,194,879	8,849,422
Deferred other underwriting expenses	744,921	143,516
Unearned outwards reinsurance premium	7,999,152	13,285,497
TOTAL DEFERRED INSURANCE AND REINSURANCE ASSETS	**16,938,952**	**22,278,435**

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 2019				
Opening balance at 1 January 2019	8,849,422	143,516	13,285,497	–
Deferred during the period	31,245,211	2,138,655	85,986,224	–
Amortised during the period	(31,899,754)	(1,537,250)	(91,272,569)	–
CLOSING BALANCE AT 31 DECEMBER 2019	**8,194,879**	**744,921**	**7,999,152**	**–**
AS AT 31 DECEMBER 2018				
Opening balance at 1 January 2018	5,837,026	310,425	3,685,389	682,745
Deferred during the period	21,255,148	1,209,491	77,493,261	–
Amortised during the period	(18,242,752)	(1,376,400)	(67,893,153)	(682,745)
CLOSING BALANCE AT 31 DECEMBER 2018	**8,849,422**	**143,516**	**13,285,497**	**–**

14 SHARE CAPITAL

Share capital As at 31 December	2019 USD	2018 USD
Authorised, issued and fully paid shares at $1,000 par value		
600,000 ordinary shares	600,000,000	600,000,000
TOTAL SHARE CAPITAL	**600,000,000**	**600,000,000**

The issued and fully paid shares are held by CS Iris A Fund Limited. A written resolution of the Board of Directors resolved that CS Iris A Fund Limited is to be the sole shareholder of the Company. 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 the year totalled $349,970,700.

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	2019 USD	2018 USD
CLAIMS LIABILITIES		
Claims payable	29,350,158	42,669,190
Specific loss reserves	139,779,390	126,000,687
Incurred but not reported reserves	403,581,898	220,347,098
Cash call advances paid to cedents	(3,887,235)	(2,970,409)
TOTAL CLAIMS LIABILITIES	**568,824,211**	**386,046,566**
CLAIMS RECOVERABLE FROM REINSURERS		
Reinsurance receivables	16,342,657	14,223,530
Reinsurers' share of specific loss reserves	6,524,118	11,768,725
Reinsurers' share of incurred but not reported reserves	298,736,224	197,163,583
Cash call advances received from reinsurers	(3,783,953)	(8,232,282)
TOTAL CLAIMS RECOVERABLE FROM REINSURERS	**317,819,046**	**214,923,556**
NET CLAIMS LIABILITIES		
Net claims payable	13,007,501	28,445,660
Net specific loss reserves	133,255,272	114,231,962
Net incurred but not reported reserves	104,845,674	23,183,515
Net cash call advances paid and received	(103,282)	5,261,873
TOTAL NET CLAIMS LIABILITIES	**251,005,165**	**171,123,010**

Claims liabilities and claims recoverable from reinsurers are classified as current liabilities and current assets respectively as the Company expects to settle and recover the amounts no more than 12 months after the reporting period.

(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 2019			
Opening balance at 1 January 2019	386,046,566	214,923,556	171,123,010
Claims incurred and recoverable during the period:			
Current underwriting year	282,013,454	111,206,983	170,806,471
Previous underwriting years (including movement on claims incurred and recoverable in previous periods)	139,864,189	23,189,015	116,675,174
Cash call advances paid to cedents	(916,826)	–	(916,826)
Cash call advances received from reinsurers	–	4,448,329	(4,448,329)
Claims paid and recovered	(237,062,766)	(35,825,699)	(201,237,067)
Foreign exchange differences	(1,120,406)	(123,138)	(997,268)
CLOSING BALANCE AT 31 DECEMBER 2019	**568,824,211**	**317,819,046**	**251,005,165**
AS AT 31 DECEMBER 2018			
Opening balance at 1 January 2018	227,929,631	70,561,725	157,367,906
Claims incurred and recoverable during the period:			
Current underwriting year	201,441,564	136,638,586	64,802,978
Previous underwriting years (including movement on claims incurred and recoverable in previous periods)	65,241,787	16,409,057	48,832,730
Cash call advances paid to cedents	981,065	–	981,065
Cash call advances received from reinsurers	–	99,345,797	(99,345,797)
Claims paid and recovered	(108,127,801)	(107,013,137)	(1,114,664)
Foreign exchange differences	(1,419,680)	(1,018,472)	(401,208)
CLOSING BALANCE AT 31 DECEMBER 2018	**386,046,566**	**214,923,556**	**171,123,010**

16 INSURANCE AND REINSURANCE PAYABLES

Insurance and reinsurance payables As at 31 December	2019 USD	2018 USD
Reinsurance premiums payable	46,678,545	27,915,494
Other underwriting expenses payable	4,193,278	4,946,542
TOTAL INSURANCE AND REINSURANCE PAYABLES	**50,871,823**	**32,862,036**

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	2019 USD	2018 USD
Unearned premium reserve	87,917,522	92,798,105
Unearned commission received	–	897
TOTAL DEFERRED INSURANCE AND REINSURANCE LIABILITIES	**87,917,522**	**92,799,002**

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 2019		
Opening balance at 1 January 2019	92,798,105	897
Deferred during the period	285,115,800	(140)
Amortised during the period	(289,996,383)	(757)
CLOSING BALANCE AT 31 DECEMBER 2019	**87,917,522**	**–**
AS AT 31 DECEMBER 2018		
Opening balance at 1 January 2018	62,348,292	58,716
Deferred during the period	216,324,083	2,630
Amortised during the period	(185,874,270)	(60,449)
CLOSING BALANCE AT 31 DECEMBER 2018	**92,798,105**	**897**

18 ADMINISTRATION EXPENSES

Administration expenses For the year ended 31 December	2019 USD	2018 USD
Internal and external audit fees	•	•
Bank charges	•	•
Directors' and personnel fees	•	•
Insurance	•	•
Legal and professional fees	•	•
Management fees	•	•
Marketing costs	•	•
Regulatory fees	•	•
Sundry expenses	•	•
Travel and subsistence	•	•
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 and ultimate controlling party

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

20 EVENTS AFTER THE REPORTING PERIOD

Redacted.

*Items marked as •/• have been redacted.

KELViN RE

T: +44 (0)1481 200550 / **E:** info@kelvinre.gg
Kelvin Re Limited, PO Box 33, Dorey Court, Admiral Park, St. Peter Port, Guernsey, GY1 4AT

www.kelvinre.gg