



ACTIVE RE

ACTIVE CAPITAL REINSURANCE, LTD.

“Benefits for all”



2019

Annual
Report

13th Anniversary
Edition

W E L C O M E

With great satisfaction and enthusiasm, we are pleased to share with you, dear friends and clients, our 2019 Annual Report.

In 2020, as we celebrate our 13th anniversary, with the future full of uncertainties and a pandemic that is here to remain, we can confirm that we have found in talent, technology, innovation and diversification, the recipe for strengthening our business.

We shall continue to serve our increasing global clientele, in close and distant markets, with commitment and dedication, to become a definitive answer in times of so many questions.

We wholeheartedly thank you for your support and for accepting our invitation to continue working together today, to become stronger tomorrow!

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Active Re at a Glance

As part of the constant changes that we must face, at Active Re we evolve and take care of ourselves as a great family. Recent health events worldwide have promoted biosecurity mechanisms in all our processes and ways of operating.

Active Capital Reinsurance Limited (Active Re) is a Barbados domiciled reinsurer established in 2007, specialized in bancassurance and affinity type products. Active Re has been providing reinsurance coverage for large financial institutions, such as banks and credit organizations.

In 2015, Active Re started its diversification strategy into other markets and lines of business, thus augmenting its global reach and widening client solutions. This effort has led the company to develop a sizeable global portfolio, not only in bancassurance but also in traditional lines of reinsurance. In 2019, Active Re provided reinsurance products and risk management services to 284 ceding companies and 107 brokers in 83 countries of Latin America, EUROPE, MENA, and APAC.

Since 2014, A.M. Best has been reviewing Active Re's Financial Strength Rating (FSR) and Issuer Credit Rating (ICR), granting an international investment grade. The continuous increase in capital and the improvement of key performance indicators driven by product innovation and geographical

diversification, has awarded Active Re since July 2018 an FSR of A- (stable outlook) and ICR of a- (stable outlook), which has been subsequently reaffirmed.

Products offered by Active Re include amongst others Affinity, Bancassurance, Property & Engineering, Energy & Power Generation, Credit & Surety, Casualty. Complementing the financial needs of large corporate clients, Active Re offers tailor-made alternative risk transfer solutions (ART), including actuarial analysis and risk management advisory services.

In 2019, Active Re established a representative office in Spain, to specialize its attention to the growing markets in EUROPE, MENA, and APAC. New facultative and treaty businesses participations in traditional lines were promoted, backed by an experienced team of professionals and new capacities.

Over more than a decade the Company has reported significant growth in business written, concurrently with strong risk-adjusted capitalization levels, stable leverage, low acquisition costs and sound ERM practices.



Message from the Chairman & CEO



Dear Customers and Friends,

It is with great pleasure that we present this report whereby we wish to commemorate the commencement of the new stage of evolution and consolidation of Active Capital Reinsurance, Ltd. (Active Re), as an international reinsurer.

Our company was established on July 26, 2007, and as of October 31, 2013, operates from its current legal and tax domicile in Barbados, with a General Insurance and

Reinsurance License granted by the Financial Services Commission of Barbados (FSC).

Under the mission of “Benefits for all”, we have dedicated 13 uninterrupted years to the promotion of a brand and work ethic, characterized by our unique specialized reinsurance solutions aimed at the comprehensive management of risks of

financial and credit institutions, as well as regional economic groups throughout Latin America. Since 2015, we increased the pace of diversification, by expanding into other markets and incorporating traditional lines of business into our reinsurance product offerings. To endorse our obligations, these advancements always adhered to strict underwriting discipline in addition to maintaining high standards of capitalization, liquidity and solvency. Our operation includes the adoption of ethical principles and compliance with international regulations for the prevention of money laundering and terrorist financing.

The history of Active Re is written during conditions of transcendental changes for the international economy and the reinsurance industry. Our strategy and business model have been configured during times of high uncertainty, deep profound global challenges, such as the 2008-2009 financial crisis, uneven economic growth, slowdowns, and geopolitical changes. The global reinsurance market has undergone changes that already seem irreversible: less pronounced price cycles, emergence of alternative sources of venture capital, unpre-

cedented catastrophic events in the last three years, and with increasing recurrence, technological disruption and constant consolidation, under the pressure of narrow margins many times lower than the cost of capital. Traditional brands have disappeared or have withdrawn from their usual markets. In addition, there is the uncertainty surrounding the coronavirus pandemic and its implications, that we are closely following with responsibility, strengthening resilience and operational efficiency.

We are registered as admitted reinsurers in most Latin American markets and more recently, we have extended our presence to other latitudes in close collaboration with top-level distribution channels and strategic allies.

Since being upgraded in June 2018 until July 2020, AM Best has reaffirmed our Financial Strength Rating of A- (Excellent) and the Long-Term Issuer Credit Rating of a-, both with a stable outlook, this being the highest point of an ascending track record that began in 2014, when we first obtained international investment grade. We are proud and honored to be part of the select group of global companies rated by AM Best, having attained the strongest level for balance



In less than two years we completely renewed our technological platform, with a growing level of automation in operations that in other circumstances would have absorbed expensive and scarce resources.

sheet capitalization according to the new BCAR model ("Best's Capital Adequacy Ratio").

In the last five years we have reported a gross annual average premium of U.S. \$108 million, with an average combined ratio of 86%, and accumulated U.S. \$832 million in 2007-2019, offering high-class financial security to clients located in 83 markets across all continents. The technical results achieved come as a consequence of a diversified portfolio and a conservative underwriting policy, based on appropriate retention of core business and cession of balances and accumulations to first line retro capabilities. Our equity base has grown satisfactorily due to increased reinvestment of earnings and capital injections, hence supporting our performance and maintaining high levels of liquidity, profitability and regulatory adequacy.

Although with the fast-paced growth of facultative business proposals received, only one fifth of them resulted in accepted and materialized businesses, in accordance with our risk appetite and underwriting guidelines. To embrace the challenge of growth, diversification and competitiveness in such a volatile environment and in a short period of time, we reviewed and updated two fundamental pillars: Enterprise Risk Management (ERM) framework and the Strategic Map (Mapa Estratégico®). Our risk matrix has shown changes in certain types of risks, some of which such as cyber and pandemic represent recent global trends and perils. Risks are regularly monitored and mitigated.

Entering new markets and business lines was a great opportunity and a step of relevance, due to its external and internal impact, thanks to the combined effort of our team and the support of our allies and distribution channels.

Looking to the future, we will pay close attention to the evolution of the global risk landscape. There are many challenges on the horizon for reinsurance, some of which involve facing exposures to new risks of difficult measurement, modeling and prediction. For Active Re, ratifying its vision as a "Global, Specialized and Innovative" reinsurer means pre-

serving and trying to improve its excellent rating, increasing its capitalization and financial strength, as well as investing in technology and professional talent, always applying the best analytical tools to create innovative solutions that add tangible value and benefits to our customers.

I wish to express my sincerest thanks and high appreciation to our clients for the trust, support and loyalty they have shown; to our strategic allies, distribution channels, retrocessionaires, staff and employees, for having accompanied us on this exciting journey, which we hope to continue for much longer, with the same inspiration and increased experience than the preceding thirteen years.



Juan Antonio Niño Pulgar
Chairman & CEO



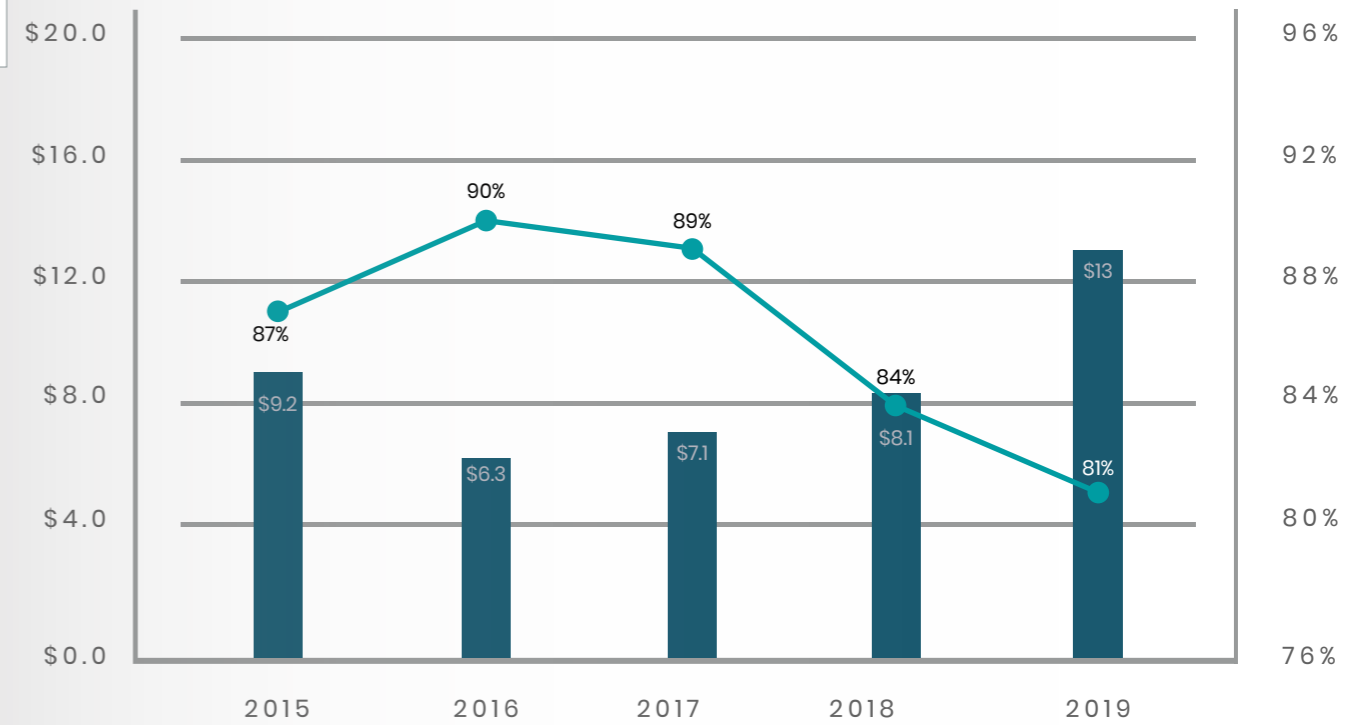
Financial Highlights

Financial Highlights

	2019	2018	2017	2016	Changes in % 2019-2018
Net Premiums Written	119.40	99.00	92.20	106.50	21%
Net Retained Premium	38.40	29.20	33.60	33.60	31%
Underwriting Income	13.00	8.10	7.10	6.30	60%
Operating Income Before Taxes	7.40	4.60	3.80	3.20	60%
Net Investment Income	1.30	1.10	1.40	1.50	17%
Net Income	8.80	5.80	5.20	4.70	51%
Total Assets	114.60	94.70	47.90	41.70	21%
Total Equity	40.30	35.30	30.70	30.70	14%
Combined Ratio in %	80.70	84.10	88.60	90.40	-4%
Return on Equity in %	23.20	17.50	16.90	16.90	32%
Leverage	0.95	0.83	1.09	1.09	15%

U.S. \$ in Millions

Underwriting Result Combined Ratio



Underwriting Income
In millions of U.S. \$

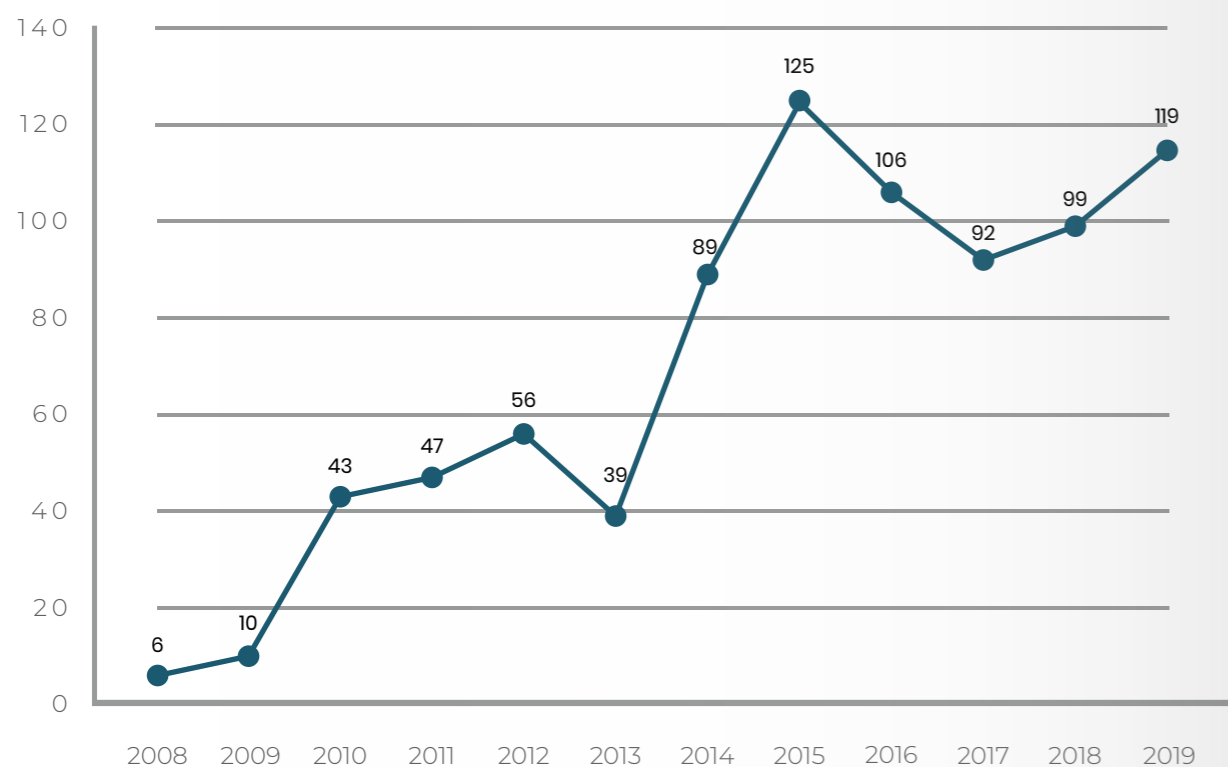
Combined Ratio in %

\$43.7m
Technical
Result
2015-2019

86.04%
Average
Combined Ratio
2015-2019



Gross Earned Premium

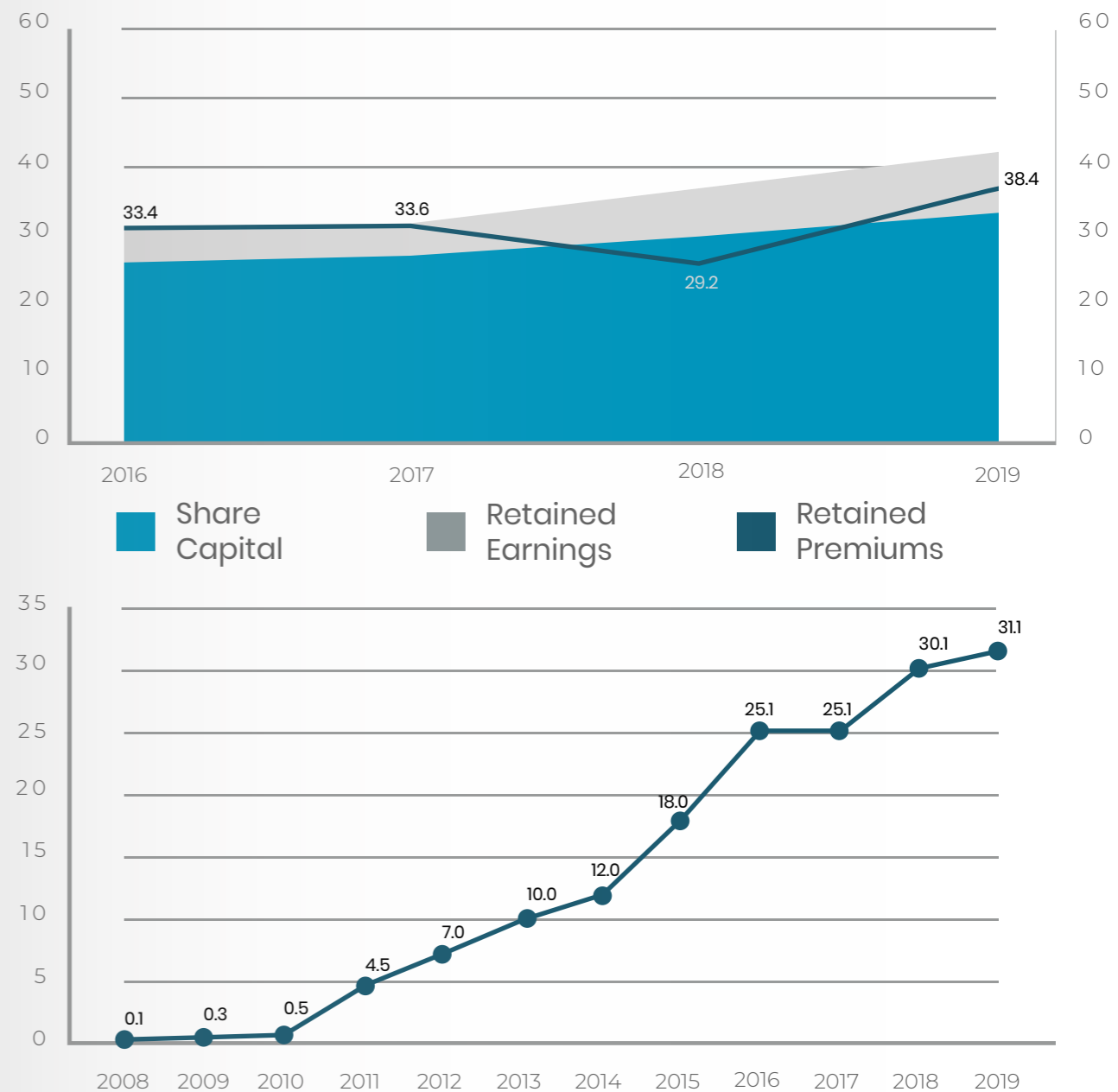


■ Gross Earned Premium 2008 - 2019
In millions of U.S. \$

\$832m
Gross Premium
2008-2019

\$108m
Average Gross
Premium
2015-2019

Shareholders Equity



■ Share Capital ■ Retained Earnings ■ Retained Premiums

69%
Compound Annual
Growth Rate



Mission, Vision, Values & Strengths

Mission

Benefits for all



Vision

Global,
Specialized
& Innovative



Strengths

- ◇ Investment Grade Rating of A- by A. M. Best.
- ◇ International Strategic Alliances.
- ◇ Work Force.
- ◇ Dynamism & Responsiveness.
- ◇ Innovative & Specialized Solutions.
- ◇ Customer Service Culture.
- ◇ Trajectory & Confidence.

Values

- ◇ Respect
- ◇ Integrity & Security
- ◇ Confidentiality
- ◇ Commitment
- ◇ Passion
- ◇ Discipline
- ◇ Results

Value Proposition

The best ally of our client.



Financial Strength

A- Excellent
By AM Best ^(a)

(a) For the latest Best's Credit Ratings, access www.ambest.com

Underwriting discipline and strong ERM framework.

Continuous strengthening of Equity Base and Human Team.

International strategic alliances reinforcing market access and client's services.

- Incorporated in Turks & Caicos
- General Insurance and Reinsurance License
- Regional Ratings
- First registrations in Latin American markets
- Specialized Reinsurer in Affinity & Bank Assurance in Latin America

2007-2012

From regional to global marketplace. Consistent operating performance amid geographical expansion.

- Re-domesticated into Barbados
- General Insurance and Reinsurance License
- Expanded footprint over Latin American markets
- Rising Capitalization
- International Rating: B+ / bbb with Stable Outlook by AM Best

2013-2014

- Rating Upgraded B++ / bbb+ with Stable Outlook by AM Best
- Professional talent reinforcement and recruitment
- Stepping into diversification strategy and globalization
- Energy Pool (Patria Re)
- Strategic alliance: first agreement with MGA (London)
- Active Capital Corp. (Miami)
- Escalation in P&E and Surety FAC submissions received

2015-2017

From bancassurance to multiline reinsurance provider, maintaining its focus on core business and bespoke corporate solutions.

- Rating Upgraded A- / a- (Excellent) with Stable Outlook by AM Best
- IT Transformation: New Reinsurance Management System
- Increased Facultative capacities in Latin America and MENA
- Active Re: new brand with global vision
- International Awards

2018

- New Strategic Map*
- Underwriting teams located in Latin America and Eastern Europe
- Further expansion to APAC markets
- Representative Office in Spain
- Portfolio Diversification: by countries, LoB and distribution channels
- Agreements with 3 MGAs (London) and facilities in MENA
- Boost in inward reinsurance treaties participations

2019



Corporate Governance & Risk Control

Corporate Governance Framework

The fundamental objective of Active Re's Corporate Governance is to regulate our processes and principles based on the best practices for the control and direction of the company.

Corporate Governance is the organizational foundation for achieving the company's objectives; it is the area that guides and defines how business development and action plans should be managed, as well as the structure of internal controls. With the Strategy Map (Mapa Estratégico®) methodology we organized our priorities and resources into five main areas: commercial development; customer service; organization and human resources; processes and technology. With this approach, we promote the measurement of performance and corporate responsibility, maximizing the creation of value for Shareholders, Investors, Employees, and the Markets where Active Re is involved. It is guided under fundamental Values, as well as by Corporate Principles:

Corporate Values

- ◇ Respect
- ◇ Integrity & Security
- ◇ Confidentiality
- ◇ Commitment
- ◇ Passion
- ◇ Discipline
- ◇ Results

Corporate Principles

- ◇ Corporate Integrity
- ◇ Accountability
- ◇ Transparency
- ◇ Ethical Behavior
- ◇ Compliance with Laws & Regulations

All these Corporate Values and Principles align the responsibilities of the Board of Directors, Senior Management, Employees, and all other stakeholders.

As in other industries, reinsurance also experiences the displacement of traditional paradigms. As another strategic priority, we have identified and understood the importance of having a clear value proposition re-

garding fostering and retaining of knowledge and talent, and continuously striving for the best business model for our organization. In less than 4 years, the number of Active Re employees has doubled. Among them, we have a combination of experienced professionals and promising young people from across 11 countries and 3 continents. Our Code of Ethics promotes respect, tolerance and acceptance in all aspects that relate to diversity of age, ethnicity, personalities, race, gender identity, nationality, religious beliefs, sexual orientation, and physical abilities.

Active Re's Corporate Governance defines how authority and responsibilities are assigned, and how corporate decisions are made, including:

- ◇ Operating the reinsurance business and alignment of the corporate culture.
- ◇ Establishing strategies and objectives.
- ◇ Selection and supervision of staff.
- ◇ Compliance with obligations to Shareholders.
- ◇ Compliance with applicable laws and regulations.

The main areas that Active Re's Corporate Governance manage are:

- ◇ Annual budgets.
- ◇ Capital and liquidity.
- ◇ Strategic operations.
- ◇ Compensation policy.
- ◇ Risk & Control management.
- ◇ General strategy and policies.
- ◇ Senior management performance.
- ◇ Accounting and financial information.
- ◇ Internal organization and annual self-evaluation.

The structure of Corporate Governance that has been implemented in Active Re is mainly manifested in the growing attraction of new businesses, in the access and ease of financing at low costs and in our market position against our competitors. All of these factors, under a robust corporate structure establish the necessary strength and organization, and provides the structure that allows the operational processes to be effective in time and form.



Board of Directors

The growth and maturity that Active Re has achieved requires that the Board of Directors play a predominant role in defining corporate strategy and supervising management with a deep vision of ethics, sustainability and the company's impact on society. We believe that corporate reputation and the ability to build lasting, trust based relationships are the foundation for success and survival.

Active Re's Board of Directors perceives sustainability as a business

opportunity, reducing costs and risks, improving income and maximizing intangibles such as reputation and customer loyalty. The Board of Directors has turned sustainability into a competitive advantage, maintaining it as a strategy to stimulate innovation. Innovation must be transformed into concrete actions that can be implemented and followed by management. Innovating is our key and keeping ourselves constantly changing and self-renewal is our distinction.



Committees of the Board of Directors

Executive Committee

The Active Re Executive Committee is a permanent committee of the Company's Administration. Its main responsibility is to direct and carry out the administrative management of the company, based on clear delegation of powers by the Board of Directors in regards to the approval of operating expenses, investments, and human resources. This committee meets at least once a week. The Executive Committee is made up of the Chief Executive Officer, the Deputy Chief Executive Officer and the Senior C-level managers of Finance, Underwriting, Overseas Operations, Business Development, Technology and Corporate Governance. Likewise, other managers or special guests may be invited to certain meetings to complement the discussion of important topics.

Risk Management & Underwriting Committee

The responsibilities of this committee are to be alert and evaluate the risk exposure that the company is willing to assume in its business management. This includes the quality and profile of reinsurance risks, exposure to market risks and analysis of operational risks, also consider the legal risks of Lines of Businesses offered by the company.

Investment & Finance Committee

Its main objective is the analysis and knowledge of everything related to business results, which includes capital, liquidity and portfolio management, attention of tax issues and, in general, to the financial performance of the company.



Marketing & Business Development Committee

It is directly related to customer and business transactions. The Committee will ensure the company's sales planning. This includes directing and controlling marketing efforts, the evaluation of the services offered and the client's needs. It focuses efforts on establishing the policies of marketing, advertising, promotions and all events that strengthens the positioning of the company's image in the market. It evaluates the profitability and effectiveness of the

Special Mentions

During the evolution of the company, we have always had great talent; some continue with us and others took other directions, but we want to highlight the deep and permanent gratitude for all their energy and enthusiasm that unquestionably continues to yield results.

We want to present our eternal gratitude to two of our founders, Mr. Alvaro Stein and Mr. Manuel Antonio Eskildsen, whose experience and performance represent impeccable references to be replicated within the company.

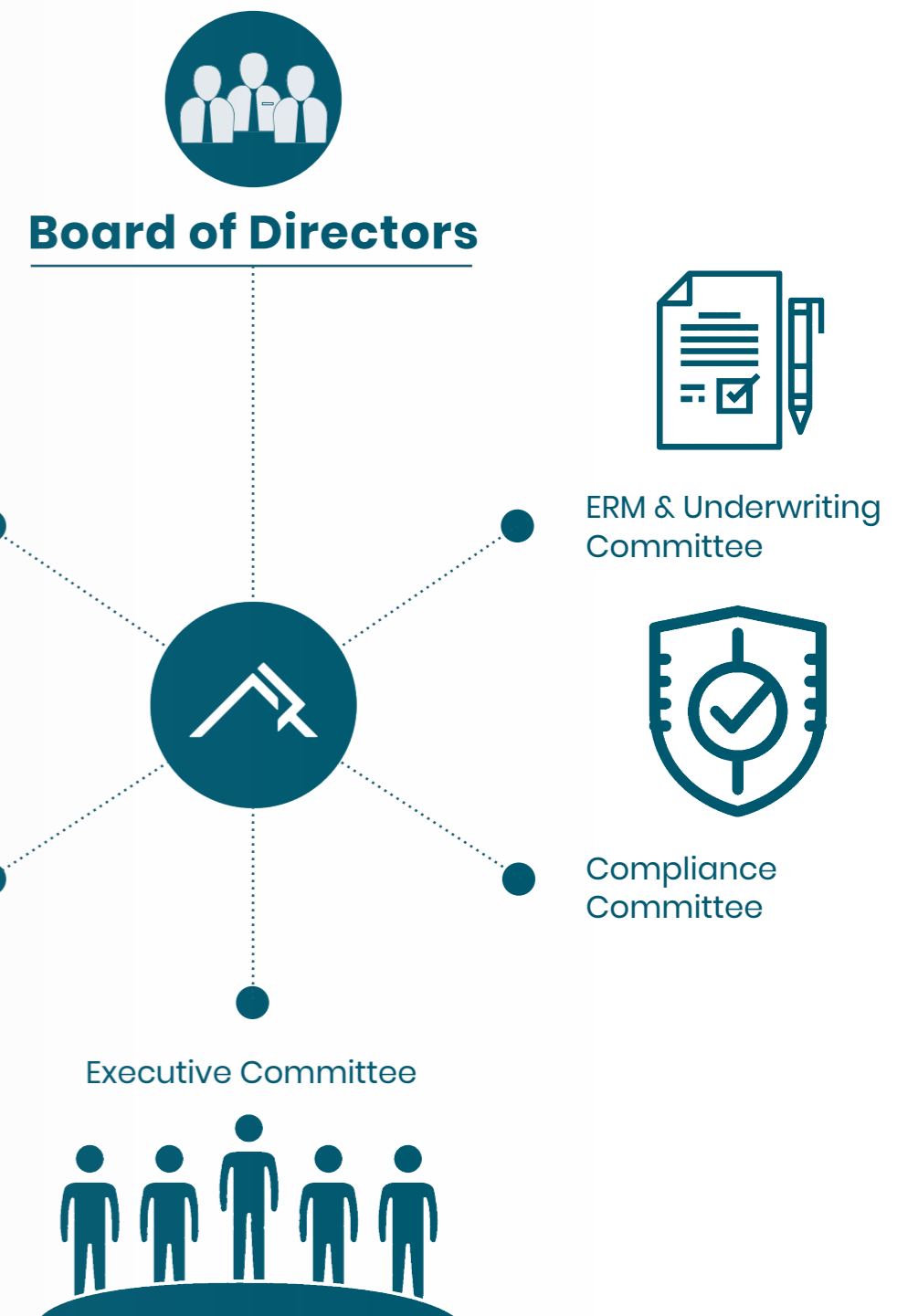
To Mr. Sergio Wilson and Mr. Jose Astorqui for being pillars that contributed to that initial push that the company required in the initial years. To our director Mr. Ramiro Rencurrell who contributed many successes and many achievements and completes his cycle in Active Re as of July 1, 2020. We are pleased to welcome our new director, Mr. Carlos Garcia de Paredes, who strengthens the management of Risk control.

Finally, we want to give a special recognition to all those friends, consultants, and advisers who have contributed through the years and helped Active Re achieve all its objectives.

services offered, as well as the continuous growth of the company's businesses, always ensuring excellent customer service.

Compliance Committee

This Committee implements rules and procedures to minimize the risks related to criminal and terrorist financing activities. Its Shareholders, Senior Management and Employees are committed to act always in accordance with current legislation and thus avoid transactions for illegal purposes.



Executive Committee



JUAN ANTONIO NIÑO PULGAR
CHAIRMAN & CEO

jan@acreinsurance.com



MARGARITA NIÑO

VP Corporate Affairs
mnino@acreinsurance.com



LUIS ANTONIO IBAÑEZ

Overseas Chief
Operating Officer
libanez@acreinsurance.com



NELLY BREMNER

Chief Administrative Officer
nelly@acreinsurance.com



RAMÓN MARTÍNEZ C.

Deputy Chief Executive Officer
r.martinez@acreinsurance.com



CHRISTIAN VERGARA

Chief Financial Officer
cvergara@acreinsurance.com



MANUEL A. ESKILDSEN

Chief Underwriter Officer
mae@acreinsurance.com



EIRA VEGA HAND

Chief Governance Officer
evega@acreinsurance.com



MARTIN BAGES

VP Business Development
mbages@acreinsurance.com



DAFNE GUTIÉRREZ C.

Chief Information Officer
dgutierrez@acreinsurance.com



Operational Team



ROBERT ALI
Deputy Chief
Operating Officer
rali@acreinsurance.com



MARIA TSAREVA
Business Development
& Underwriting
mtsareva@acreinsurance.com



DMITRY KLYAGIN
Business Development
dklyagin@acreinsurance.com



HUMBERTO RIQUELME
Reinsurance Underwriting
Manager
hriquelme@acreinsurance.com



ALFONSO GUEVARA
Reinsurance Operations and
Claims Manager
aguevara@acreinsurance.com



IVAN QUINTERO
Financial Manager
iquintero@acreinsurance.com

Risk Management Framework

Risk Management in Active Re is about identifying, analyzing, and quantifying the probabilities of loss arising from an event; it is a race against time we always want to win. Our goal is to maximize preventive and corrective actions and always be prepared to face threats while maintaining the expected profitability, and without neglecting our clients. The objective is to properly manage all of the uncertainties we face and to maintain sustainable value creation for all stakeholders.

Active Re carries out an integral management of the business risks associated with its mission and operations, using an "Adapted Model of the Three Lines of Defense", which has facilitated the company's decision-making process under a simple and effective approach.

- ◆ The first line of defense is constituted by the Business and Finance areas, which are responsible for implementing the business and risks decisions, carrying out this process within the risk limits and in accordance with the underwriting policies and reporting of results.
- ◆ The second line of defense is implemented within the company through the Integral Risk

Management Process, keeping a close management of our risk matrix, according to three major categories, which are Strategic Risks (reputational, governance, macroeconomic, political), Financial Risks (credit, liquidity, solvency, market) and Operational Risks (labor, technology, compliance).

- ◆ The third line of defense is supported by Internal Controls and External Auditors who supervise and evaluate the effectiveness of the Risk Management Enterprise System in relation to the integrity of financial and operational information, as well as the effectiveness of controls, asset protection and compliance with laws, regulations and contracts.



Risk Management Framework

As a company with a global presence, we focus on developing a Technology Management that has as a fundamental objective to maintain an excellent quality service with high standards of cyber security. Advances in digitalization have required organizational and investment efforts to bring our business model in line with the needs to improve our value proposition for the benefit of our clients. Within the previous two years we have completely revamped our technological platform to incorporate a growing level of automation in operations.

In order to ensure the efficacy of our different governance committees, we manage a strict monitoring process of 25 Key risk indicators, in line with the appetite and tolerance level of the various risks. We have identified 16 key risks in the main risk matrix, 5 in the AML matrix and 4 in the technology matrix.

In order to guarantee the integration and coordination of activities amongst our employees, we have implemented computer security tools such as a virtual private network, which allows us to manage connections, either inside or outside our offices and across all time

zones. Therefore, in this year 2020 and due to the mobility limitations created by the COVID-19 pandemic, all our employees have continued to work uninterruptedly. Thanks to the development of a robust Information System, we have been able to manage information to higher analytical levels, with technical and financial data that our managers can access at any time and from different electronic devices.

At Active Re, the confidentiality and protection of our client's data is a major responsibility including the Know Your Customer process. In line with the laws of our regulators and international best practices, we implemented a solution to obtain sensitive customer information through the Web, incorporating safe guards that guarantee the security of the data. The tool represents an innovative and essential solution for our Compliance Area since it manages performance indicators and the AML Risk matrix.

In reference to our Risk Management development and improvement procedures, which AM Best highlighted and confirmed as appropriate, indicating:

- ◇ That we properly manage the relevant aspects of corporate governance, business ethics, internal control, business risk management, fraud, and financial reporting; with good attention in diagnosing problems and generating the necessary changes to manage them and evaluate their effectiveness, with total alignment to the COSO II risk model.
- ◇ That within our processes to mitigate risks, there is an important structure of continuous monitoring and periodic review of all our risk indicators.
- ◇ That we continuously and efficiently use the services of specialists who know the latest and best practices in risk management.
- ◇ That in the search for best practices, we strengthen ourselves by incorporating Corporate Governance Management into the company.

Active Re manage a strict monitoring process of 25 Key risk indicators, in line with the appetite and tolerance level. We have identified 16 key risks in the main risk matrix, 5 in the AML matrix and 4 in the technology matrix



Business Partner 's Perspectives

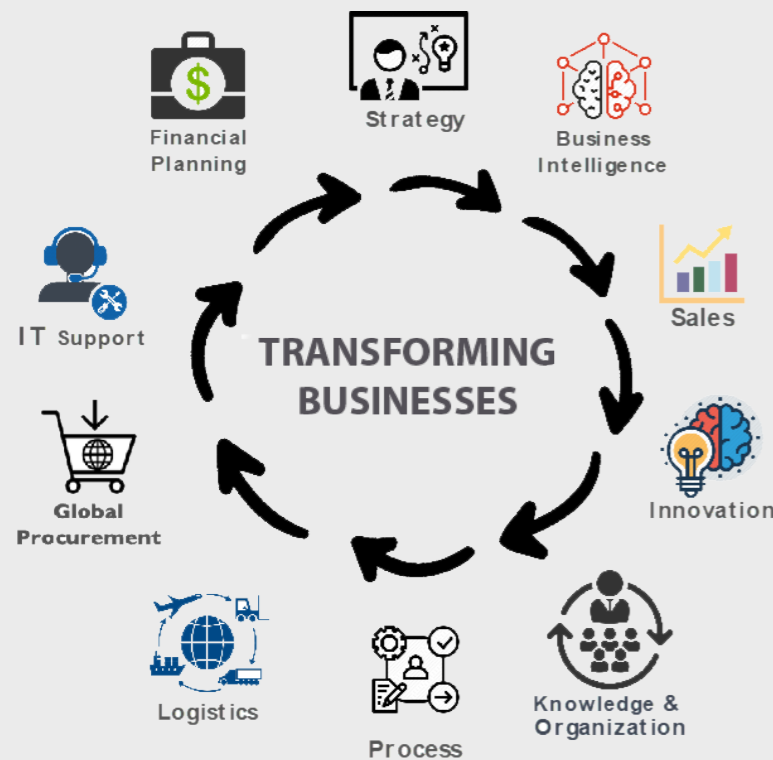
Mr. Juan Antonio Niño Pulgar
Chairman and Chief Executive Officer
Active Capital Reinsurance, Ltd.

“An Inspiring Journey” – 2019 Annual Report Supplement

It is a great honor to participate in this 2019 Annual Report to celebrate the 13th anniversary of Active Re and to take great pride in its very significant accomplishments in this relatively short period of existence.

Inter-American Management Consultants also recently enjoyed its 28th anniversary. When I founded IAMC in July, 1992, its main focus was to define our client's strategy and establish a clear roadmap for execution using our Strategy Map* methodology. Soon we realized that the global competitive environment demanded in depth knowledge and specialization of the key components that make a company successful, which led us to develop our “Business Transformation Wheel” that offers a well balanced and fine tuned process to generate value at every step of the Customer Satisfaction Chain.

See below:



*Strategy Map – Mapa Estratégico®

Although we have been fortunate enough to advise over 500 companies in 16 different countries, our history and relationship with Active Re is indeed unique. When Mr. Niño explained his original vision, in July 2007 we committed the development of the strategy and plan to the methodology of the Strategy Map*, which we formalized in March, 2008. I distinctly remember his Vision where it said, “A firm commitment of service to our clients” and also his very simple but far reaching Mission: “Produce benefits for all”. One very important part of the Strategy Map* was the discussion of the Active Re Values which reflect the beliefs of the founder: “Respect, Integrity, Confidentiality, Commitment, Passion, Discipline, Results”.

Business Partner 's Perspectives

Those values constitute the pillars upon which Active Re has always operated. Those initial years saw a very high level of effort, limited resources, trial and error approaches but more importantly, a learning curve that required quick adaptation and execution to reach the desired goals.

By April, 2012 the company started to show its potential and we set about to project the Strategy Map* for the period 2012-2016, maintaining a clear focus on high impact strategic initiatives coupled with frequently programmed follow-up sessions which enabled us to maintain the strategy “alive and sharp”. The significant strides that were made during this period demonstrated that results can be attained through clarity, discipline, “controlled” initiatives that are fine tuned over time until proven successful, and for sure, tenacity and hard work.

Obviously, when a formula works, you stick to it. So, in January 2016, we embarked again on projecting Active Re for the period through 2019, which produced record growth, a significant geographic expansion and a much needed strengthening of the management ranks.

With accelerated growth and the realization of the future potential Active Re had, we gathered the top team in February 2019 to update the Strategy Map* and “set the sails” for the period 2019-2023, a chapter that we are still writing, although it should be noted that despite the negative economic impact of the Covid-19 global pandemic, the company enjoyed record results in the first six months of 2020.

As Mr. Niño states in the accompanying “Memo from the Chairman & CEO”, Active Re has faced since July 2007 transcendental changes, high uncertainty, financial crises, geopolitical pressures and fierce competition. Why has it been successful? One word: Resilience, the capacity to adapt, evolve and succeed in this environment we have come to call VUCA: Volatile, Uncertain, Complex and Ambiguous. There is no limit to what Active Re can accomplish in the future and without a doubt, “the sky is the limit”.

Congratulations Mr. Niño, to you and the outstanding group of professionals you lead and inspire.

OUR COMMITMENT

- First the Client.
- Always Generate Value.
- Innovation.
- Honesty, integrity and respect.
- Teamwork.
- Confidentiality, professionalism and discipline.



Ramon Arias
President and CEO
Inter-American Management Consultants





*2019
Business in 83 countries*

Business Report & Achievements

Overview

If we were to define 2019 in terms of Active Re's business development, we would undoubtedly refer to growth and diversification. The former is paramount for a relatively young company, but the latter provides balance and risk control to the expansion process.

Active Re's Net written premium grew 21% from 2018.

It wrote business in 83 countries. It evolved from a mainly Affinity-based portfolio in 2017, to a diversified one where the Property and Surety classes gained significant weight. It has also evolved from a pure facultative reinsurance operation to a more versatile one where treaty reinsurance is gaining importance. It also diversified its distribution strategy through partnerships with brokers and MGAs.

All in all, Active Re is today a different company. It has become a global player, willing to dabble in new business lines with the appropriate business partners and a team of international experienced professionals. Still, Active Re benefits from a lean structure that allows for fast decision making and personalize top-level service to customers.



Operational Presence & Business Capabilities

LATAM

Latin America is the original and natural territory for Active Re, being a Barbados domiciled company with Panamanian shareholders.

One of Active Re's underwriting teams, devoted to Latin American facultative business and Worldwide treaty business is based in Latin America, as well as the back office operations.

Additionally, Active Re also has an office in Miami which undoubtedly will become an important business development center for the Latin American markets through a marketing services agreement with Active Capital Corp.

MENA & APAC

In 2019, Active Re developed a strong presence in the MENA region thanks to the on boarding of a specialized underwriting team dealing with facultative reinsurance and various agreements with the most important regional brokers. The MENA region is now very significant in Active Re's book, mainly in the Property class.

The expansion toward Asia was also initiated in 2019, thanks to the recruitment of business development in-house professionals that have established close business relationships with distributors in different Asian countries.

EUROPE

In April 2019, Active Re opened a Representation Office in Madrid (Spain), where the Overseas business operation are coordinated from. This action has given the company an important executive presence closer to its non-Latin American customers.

We have also become more present in the London market where significant agreements have been concluded with three prestigious MGAs.



Main Business Lines

Affinity

Affinity was the origin of Active Re's reinsurance activity and remains a very important part of its business and a solid contributor to its net income.

Active Re participates in some relevant affinity programmes in Central America that continue to produce significant premiums. In 2019, Active Re expanded its affinity business to the MENA region and India.

Affinity will remain a strategic class of business for Active Re, and the intention is to expand it to other markets where good opportunities are available.

Surety & Credit

Along with its facultative surety reinsurance operation and with a Lloyd's supported capacity, Active Re started to develop in 2019 a book of European surety treaty business. This line is being developed further in 2020 with the addition of new European and Asian markets to the book.

Credit business is very moderate and selective, focusing on markets where opportunities appear with an excellent track record.

Property & Engineering

These types of business have grown exponentially during 2019 and continue to do so in 2020 due to the incorporation of an additional underwriting team for facultative business outside Latin America and to the conclusion of important cooperation agreements with some intermediaries in the MENA region.

Additionally, Active Re signed during 2019 agreements with three London-based MGAs specializing in the property, engineering and energy classes. This co-operation is producing significant premium and income figures, although 2019 accounts still do not fully reflect the importance of the MGA business in Active Re's book.

Business Partner's Perspectives

Surety Business Development in Central & Eastern Europe (CEE)

Surety or Bond Insurance is a small but important part of Eastern Europe's Non-Life premium. However, unlike more standard Motor and Property insurance classes, not every Eastern European country has a Bond insurance market, as in some countries Banks provide all or the majority of the Bonds needed by the Construction industry.

In general, a country either went the Insurance Bond route in the 1990's or the Bank Bond route, meaning that either the country started with Insurance Bonds which then became the accepted way to provide Bonds for construction, or they did not, and Banks provided the bonds instead.

UlysseRe placed its first Bond reinsurance treaty in 1997, and has been actively involved placing Bond reinsurance treaties in CEE ever since. There are about 55 Bond treaties in CEE including Russia, and they split between four types of countries as follows;

1) Countries that have operated as Insurance Bond countries from 1995 (Poland, Estonia, Latvia, Lithuania)

2) Countries that started as Bank Bond countries but have now more or less transitioned to being Insurance Bond countries (Romania, Georgia, Albania, Kosovo)

3) Countries that started as Bank Bond countries and are currently transitioning to being Insurance Bond countries (Hungary, Slovenia, Bulgaria, Russia)

4) Countries that are still Bank Bond countries but may transition into Insurance Bond countries in due course (Croatia, Czech, Bosnia, Serbia, Montenegro, Slovakia, Kazakhstan, Moldova, Ukraine, Macedonia)

When a country starts to change from a Bank Bond country to an Insurance Bond country, reinsurance has a key role to play, because until an insurer is able to buy a reinsurance treaty, he is not usually brave enough to start issuing Bonds and to take the risk.

The first stage is always the most difficult. Bond Reinsurers look for four key things to be put in place before they will commit reinsurance treaty capacity to a new treaty in a new territory;



Business Partner 's Perspectives

a) **FINANCIAL UNDERWRITER** – a Bond Underwriter for an insurance Company needs to be able to understand a balance sheet and to be able to analyse if the Insured is a good financial risk or not. Reinsurers will not usually support a Bond treaty till they have met and become confident in the Bond underwriter's ability to do this. Bond Reinsurers need to be able to interview the Bond underwriter and will only back him once they are confident in him or her.

b) **TRANSPARENT ACCOUNTS** - there needs to be a system in the country where the accounts that Companies produce are transparent and trustworthy. One of the reasons the Middle East Bond insurance Bond market is not as developed as it is in CEE, is because Middle East Company accounts are less transparent and less trusted by Reinsurers.

c) **TRUSTED COURTS & RECOVERIES** – the Reinsurers need to be able to trust the Courts to make fair awards. Not every called Bond can be recovered, but unlike Non-Life

accident insurance, the assumption of a Bond insurance is that it is an interim payment against the insured, and the insured should always be able to re-pay it back to the Insurer. The underwriter of the bond makes a judgement that this will always be possible, based on an understanding of the Insured's "assets" and "ability to pay". Bond insurance has been slower to get going in CIS states like Russia, Ukraine and Kazakhstan, because the Courts and the recovery system are not as trusted by Reinsurers.

d) **LEGAL POSITION OF BOND INSURANCE** – not all countries allow Bond insurance. In some CEE countries Bonds are still required to be issued only by Banks. Insurers can still provide Bond insurance capacity behind-the-bank, but in doing so, they are one step removed from the underwriting decision, and this weakens their ability to underwrite risks as carefully. In general Bond insurance has been slower to get going in the ex-Yugoslavia countries because it was and still is, not recognised or allowed.

Business Partner 's Perspectives

Bond reinsurance is a specialist area, and Bond Reinsurers need to have a different skill-set to other Non-Life Reinsurers. We tend to find that Bond reinsurers split into three Groups as follows;

1) **SPECIALIST BOND REINSURERS** – these reinsurers do not write other non-life classes and they have to rely on making a profit from the Bonds only. This means they need to be even more skilled at their job. **ACTIVE RE** is in this Group because it has always been a Bond Reinsurer, and because it has created a skilled Bond underwriting unit that is able to write Bonds as a standalone class.

2) **SPECIALIST BOND REINSURANCE DEPARTMENTS** – it is quite common in reinsurance to support all the lines of a Reinsured, because in doing so a Reinsurer creates a bigger bouquet of premium to balance poor results in one class. The problem here is that larger Insurers are not always better at underwriting Bonds, as they often use their reinsurance capacity to issue Insurance Bonds to secure other lines of business for important clients, and in doing so make more mistakes. Most reinsurers have recognised that, and so they have created separate Bond Departments who underwrite the Bond treaty more carefully.

3) **STRATEGIC BOUQUET BOND REINSURERS WITHOUT BOND DEPARTMENTS** - strategic Bouquet reinsurers like to write a bouquet of all lines to balance their portfolio, but they would prefer not to write the Bond treaty. However often they have no choice, so they end up being forced to be a follower on the Bouquet Bond treaty. This is very much the case in Africa where most treaties are written as bouquets with a Bond treaty included, but the quality of Bond reinsurance underwriting is generally much poorer in Africa than in CEE.

CONCLUSION

Bond reinsurance is a growth class in CEE, and the current Bond Insurance premium of €200m across all CEE is likely to grow to €400-500m by 2030, as more CEE countries allow Bond insurance, and as the general economic growth of the region results in more Bond insurance activity.



Hugo Barker
Managing Director
UlysseRe



Global Economy & Financial Markets

Opportunities in the Reinsurance Market

At this is a moment, tremendous opportunities appear for companies like Active Re. The recent developments at Lloyd's have significantly reduced reinsurance capacity in some classes of business, hence tightening the market and creating opportunities to write business with good conditions.

However, a reinsurer needs to fulfill some requisites to take advantage of these opportunities. First and foremost, we need to find the talent with a proven track record and the willingness to step into the market. Secondly, a good reputation and a strong credit rating are required. Finally, you need to have the courage to go against the mainstream, this one possibly being the most difficult to fulfill.



Active Re is filling some gaps that appeared in the market, not the least of which is the drastic reduction of "A" rated capacity in the MENA region due to the downgrade of some major local reinsurers and to the withdrawal of some international markets.

This will not last forever: industry results will improve due to harder conditions, capacity will return and more relaxed terms shall come back. But, in the meantime, Active Re is placing itself as a reliable, independent reinsurer that offers solutions in difficult times.

Global Economy & Financial Markets

COVID-19

No one clearly knows today what the effects of COVID-19 on the global economy will be, if only because the scientific community is not certain about how the pandemic will evolve. And the former is for sure a consequence of the latter.

But there are some effects that are already visible and could either improve or worsen depending on the evolution of the pandemic:

1. Economic Recession.
2. Financial Markets' Volatility
3. Bankruptcies and possible effects on financial institutions

These general effects will translate into each industry in a different way and, within each industry, may vary from one company to the other.

Active Re is not immune to such a global tragedy, but, to a certain extent, is well protected against the potential effects of the pandemic.

Operational Effects

Active Re has a relatively small team based in five countries and operates with brokers and clients in more than eighty. Remote work and intense use of IT and communications systems is a day-to-day practice. Active Re has not slowed its operation down, nor has it relaxed its service standards due to the pandemic. Executive Committee's decision-making procedures have been kept at the same pace and the IT infrastructure have been able to accurately support 100% remote work.

Global Economy & Financial Markets

Business Effects

At this stage, Active Re is not in a position to determine whether COVID-19 will have a significant impact on its 2020 premium income. Some slowdown in the flow of facultative submissions has been noticed in Q2 2020, but, on the other hand, some new business has been concluded in the same period.

Due to the situation created by COVID-19, some more opportunities have appeared due to the fact that COVID-19 has contributed to the hardening of the reinsurance market.

Balance Sheet & Finance

Active Re has opted for an increase of its liquidity. Some long-term financial investments have been cancelled in order to increase the cash position. This strategy has two goals: first, to avoid financial markets volatility and, second, to assure the required cash in case claims need to be paid.

As a second measure triggered by COVID-19 our collections functions have been reinforced, anticipating a possible delay in premium payments.

Defining 2019 in terms of Active Re's business development, we would undoubtedly refer to growth and diversification.

Global Economy & Financial Markets

Effects on different lines of business

Class	Issue	Mitigant
Property	Practically no Business Interruption cover on the book	<ul style="list-style-type: none"> ◇ Minimal quantitative impact. ◇ LMA5393 clause mandatory since 25th March 2020
	Performance Delays	<ul style="list-style-type: none"> ◇ Delays are contractually justified and imposed by Governments (contracting parties)
Surety	Potential post-pandemic insolvencies.	<ul style="list-style-type: none"> ◇ Most of the book is formed of public sector technical bonds. Past experience during the financial crisis shows no direct correlation between economic deterioration and systemic losses in this class. ◇ Excellent previous results allow us to absorb some loss ratio increases.
	Defaults and Insolvencies	<ul style="list-style-type: none"> ◇ Very small percentage of the overall book. ◇ Specific to some markets where waivers for payments have been granted by financial authorities: no claims in 2020. ◇ Potential increase of losses in 2021, but excellent previous results could compensate.
Affinity	Loss increase in group life business due to COVID-19 effect	<ul style="list-style-type: none"> ◇ Increase in rates. ◇ Special clauses.
Energy and Engineering	No expected effects	◇ N/A



Business Partner's Perspectives

The role of MGAs in today's (Re)insurance market

Rokstone is an established underwriting MGA providing brokers with specialist (re) insurance solutions. The company is structured to allow individual underwriting activities in niche areas under bespoke trading names. Created by the shareholders of Direct Insurance Group PLC – a USD350m GWP retail and wholesale Lloyd's broker specialising in schemes and affinities.

For the 20/21 underwriting year Rokstone has projected GWP of USD140m.

The Property underwriting team has over 150 years combined experience alone, each individual averaging over 20 years in their various specialties. This makes it amongst the most experienced underwriting teams currently operating in the London market.

The MGA model, gives ease of access to key decision makers and is absent the heavy central cost burden of the Lloyd's platform it has none of the bureaucratic, decentralised and often inconsistent approach of the large global carriers.

With the property market undergoing

fundamental change following poor results, a unique opportunity has arisen to capture the re pricing and improved terms and conditions that are available.

Many underwriting companies and / or syndicates simply do not have the expertise, and distribution to successfully inhabit the global property arena.

MGA's in the modern market are defined and measured solely by their ability to deliver a consistent, positive return on capital, the pressures around relationship and whole account underwriting that adversely impact the behaviours of the larger carriers do not apply to MGA's.

The much needed move towards models and actuarial analysis has left in its wake a gap in the market place for a combined approach considering these inputs but also a more entrepreneurial approach based on opportunistic risk selection and experience based pricing negotiations that reflect the reality of the market at the time.

Business Partner's Perspectives

Customers deserve and expect choice, they deserve and expect to deal with markets who understand their needs and with whom they can work to craft practical and relevant solutions. MGA's can offer that knowledge and alternative to some of the traditional markets.

The options available to customers have shrunk in recent months. The simple, one dimensional replacement of capacity is not appropriate, and the market appears increasingly to take a 'one size fits all' approach to risk acceptance and pricing.

The MGA model allows access to specific market segments for carriers within an already compliant framework reducing the need for investment in expensive infrastructure and teams required to access this business.

Key points

Market access

Flexibility around market access, carriers can support MGA's with proven expertise in specific areas where they themselves may not have the requisite knowledge, distribution or infrastructure.

For example in the case of Rokstone one of our longest standing key partners

Active Re has a strong presence in a number Latin American territories but through the Rokstone relationship they have been able to diversify their portfolio to a more global footing, without the need for investment in teams, infrastructure and distribution. In this instance Active Re have secured nearly 20% of accretive income and both parties have seen the relationship triple in size over the past 3 years.

Speed of entry

To optimise available opportunities in the industry speed of response can be critical. Realistically in order for a carrier to enter a market of opportunity from the day the opportunity is recognised until such time as the carrier is up and running in that space may take upwards of a year. In some cases this may mean the opportunity has all but passed, in any event carriers will have missed the most critical stage of the opportunity and the chance to fully shape the landscape of business acceptance.

Systems and data

Many participants in the Insurance sector suffer issues around legacy systems, infrastructure that was fit for purpose even 10 years ago no longer provides the granularity and efficiency that business established in last few years requires. There is an increasing



Business Partner's Perspectives

focus on data and its uses, not only to price and monitor business but to help shape strategy going forward. Data can be used to identify emerging patterns across an account ensuring timely intervention when required. Businesses are able to become far more proactive than reactive. More recent entrants into the market are better able to utilize the latest systems and technologies to enhance their underwriting capabilities.

Entrepreneurial DNA

This is a less tangible element of the MGA arena, by definition these business have within their DNA a strong entrepreneurial perspective. A desire to control their own destiny and create a business with flexibility and agility at its heart yet still ensuring focus on profitability and performance. This drive can be missing from the more established insurance sector.

Business ownership

The arena is populated by many businesses that are owned by their principals and staff, the team ethic this instils and the behaviours it encourages are a further factor that can help differentiate in a positive way from many of the more traditional corporate Insurance businesses.

Summary

MGA's account for a significant portion of specialty premium written globally, as high as 10% in some markets. They are increasingly relevant in the modern business arena with more efficient operating models, better management systems and often niche areas of focus and expertise.

Insurance is changing; it needs to future proof itself against the tech based disruptors that circle its customer base keen to access a very significant untapped revenue stream.

MGA's form an integral part of that change, of that development as Insurance moves in to the next phase of its evolution.



Dean Pitts
Managing Director
Rokstone Group Limited

Recent Awards

BV-2019 Best Alternative Risk Transfer Solutions



CFI-2019 Best Credit Reinsurance Solutions for Institutions



BV-2020 Best Alternative Risk Transfer Solutions



CFI-2019 Mr. Juan Antonio Nino Pulgar: Outstanding Contribution to Banking and Insurance



Underwriting Performance

Overview

2019 has presented to Active Re a number of underwriting focal points which provided our company the opportunity to effectively review in real time our underwriting philosophies and risk appetites to better improve our service to our business partners and clients.

Throughout the period, we have seen fluctuation in available capacity in established re(insurance) hubs, not only in the niche product lines, but in the traditional classes of business as well.

Certain reinsurers may have made the decision to exit some markets on a whole or to remove its operating presences due to varying factors more so aligned to the cost of operations.

These factors have also been coupled with an upturn in the market rating conditions which has seen rates in certain regions – especially

the MENA region increase to almost double what it was on a comparative basis 3 years ago.

Apart from operating underwriting dynamics, the ever-paramount concern of financial ratings is always at the forefront of ongoing concerns in this industry. At Active Re, we saw these factors as an opportunity to grow, not only our portfolio, but our brand and reputation as well, by assimilating the market developments and seamlessly adjusting our underwriting protocols to allow for enhanced expansion into new markets while continuing to meet or exceed the expectations of our clients.

We are able to achieve these adjustments due to the centralized operations and organizational hierarchy that have been administered by our Underwriting Committee.

Our experienced underwriting teams, which are strategically situated across the globe, are able to identify amendments in placement terms and conditions, brought to the Committee's attention, addressed within 24-48 hours of presentation and a decision made, adapting to the demands of the market.

From the beginning of our operations 13 years ago in the field of Affinity business – we have expanded our profitable portfolios to include Property, Energy, Engineering,

Credit, Surety and Treaty business, as a result of seizing meaningful business opportunities at the right times.

Going forward and following our strategic vision of being Global, Specialized and Innovative which has proven successful thus far, we envision that we shall continue to penetrate new borders, not only in geographical expansion, but in classes of business while we continue to adhere to our mission to provide Benefits for All.

Underwriting Capacities

Active Re offers reinsurance capacities across a spectrum of lines of business and is supported by reputable A rated reinsurers across its various operating regions.

Across Latin America, EUROPE, MENA and APAC, with our available capacities and strengthened by our A- AM Best rating, business development and technical expertise, Active Re is able to provide key underwriting participation as we always seek to provide maximum support to all prestigious and profitable accounts.

Line of Business	FAC Capacities	Treaty
Energy (On Shore)	\$ 7,000,000	✓
Property & Engineering	\$ 10,000,000 (ex LATAM) // \$ 5,000,000 LATAM	✓
Surety	\$ 10,000,000 (LATAM, Spain & Italy)	✓
CAR / EAR	\$ 10,000,000 (ex LATAM) // \$ 5,000,000 LATAM	✓

Our respective treaty leaders provide us with the ability to adapt to the underwriting cycles and present opportunities to us, providing relevant materials and knowledge which enable us to continuously improve on our product offerings by creating alternative or innovative underwriting solutions for certain product lines.

We continue to deploy our developmental philosophy in seeking new underwriting potential and prospective lines of business to further boost our product offerings.



Channels

Active Re's business partners are comprised of both cedant and broker relations as well as via MGA and Facility resources. In addition to the diversification of the portfolios, each of these channels offer their unique technical and business development expertise in their respective fields of operations and locations.

During 2019, Active Re expanded its channel base to include in excess of 400 cedants and 170 brokers which translated into more than 8,200 account submissions.

Traditional Channels

In 2019, as we continued to build on our marketing strategies and increase our expansion into more territories, the traditional business channels through cedant and broker relations accounted for 41% of the number of accepted accounts, which translated into underwriting results of 72% for Active Re.

From the direct relationships of brokers, this spans to include top multi-international broking houses as well as regionally specialized brokers offering both full product lines as well as niche only business models. We progress on these relationships by building

strategic alliances and capitalizing on business ventures to increase our underwriting reach and expansion.

The same concept is reflected in our operations with our cedants – as we aim to build meaningfully beneficial long term relationships with all the cedants in our operating regions, we focus on their requirements to develop bespoke solutions – which is demonstrated by Active Re being acknowledged and awarded as Best Alternative Risk Transfer Solutions and Best Credit Reinsurance Solutions in 2019.

New Channels

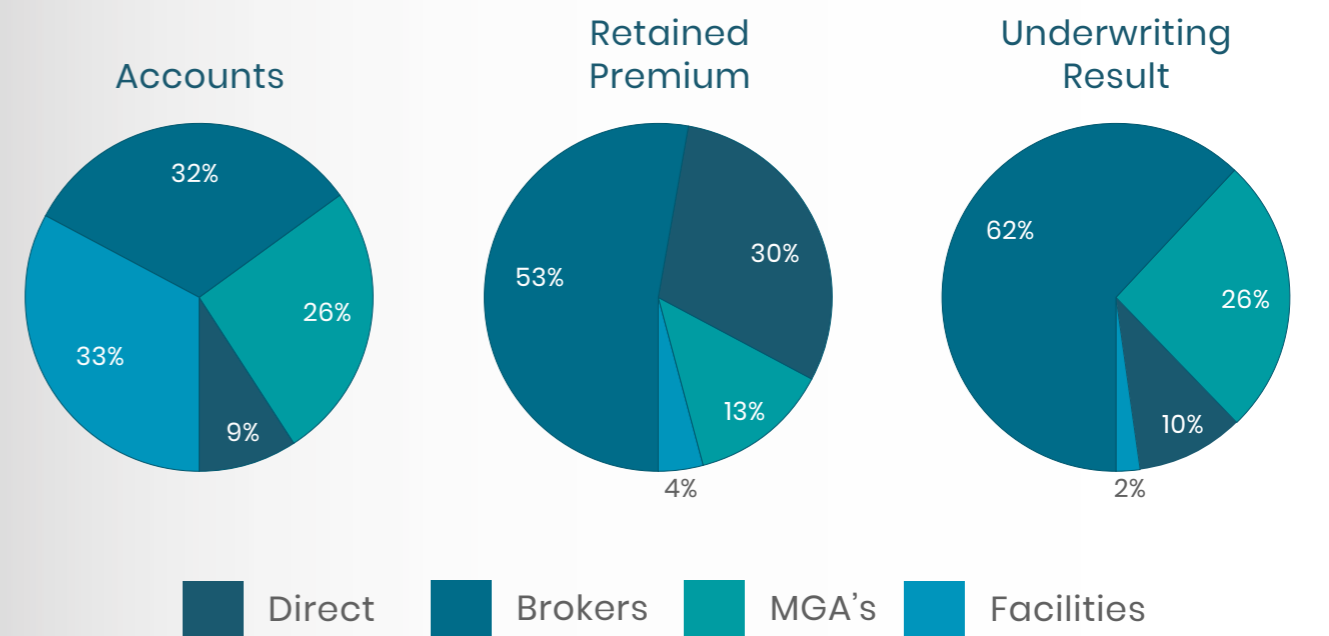
With the advent of MGAs and underwriting facilities, Active Re being at the forefront of these dynamics allowed our company to easily acclimate and assimilate these market changing vehicles into our operations.

In the MGA field during 2019, we deployed our operational support behind leading London MGAs such as Rokstone Underwriting (Property), Globe Underwriting (Engineering) and Aurous Risk Partners (Energy) as well as maintained our support in the Patria Energy Pool. This resulted in 59% of accepted accounts and underwriting results of 28% for 2019.

Additionally, under facility operations we have provided our support under the Swift Re platform for risks located in the MENA and LEVANT regions.

These new channels have brought, not only profitable business oppor-

tunities but the advantage of obtaining varying underwriting philosophies and criteria helping us to evolve our underwriting tolerance and approaches to specific lines of business and by territory.



Channels	% Accounts	% Retained Premiums	% Underwriting Result
Direct	9%	30%	10%
MGA'S	26%	13%	26%
Facilities	33%	4%	2%
Brokers	32%	53%	62%



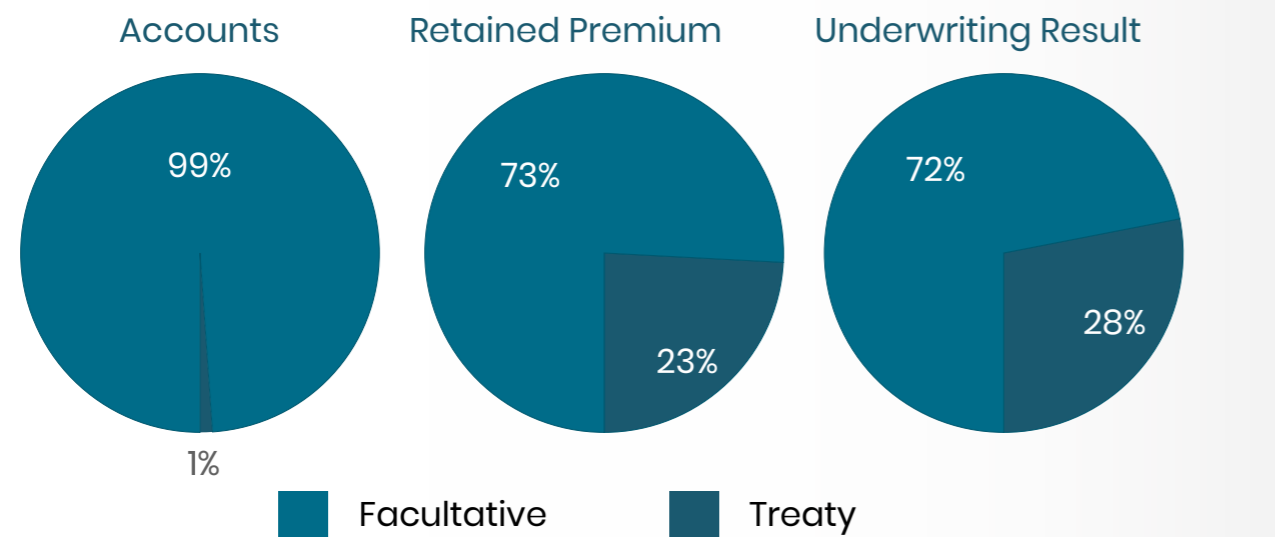
Lines of Business

As we continue to expand into new territories and seek new potential avenues of growth, we constantly review our product offerings to align with the needs of our clients and the regions in which we operate.

Our key underwriting focus is on Facultative classes of business. In 2019, we began accepting and increased the number of treaty participations in an effort to maximize our new business relations and provide additional diversification to our underwriting portfolio.

Whilst in 2019, treaty business only accounted for 1% of the number of accounts accepted, this translated into a 28% underwriting result.

In terms of our facultative acceptances, with the diversification of the portfolio in 2015 to include the more traditional lines of business of Property, Engineering and Energy, these product lines accounted for almost 94% of the total number of submissions reviewed by our underwriters and through our strategic partnerships with MGAs and Underwriting Facilities.



Type of Business	% Accounts	% Retained Premiums	% Underwriting Result
Facultative	99%	77%	72%
Treaty	1%	23%	18%

Analysis By Line Of Business

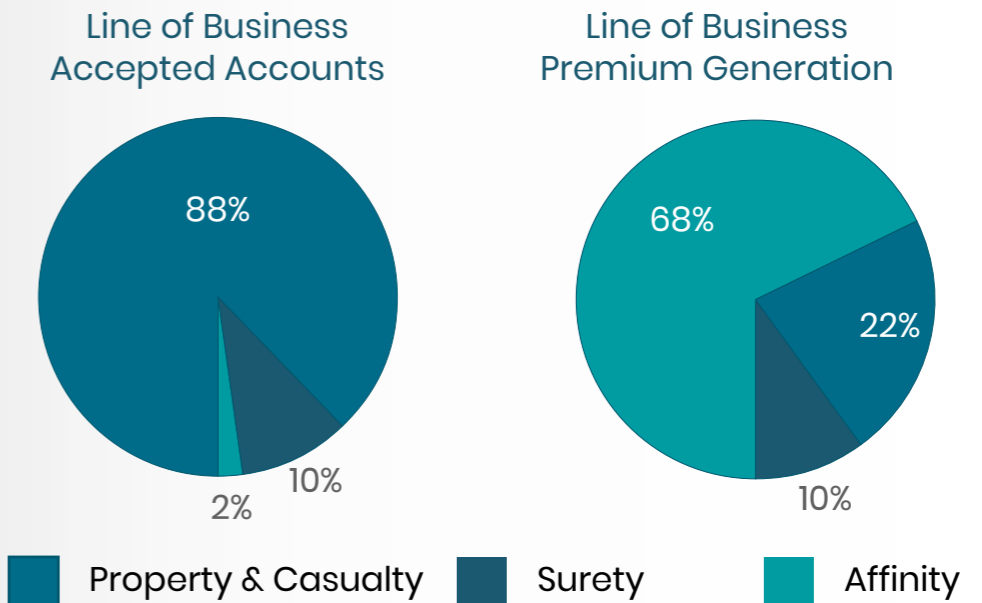
Affinity products, as our foundation on which we grew our underwriting portfolio, remain our core product offering that allows us to differentiate ourselves from other peer reinsurers. While only accounting for approximately 2% of our overall book in terms of accepted business, this translates into premium generation of 68% for the entire portfolio, and as a result of the operating efficiencies of the Affinity market, we are able to further improve our bottom-line results.

We capitalize on our Affinity strengths by being able to offer to cedants and by extension the insureds, new types of cover that may have previously not existed in their respective markets and which further allow us

to access the alternative classes of business that these clients would be writing.

In respect of our other lines of business, Surety accounts for approximately 10% of our accepted business and premium generation, with Property and Casualty business accounting for 88% of the accepted accounts and contributing 22% of premium to the portfolio.

As a result of our ongoing growth into new product lines, we are able to further diversify the portfolio to achieve sound returns on earned premium of 22.8%.



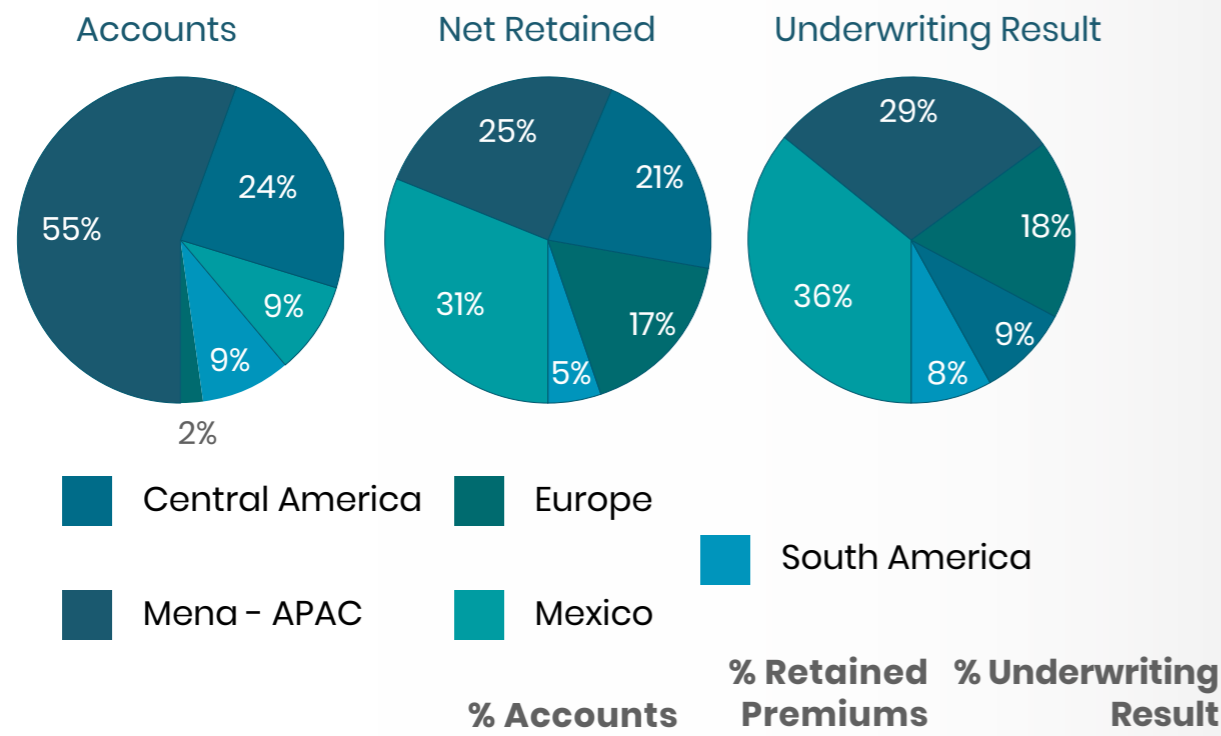
Geographical Spread

With increased efforts in 2019 by participating in industry leading conferences and events, new markets and lines of business, Active Re has successfully managed to diversify its geographical footprint resulting in having accepted business from across 83 countries.

From beginning our operations in 2007 with focus primarily on Latin America, we now in 2019 we have extended our global reach to

include EUROPE, MENA and APAC Countries with MENA-APAC now leading the overall portfolio in number of accounts being offered to and accepted by Active Re.

Of our diversified geographical portfolio, MENA-APAC produces 55% of the number of accepted accounts, followed by Central America with 24% and the balance of 21% distributed between Europe, Mexico and South America.



Region	% Accounts	% Retained Premiums	% Underwriting Result
Central America	24%	21%	9%
México	9%	31%	36%
South America	9%	5%	8%
Europe	2%	17%	18%
Mena - Apac	55%	25%	29%

Markets

Latin America

We are proud to state that 2019 was a year of extraordinary developments and paramount adjustments in our Underwriting activity for Latin America. Apart from the consolidation of our Latin America Portfolio, we also initiated the servicing of the MENA-APAC territories from Latin America which due to the volume and exponential growth of this portfolio was subsequently transferred to a newly formed and experienced team of underwriters and business developers based in Russia, with the purpose of improving our service and response time to our business partners in this region.

This new team was instrumental in procuring additional capacity from the Lloyds market as well as expanding our territorial scope to EUROPE-MENA-APAC.

During 2019, the underwriting team was boosted in technical skills by the recruitment of a new Bonds Underwriter and Underwriting Manager as well as new Underwriting resources to fully provide in-depth service to the growing portfolio in the Latin America region.

This growth in human resources was also complemented by an increased underwriting capacity and expanded territorial scope for our Latin America treaties.

Treaty business had a significant contribution to the premium volume in the Company and specially in the underwriting results in 2019, when it was practically non-existing in 2018. This diversification stemmed from an increased marketing effort by our executive staff that actively participated in every conference in Latin America, MENA, APAC and Southeast Asia.

As a result of these actions, we were able to attract business from 105 brokers in 2019 compared to 40 the previous year.

While the Latin America operations provides underwriting expertise across all the lines of business, Affinity still remains the one with the highest premium volume in our Company, with excellent underwriting results over the years.

As our core product from the inception of the company, affinity lines contributed 25% of the premium volume of the Company in 2019, apart from the exponential growth in Property and Engineering.



Markets

EUROPE-MENA-APAC

During 2019, Active Re continued our expansion into the markets of EUROPE, MENA and APAC with predominant focus on Property and Engineering facultative business. These markets were still recovering from major losses in 2017-2018 caused by natural and technogenic events, creating the potential to take advantage of the improved placement terms that existed.

As a general market trend, we recognized a pronounced increase in the rates of some market segments such as - Energy, Aviation and D&O, while in the segment of Property and Engineering risks we saw multidirectional tendencies.

Under these circumstances, this enabled Active Re during the period to significantly refine the underwriting criteria and risk appetite, allowing us to start forming a balanced risk portfolio with broad regional diversification.

Using the experience of underwriting and following the leading insurance and reinsurance markets, Active Re created a new Reinsurance capacity, promoted conservative underwriting approaches and was able to occupy its niche in the GCC, Central & South-East Asia markets.

In the EUROPE-MENA-APAC region, Active Re partners are companies located in more than 75 countries and we are happy to provide our clients with up to U.S. \$10 million line for Property & Engineering risks.

Calendar 2019 was a relatively quiet year in terms of losses, allowing us to achieve a satisfactory underwriting technical result from the formed portfolio.

Business Partner's Perspectives

2019 Annual Report Supplement

It gives me immense pleasure to have the opportunity to present a summary of the unique reinsurance dynamics of the Middle East and North Africa (MENA) region, and how our preferred partnership with Active Re has effectively served our regional insurance market, while contributing to our joint success in 2019.

The MENA (re)insurance market has witnessed a steady rate of economic growth and insurance penetration in 2019. The region remains enticing to the global investment community and continues to be a solid stage for capital deployment. It is a region largely characterized by growth driven by enhanced corporate governance, evolving regulatory dynamics, low insurance penetration rate per capita, rapid introduction of technological innovation, and sustained investment in mega projects related to renewable energy and infrastructure.

The Gulf Cooperation Council (GCC) is a political and economic alliance of six countries in the Arabian Peninsula: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates, which also happen to share a common language, culture, and land and water territorial borders. The GCC also

happens to be the fastest developing segment of the MENA region and where most of our collaboration with Active Re is currently focused on.

The GCC's insurance market is forecasted to grow from \$30 Billion in 2019 to \$35 Billion by 2024, representing a compound annual growth rate (CAGR) of approximately 4.0 per cent. This growth is attributed to the steady increase in population and infrastructure development, as part of the region's broader diversification strategy lead by the United Arab Emirates (UAE) and the Kingdom of Saudi Arabia (KSA).

The UAE, which is our largest market in the region, is expected to grow at a CAGR of 4.2% during the forecasted period and maintain its position as the insurance hub of the GCC, followed by KSA, which is the second largest insurance mart in the region with a CAGR of 5.0% over the same period. There is no doubt that governments' proactive economic and liberalization reforms and efforts to strengthen the regulatory environment will support the growth in the (re)insurance sector going forward.

Business Partner's Perspectives

The fundamental growth drivers in the GCC region can be summarized as follows:

- Greater government budget allocation on commercial and industrial sectors including infrastructure to diversify their economies away from the hydrocarbon sector. This has resulted in an increase in the amount of insurable assets, particularly affecting the property and engineering lines of business.
- Liberalization reforms such as the permitting 100% foreign direct investments in certain sectors, and the easing visa regulations for tourists and expatriates, coupled with Saudi Arabia's recent social liberalization initiatives, will further boost (re)insurance premiums across the region.
- A steady rise in the population base, primarily in the young and working strata, will boost the demand for life, motor, health and property insurance products across the GCC.
- The rapid adoption of technological transformation initiatives in the insurance industry, disrupting traditional business models while increa-

increasing market penetration through enhanced e-commercial and product digitalization.

The GCC insurance industry is likely to continue to show sustained growth over the forecasted period, and the pace of growth will be higher than the levels witnessed during the last several years. Enhanced regulations related to increased capitalization requirements are likely to result in consolidation within the industry.

As an Underwriting Agency and Reinsurance Intermediary operating from the Dubai International Financial Centre (DIFC), Kay International AMEA Limited has been able effectively access our vast and diverse insurance ecosystem – a system that spans 3 growth regions (Asia, Middle East, and Africa) through its presence in one of the world's leading financial services hubs. Since its establishment at the DIFC in 2016, the Kay International brand has aspired to offer our markets with alternative, yet highly rated, reinsurance capacity.

Over the last three years, Active Re, which was once viewed as an alternative risk transfer capacity provider in our region, is now considered the new normal and a preferred partner reinsurance due to its

Business Partner's Perspectives

balanced risk appetite, efficient and prudent capital utilization, and innovative claims management platform. The company's "A" category rating by AM Best, supported by its evolving balance sheet and financial results, has allowed it to be swiftly empanelled by the leading insurance companies in our region.

In terms of partner-centricity, Active Re has always engaged with its broking partners to develop their market strategy, refine their risk appetite, and collaborate on how to best evolve its technology platform to meet future market demand. Most recently, we were delighted to collaborate with Active Re's

management team as they sought to enhance their technology platform capability to better serve the MENA region. Having personally served our emerging region over the last 15 years, I am delighted that a global reinsurer such as Active Re has taken the effort to listen and learn from this market to accelerate its growth path with our diverse geography.

We seize this opportunity to thank the entire team of Active Re for their preferred partnership and for their fabulous achievements in the year 2019. I am sure there will be many more years of success to follow. Congratulations.



Kay International AMEA Limited
(Asia, Middle East and Africa)



Walid A. Sidani
Managing Director & Senior Executive Officer

Underwriting Tools

Risk Analysis

Active Re, due to our relatively lower capacities as compared to other reinsurers in the markets in which we operate, may not effectively be in a position to lead certain placements, but this is by no means an obstacle to us, as we utilize leading industry analytics and tools in assessing and controlling our assumed underwriting risks.

Reinsurance Management System

Active Re prides itself on having its own in-house robust Reinsurance Management System which offers a suite of reinsurance applications to ensure smooth and effective operations from initial account offerings, underwriting acceptances straight into Technical Accounting, Credit Control, Claims and Actuarial analysis.

With input from both internal and external parties, we continuously strive to improve our reinsurance management system to be fully adaptable and automated so as to reduce the administrative resources allocated to system entries so that we can focus our time and energy on client specific matters.

Risk Exposure Tools

Our use of Risk Modelling Software and Nat Cat analytical tools are key to our underwriting operations, as we are able to conceptualize our accounts and overall risk profiles in real time to properly monitor our un-

derwriting aggregates, allowing us to mitigate our risks effectively by obtaining more than adequate CAT and per Risk retro covers to ensure that we are always able to meet any resultant claim.

The use of Nat Cat analytics is a key resource utilized in the acceptance of any risk whereby we can conclude what are the primary Natural risks the accounts are exposed to.

Our RMS tools provide us the necessary information on assessing the Value at Risk (VAR) which involves determining the worst loss expected over a target horizon within a given confidence interval as well as the Tail Value at Risk (TVaR) which focuses on the remaining potential loss outside of the VaR analysis.

By modelling catastrophe losses, we are able to obtain practical and optimal reinsurance solutions tailored to meet our particular conditions with the goal of minimizing our total risk.

Rating Tools.

Compiled from the combined experience of our underwriters and market historical data which is aligned with the current individual market dynamics, we have been able to develop our internal rating guidelines which provide us the necessary structure and basis on which we assess placement rates and deductibles by occupancy and respective countries. As a result, we are able to maximize our risk exposure to premium variables, optimizing the use of our capacities.

Claims and Reserves Management

Risk Profile

Active Re achieved U.S. \$133 million in gross written premiums for 2019, retaining 32% of the risks. The retain earned premium was distributed among Life Lines at 59%, 4% in Bonds and 37% in Non-Life.

The Earned Premiums are primarily generated from Mexico (31%), India (16%), Honduras (9%) and Panama (9%) with the remaining 34% being derived from the other countries in which we operate.

Premium Reserves

The Unearned Premium Reserve (UPR) is the estimation of future claims and expenses of in force risks reinsured by the Company.

At the end of 2019, Active Re's premium reserves stood at U.S. \$24.5 million resulting in an Unearned Premium Reserve of 65% for the period derived from a net premium of U.S. \$37.9 million.

Line of Business	Gross	Ceded	Net
Affinity	8,041,922	860,300	7,181,622
Credit & Surety	4,302,457	994,194	3,308,263
Property & Casualty	40,661,014	26,613,403	14,047,611
Total	53,005,393	28,467,897	24,537,496



Claims and Reserves Management

Claims Reserves

Claims reserves represent the unpaid liabilities of the occurred claims at the valuation date considering reported claims (Case Reserves) and unreported claims (IBNR)

From our reporting factors, there is no significant deviation between the averages of the technical loss historical loss ratios in the Affinity and Surety lines of business with the Property & Casualty line providing a better average historical loss ratio against the projected loss profiles.

Line of Business	Average Technical LR	Average Historical LR
Affinity	84%	88%
Credit & Surety	20%	25%
Property & Casualty	55%	20%

Under the actuarial simulation of 10,000 cases following a standard distribution at a confidence interval of 95% and assuming a normal distribution, the 2019 business resulted in adjusted claims reserves of U.S. \$12.1 million.

Line of Business	Expected Ultimate	Standard Deviation	Ajusted Reserves
Affinity	2,978,237	710,920	4,144,145
Credit & Surety	793,187	120,205	990,324
Property & Casualty	6,131,759	568,266	7,063,715
Total	9,903,183		12,198,184

AM Best BCAR

Best's Capital Adequacy Ratio (BCAR) depicts the quantitative relationship between an insurance company's balance sheet strength and its operating risks.

BCAR emphasizes the balance sheet because it shows whether an insurer will be able to meet its policy obligations.

Underwriting practices, specifically underwriting leverage, determine whether the insurer is underwriting the policies that it should be underwriting, or if it is taking on too much risk. BCAR takes into account the premiums currently written by the insurer, reinsurance coverage, and loss reserves.

Due to the strength of our protection programs that are secured by a diversified panel of reinsurers, with minimal counterparty credit risk, Active Re currently holds a risk-adjusted capitalization at the strongest level.

Active Re has opted for an increase of its liquidity. This strategy has two goals: to avoid financial markets volatility and to assure the required cash in case claims need to be paid.

Financial Statements
for the Year Ended
December 31, 2019