2020 ANNUAL REPORT

A global and innovative vision

ACTIVE RE

ACTIVE CAPITAL REINSURANCE, LTD.

Welcome

We are very pleased and thankful to present our Annual Report 2020. Undoubtedly, 2020 will go down in history as a year marked by disruption in a way unparalleled to anything we have witnessed for many generations.

However, despite the COVID-19 pandemic and the ensuing global recession, Active Re was able to pursue its growth and diversification strategy, and we achieved outstanding financial results. Hence, we have – with resilience and determination – continued to expand our footprint as a global, specialised, and innovative reinsurance company. Our focus is to deliver "Benefits for All", and our operational philosophy is steadfast: We put clients first, measure risks twice, and – after due diligence – we always pay claims.

We thank all our clients, colleagues, and friends without whose support this exciting journey would not be possible.

This year we have also invited three of our business partners to contribute with articles reflecting their qualified views concerning their respective markets and some of the types of business they specialise in.

Content

About us

Active Capital Reinsurance, Limited (Active Re) is a reinsurance company domiciled in Barbados with a General Insurance and Reinsurance License granted by the Financial Services Commission of Barbados (FSC). Active Re is rated A- (Excellent) by AM Best.

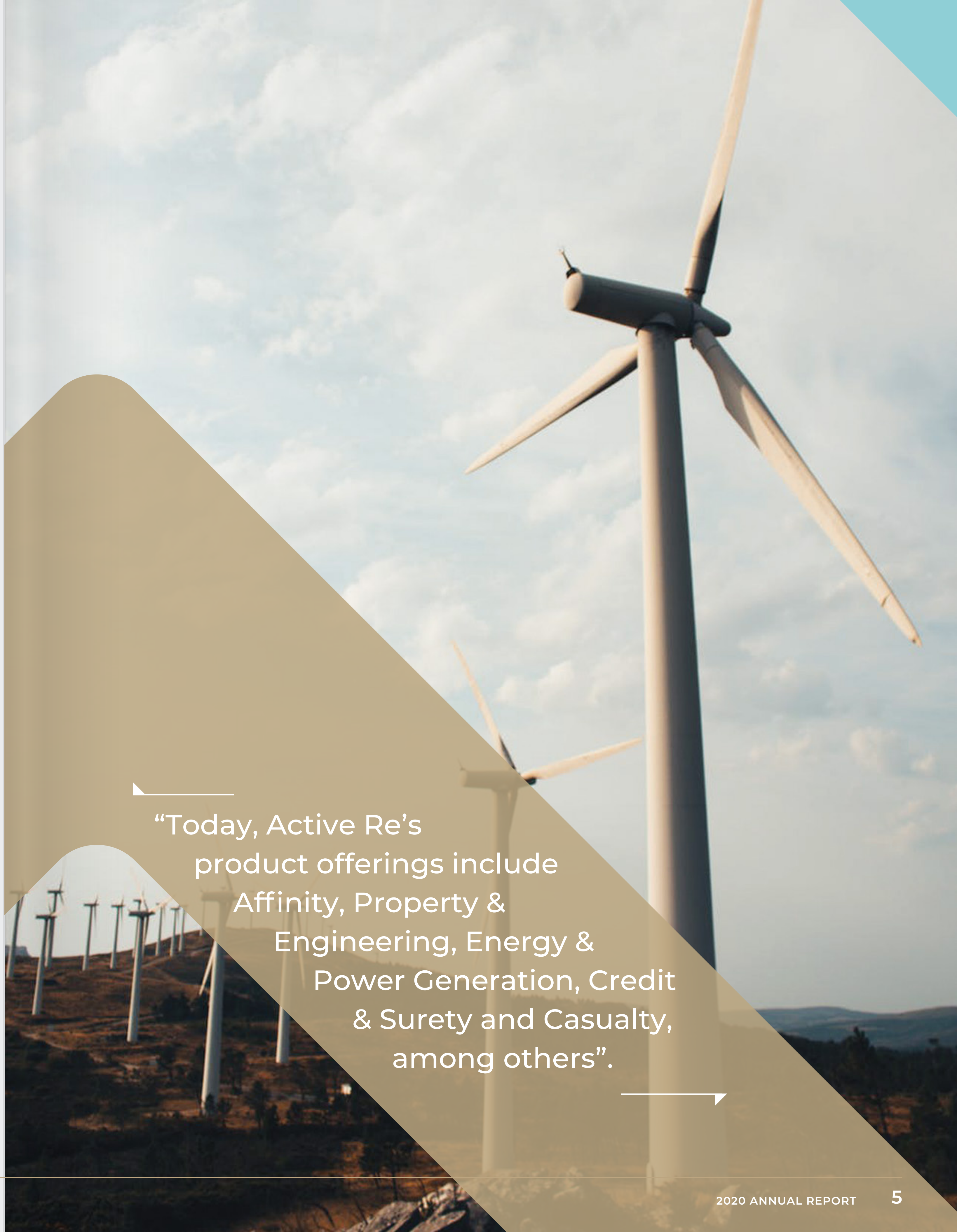
In 2015, we initiated a progressive diversification strategy into other markets and other business lines. This approach marked the beginning of our transition from a regional company to becoming a reinsurance company with a global presence.

Today, Active Re's product offerings include Affinity, Property & Engineering, Energy & Power Generation, Credit & Surety and Casualty, among others. Complementing large corporate clients' financial needs, Active Re offers tailor-made alternative risk transfer solutions (ART), including actuarial analysis and risk management advisory services. Active Re has recently started writing super yachts hull coverage as well as Marine Cargo through respective agreements (MGAs).

All our operations and processes are based on solid ethical principles, and we are fully compliant with international regulations of Anti-Money Laundering, Combating Terrorist Financing, and the Financing of the Proliferation of Weapons of Mass Destruction.

In 2020, Active Re provided reinsurance products and risk management services to 346 ceding companies and 117 brokers, 9 MGAs and Facilities in 107 countries in Europe, Latin America, Asia-Pacific, Middle East, North Africa, and Sub-Saharan Africa regions.

Over the last five years, Active Re has reported a gross annual average premium of US$ 113 million. Between 2007 and 2020, the accumulated total amounts to US$ 978 million, a testament to the high-class financial security offered to clients. The results reflect a well-diversified portfolio, a conservative underwriting policy, the appropriate retention of the core business with an increasing equity base and first-order retro underwriting leverage.



Financial Highlights 2020

AM Best Rating

FINANCIAL STRENGTH

A- (Excellent)

Stable Outlook

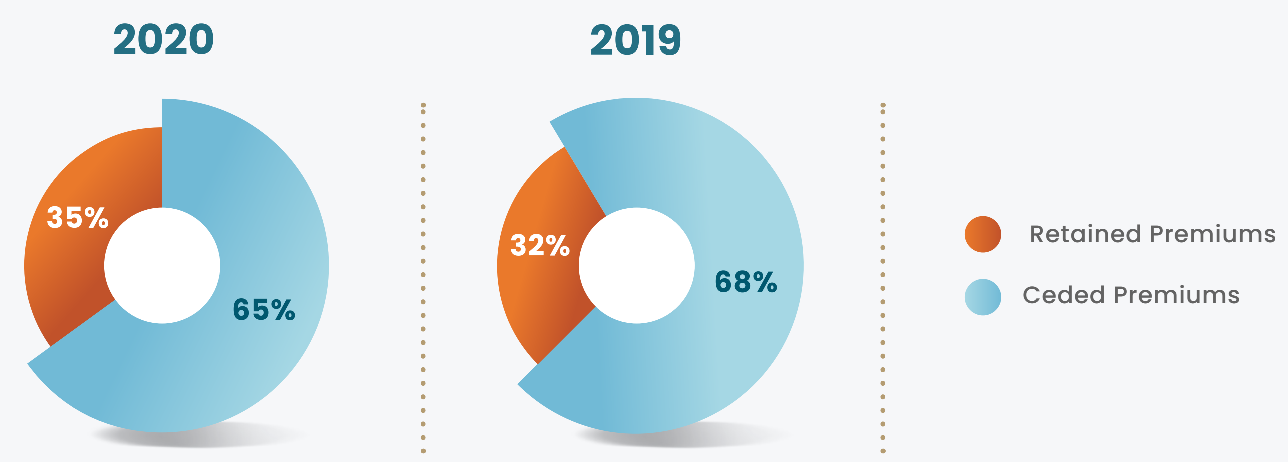
LONG-TERM ISSUER CREDIT

a-

Stable Outlook

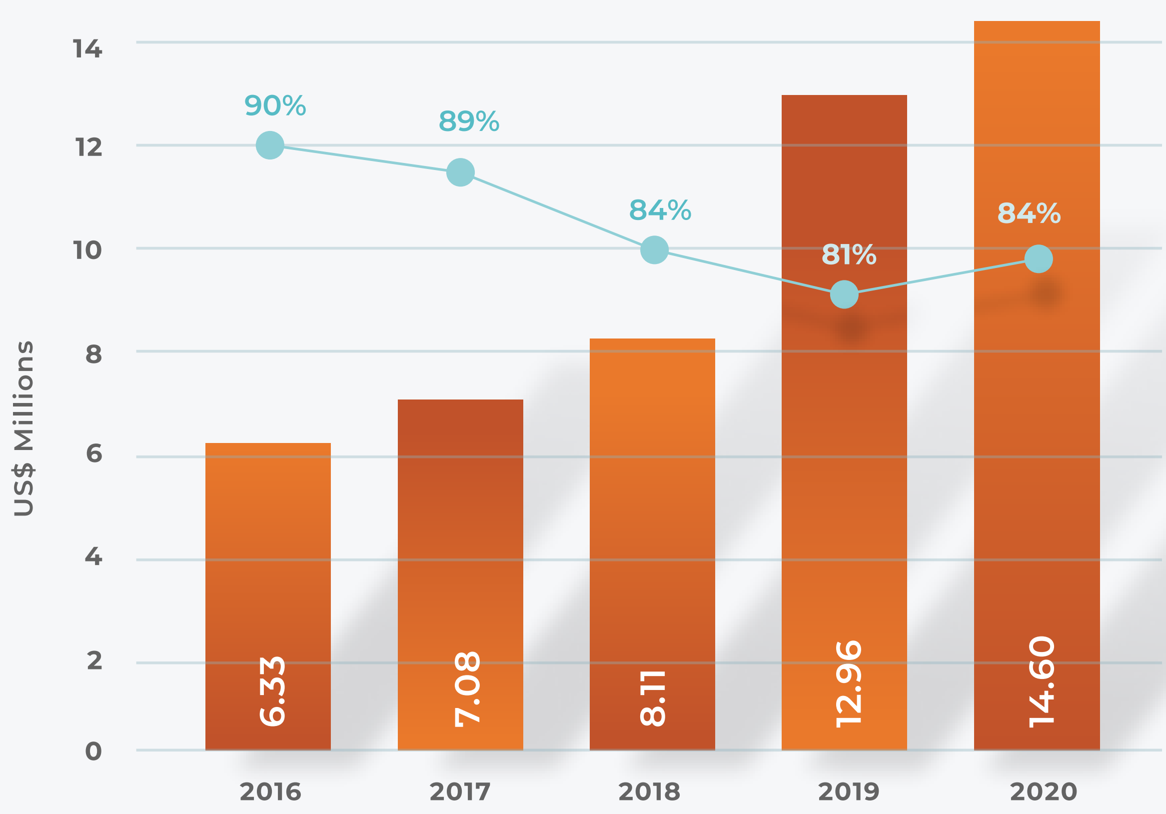
Key Performance Indicators

ROI	ROA	ROE	COMBINED RATIO	LEVERAGE
2%	5%	21%	83.8%	0.98



US$ in Millions	2020	2019	2018	2017	Changes in % 2020-2019
Net Premiums	145.9	119.4	99.0	92.2	22%
Retained Net Premiums	51.0	38.4	29.2	33.6	33%
Underwriting Income	14.6	13.0	8.1	7.1	13%
Net Operating Income	8.2	7.4	4.6	3.8	11%
Net Investment Income	1.4	1.3	1.1	1.4	6%
Net Income	9.7	8.8	5.8	5.2	10%
Total Assets	245.8	114.6	94.7	47.9	114%
Total Equity	51.9	40.3	35.3	30.7	29%
Combined Ratio (%)	83.8	80.7	84.1	88.6	4%
Return on Equity (%)	21.0	23.2	17.5	16.9	-9%
Leverage	0.98	0.95	0.83	1.1	3%

Underwriting Results & Combined Ratio

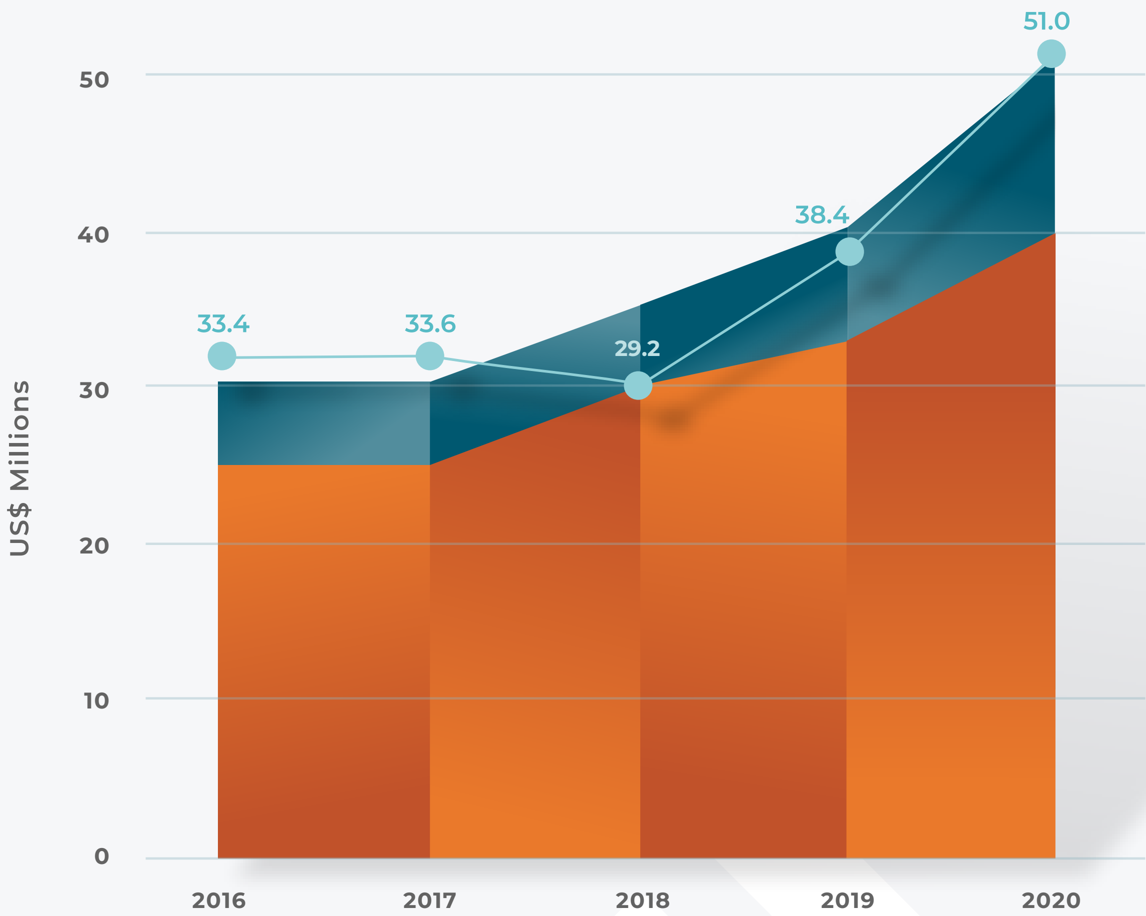


US$ 49.1 M
Underwriting Income in millions of US$ 2016 - 2020

85%
Five Year Average Combined Ratio

26%
Five Year Average Technical Profitability

Shareholders Equity & Retained Premiums

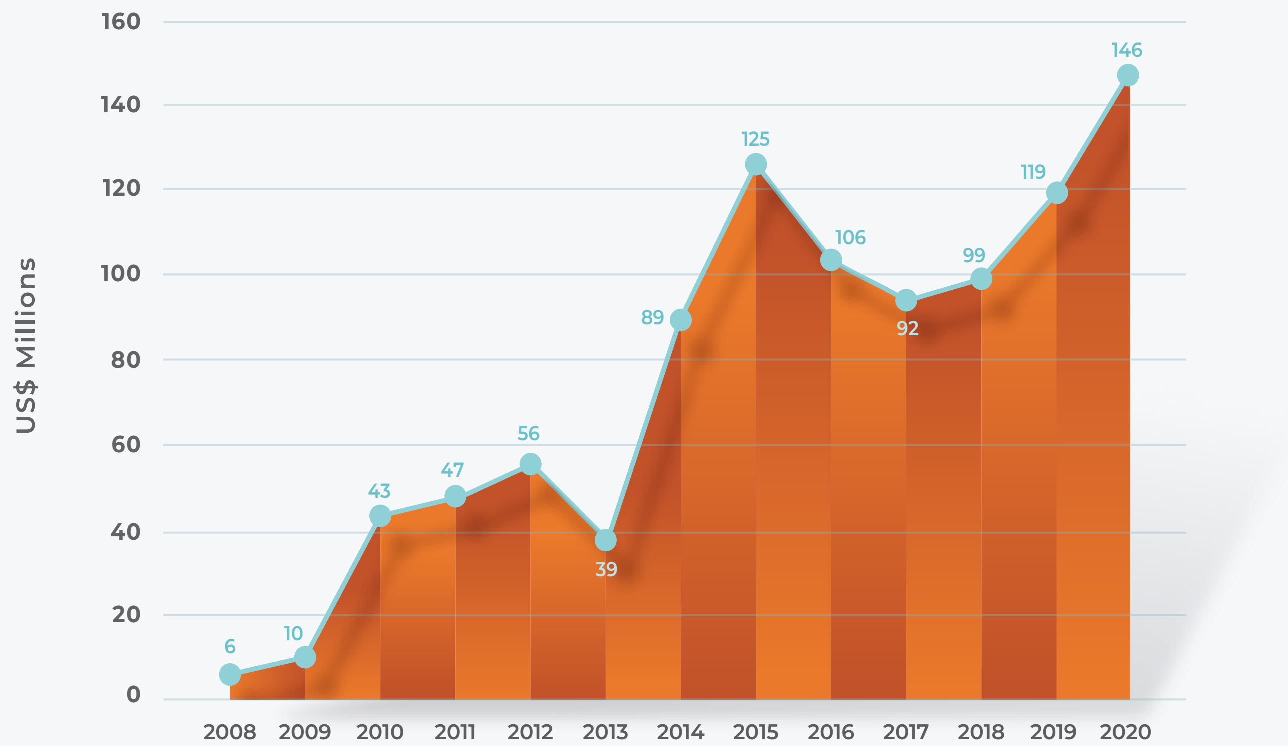


Share Capital
Retained Earnings
Retained Premiums

0.98
Leverage

35%
Payout Ratio

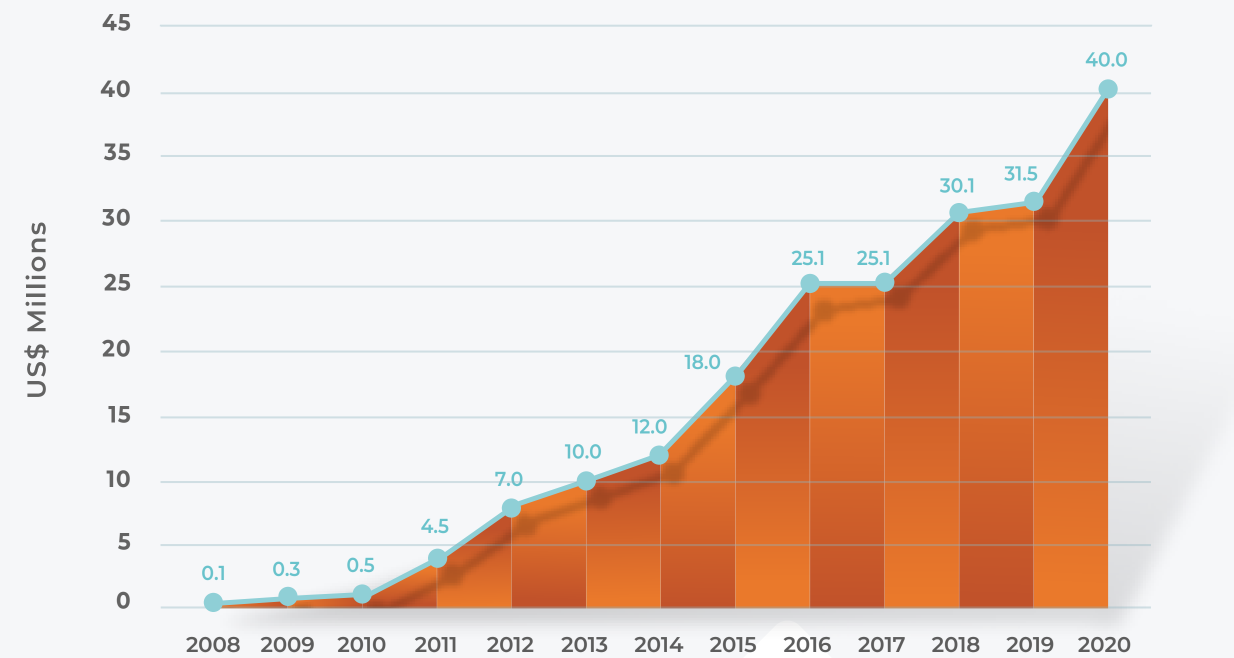
Gross Earned Premiums



US$ 978 M
Accumulated Total Amount Gross Earned Premiums

US$ 113 M
Five Year Average Gross Earned Premiums

Share Capital



65%
Share Capital CAGR

264%
Regulatory Solvency Margin (Barbados)

Evolution

2007 2012	2013 2014	2015 2017	2018	2019	2020
Incorporated in the Turks & Caicos Islands	Re-domiciled in Barbados	Active Capital Corp. in Miami, and strengthened professional talent	Active Re: new brand with global vision	Madrid Representative Office and Underwriting teams in Latin America and Eastern Europe	Professional, growth mainly the Underwriting Team
General Insurance and Reinsurance License	General Insurance and Reinsurance License with growing capitalization	Strategic alliance: first agreement with MGA (London) Energy Pool (Patria Re)	Increased facultative capacities in Latin America and MENA	Portfolio diversification: By countries, LoB and distribution channels. Agreements with 3 MGAs (London) and facilities in MENA	Increased treaty business and new MGAs with improved capitalisation, exceeding US$ 50 M in equity
Regional ratings	Rating: B+ / bbb with Stable Outlook by AM Best	Upgraded to B++ / bbb+ international investment grade rating with Stable Outlook by AM Best	Upgraded to international investment grade rating A- / a- (Excellent) with Stable Outlook by AM Best	Ratification of international investment grade rating A- / a- (Excellent) with Stable Outlook by AM Best	Ratification of international investment grade rating A- / a- (Excellent) with Stable Outlook by AM Best
Reinsurer specialized in Affinity and Bancassurance with first registrations in Latin American markets	Expanding presence in Latin American markets	Diversification and globalization strategy with an increase in the number of proposals received from facultative Property & Casualty and Engineering & Surety businesses	Significant increase in facultative business as of the second quarter, due to a new investment grade upgrade	Further expansion into European, MENA and APAC markets	Stability of inward and outward business acceptance in times of pandemic
		Strategic exercise	Strategic maneuvering update	New Strategy Map (Mapa Estratégico®)	Updated Strategy Map (Mapa Estratégico®) and continuous improvement processes
			Information Technology Platform improved by a new integrated reinsurance system	Significant improvement of the IT Platform, Processes and Operations Control	Complete and successful integration between technical, operational and accounting systems
			International awards	International awards	International awards

Value Proposition

Our clients' best ally

Vision
Global, Specialised & Innovative

Strengths
Investment Grade Rating of A- by AM Best
Long-Term Issuer Credit Rating of a- by AM Best
International Strategic Alliances
Professional Team
Dynamism & Responsiveness
Innovative & Specialised Solutions
Customer Service Culture
Trajectory & Confidence

Mission
Benefits for all

Values
Respect
Integrity & Security
Confidentiality
Commitment
Passion
Discipline
Results

Geographical Scope

Always with our clients and strategic partners.

107 Countries

117 Brokers

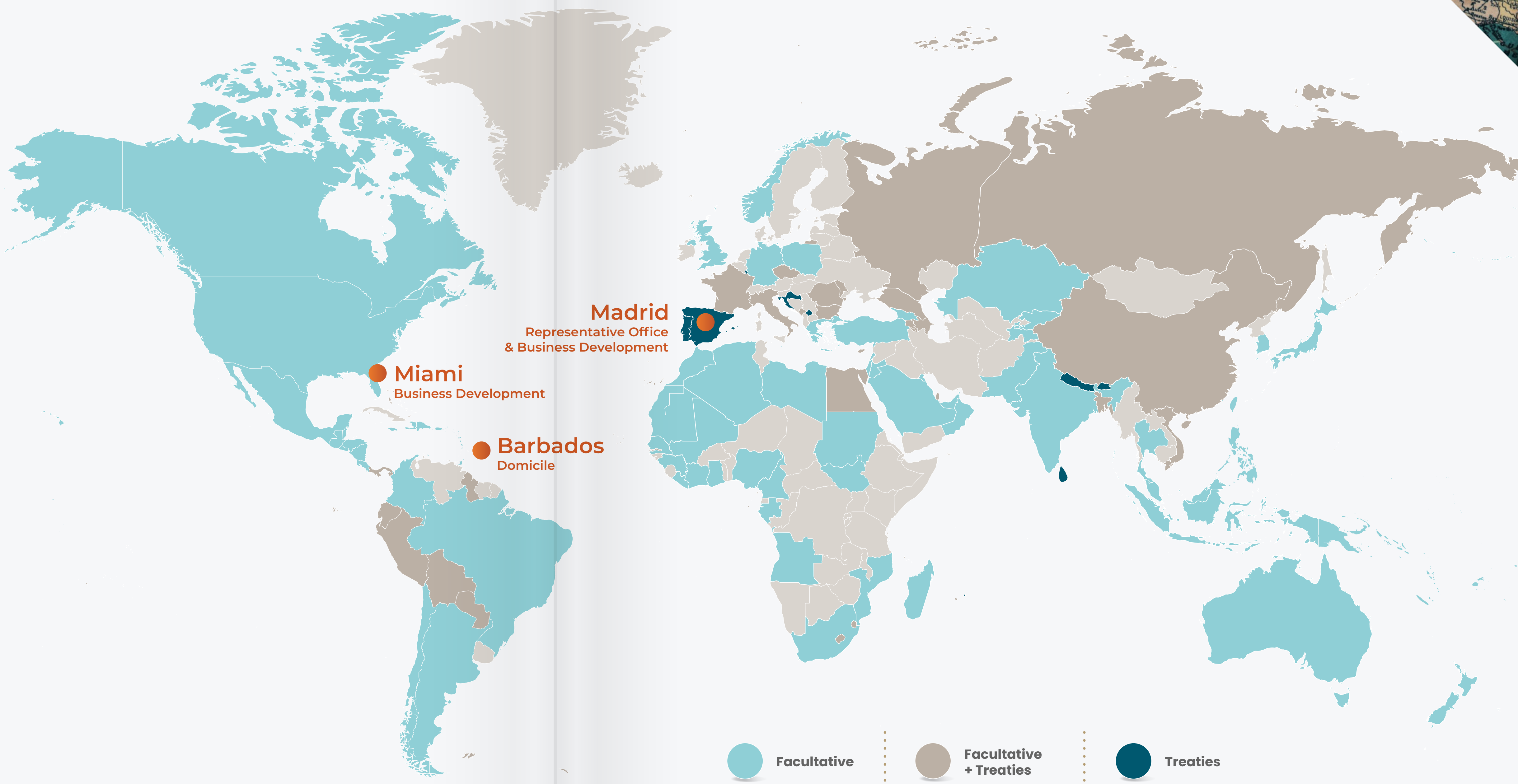
346 Cedants

9 MGAs & Facilities

10 Management & Technical Teams

8 Spoken languages

English
Spanish
French
German
Portuguese
Italian
Russian
Arabic



International Awards

In 2020, Active Re received three international awards:

Two awards from Capital Finance International:

"Best Specialised Reinsurance Solutions" - Global

"Best Reinsurer" - Emerging Markets

And one award from BV World

"Best Alternative Risk Transfer Solutions" - Latin America

Message from the Chairman & CEO

Dear clients, colleagues and friends,

I am grateful and proud to present Active Re's Annual Report 2020. Grateful for having been healthy during the pandemic that has been a challenge for all and devastating for many. Proud because our reinsurance business managed to weather the storm, succeeded in following the charted course with growth and diversification and came out of 2020 with exceptional key performance indicators.

2020 – a year that will never be forgotten

Never before in our lifetime have we experienced a pandemic with such terrible consequences. By the end of 2020, more than 83 million cases and more than 1,8 million deaths had been registered. The economic downturn that ensued immediately in the wake of the pandemic triggered the worst global economic recession since 1870, a crisis that poses substantial long-term challenges. The pandemic led to multiple lockdowns and unusually high and rapid increases in unemployment. Mobility restrictions have been imposed, and borders have been closed for extended periods, while governments have launched relief packages on an unprecedented scale.

Global insurance and reinsurance market

The global reinsurance market has undergone changes that already seem irreversible. Less pronounced price cycles, the emergence of alternative sources of risk capital, unprecedented catastrophic events in the last years, with increasing severity and frequency, 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. According to

"Our reinsurance business, managed to weather the storm, succeeded in following the charted course with growth and diversification, and came out of 2020 with exceptional key performance indicators".

specialised sources, the 20 largest global reinsurers were expected to report a combined ratio between 103% to 108% for 2020. Although the industry's capitalisation is still robust, many companies have suffered adverse effects from high loss ratios due to COVID-19 and other losses caused by catastrophic events during the year. Furthermore, Lloyd's introduction of risk-based oversight for underperforming syndicates, as part of its ongoing performance review, has resulted in some syndicates leaving the market or having stopped underwriting certain classes of business.

Outstanding results in a challenging year

Given the extreme global obstacles, we are very proud that Active Re can present remarkable results for 2020. We managed to absorb losses, predominantly related to COVID-19 and the tragic Beirut explosion on August 4, 2020 – while maintaining a positive trend of the combined ratio (83.8%). The main drivers of these outcomes were a well-diversified book of business, continuous capitalisation, operational performance and sound underwriting.

During 2020 Active Re, continuing its capital management efficiency, reinvested retained earnings and received new capital for a total of US$ 8.5 million, an increase of 27% over 2019. The company maintains adequate underwriting leverage of 0.98, a higher retention level of 35% and a remarkable solvency margin of 264%. The Underwriting Income was US$ 14.6 million with a 29% profitability. The company's performance is measured by a ROE of 21% and a ROA of 5%.

We have increased our business with MGAs, who have been carefully selected to partner with us to obtain a diversified portfolio, not only in types of risks but also geographically. These strategic allies are essential for Active Re in procuring profitable business with its proven underwriting expertise. The treaty business is another area with an increasing contribution to net retained premiums.

Thanks to the aforesaid results and an appropriate Enterprise Risk Management (ERM), AM Best reaffirmed Active Re's Financial Strength Rating of A- (Excellent) and the Long-Term Issuer Credit Rating of a-, both with Stable Outlook.

Our global professional team increased 30% during 2020, mainly through the incorporation of experienced underwriters and operational staff. As a niche reinsurance company, we must be flexible, customer-centric and able to adapt fast to shifting circumstances. In 2020, this was more necessary than ever, and we were well prepared. Being strategically located in nine countries around the world, we rely on state-of-the-art digital technology. As a result, we could offer uninterrupted, swift and efficient service around the clock every day of the week.

Outlook for 2021

With the prospect of mass vaccination within reach, we might be able to see the light at the end of the tunnel. But the global economy will continue to be severely affected by the damages caused by the pandemic and the changing risk landscape. Moving forward with our growth and diversification strategy, we foresee a conservative growth of 6% in premiums, mainly driven by new business from MGAs, treaties, and facilities.

Active Re will also continue attracting top-tier professionals, as human talent is essential to build up a global company and to increase reputational capital.

We are infinitely thankful to our clients for their trust, support, and loyalty and to our strategic allies, distribution channels, retrocessionaires, staff, and employees for being part of the Active Re family.

At Active Re, we love doing what we do. Passion is in our DNA, and we exert it with discipline. It has taken us much further in a shorter time than we thought possible when the company was founded in 2007. And we are determined to go even further. We believe that our strategy will continue putting even more clients first and provide benefits for a growing number of stakeholders.

Juan Antonio Niño Pulgar
Chairman & CEO

Two generations working side by side at Active Re.

Chairman & CEO, Juan Antonio Niño Pulgar flanked by his son and daughter.

Juan Antonio Niño Reategui works as Delegated Underwriting Authorities Coordinator, and Margarita Niño de De La Rocha holds the position of Vice President of Corporate Affairs.

As of 2021, both of them serve on the Board of Directors: Margarita Niño de De La Rocha as Director and Juan Antonio Niño Reategui as Alternate Director.

The Global Reinsurance Market

2020: A challenging year

2020 was a tough year for the reinsurance industry, primarily caused by the COVID-19 pandemic and natural catastrophes. Towards the end of 2019, the insurance and reinsurance market had already begun hardening after 15 years of a soft market. The COVID-19 pandemic accelerated this process, and this hardening became much more evident towards the 2021 renewal season. Hence, for a third consecutive year, global reinsurance could not recover the cost of capital.

COVID-19 losses are not yet fully quantified. Some losses are directly related to the virus and the ensuing lockdown, such as life insurances and, not least, event cancellations and business interruption losses. The economic slowdown and the paralysis of some economic sectors are likely to result in further losses. Estimates from April 2021, published by Reinsurance News, indicates that COVID-19 related losses will amount to as much as US$ 35 billion.

COVID-19 had an additional effect on the financial markets by adding volatility and producing huge immediate losses. The stock markets have recovered substantially. However, the global economy will continue to be seriously affected by the damages caused by the pandemic.

According to Swiss Re, non-COVID insured losses amounted to US$ 89 billion in 2020. Out of these, natural catastrophes caused US$ 81 billion. These losses place 2020 relatively high in the ranking of negative years catastrophe-wise. The peculiarity of 2020 is that most of these losses were not caused by primary perils: i.e., earthquakes and hurricanes. Instead, the majority of the losses were caused by secondary perils. In general terms, the market that suffered most severely from catastrophic events was the US Market.

Consequently, in May 2020, Standard & Poor's revised the global reinsurance sector's outlook from stable to negative.

The outlook also forecasted an average combined ratio for the top 20 reinsurers between 103% and 108%, signifying that they were not expected to cover their cost of capital, as they expected their return on equity to stay at 0% to 3%.

In this challenging environment, Lloyd's of London continued its pace along the "The Future at Lloyd's" project, and allegedly an improvement of underlying underwriting performance is now noticeable. However, the challenge of uncompetitive expense ratios and high combined ratios remains. Some syndicates have closed or withdrawn from some lines of business.

As a final negative aspect, some regional reinsurers have seen their rating downgraded due to the events mentioned above.

Positive tendencies in 2020

As during previous crises, the reinsurance market has proven to be a solid and resilient industry. Albeit the hit of losses and an unexpected pandemic with a massive impact, the reinsurance industry's capitalisation remains robust and has benefitted from some capital raises in 2020.

A second positive aspect that was clearly demonstrated in 2020 was the big protection gap yet to be explored by insurers and reinsurers, which opens opportunities for business growth in the coming years through distribution improvement, digitalisation, and "insurance education." According to Swiss Re *(Sigma 1/2021)*, the global protection gap in 2020 amounted to US$ 113 billion, i.e., the difference between the global economic losses caused by insurable events and the actual insured losses.

Finally, it is noteworthy how measures were being taken to readapt underwriting conditions and rates to the new circumstances, which is very characteristic of this fast-adapting industry.

Market trends & opportunities

Following the challenges, but also the positive aspects of 2020, we can observe some market trends that enable us to set the right course to continue developing and growing our business.

- **"A" rated capacity is scarcer than it was**

  Withdrawal of some Lloyd's syndicates from some business classes, the downgrading of some reinsurers, and the market's general hardening contributed to an inevitable scarcity of "A" rated reinsurance capacity.

This scarcity mainly affects some specific classes of business and territories and became apparent on 2021 retro renewals.

- **A harder market**

Mid-year and January 1, 2021 renewals revealed a significant hardening of the market, which translates into higher rates and reinsurance prices and tighter underwriting conditions that are sometimes even more protective for insurers and reinsurers than rates themselves. It is worth noting that COVID-19 and, more generally, communicable diseases exclusions and endorsements were immediately drafted by the markets and incorporated in most policies and reinsurance treaties.

- **A window for business opportunities**

The current market offers many business opportunities if correctly picked up and addressed in an agile manner. Taking these opportunities requires deviating from the mainstream and providing the capacity the market is missing.

> “Albeit the hit of losses and an unexpected pandemic with a massive impact, the reinsurance industry's capitalisation remains robust and has benefitted from some capital raises in 2020”.

Development of China's Surety Bond market

Stan Yuqing Wu
General Manager of Credit & Surety Dept. & Divisional Director of East China
Taiping Reinsurance Brokers, Ltd. (TPRB)

中国太平
CHINA TAIPING

For the past few decades, construction guarantee in China had always been dominated by State-Owned Banks and Guarantee Companies. But in the recent 5–6 years, the insurance industry has experienced rapid growth in the Surety Bond field.

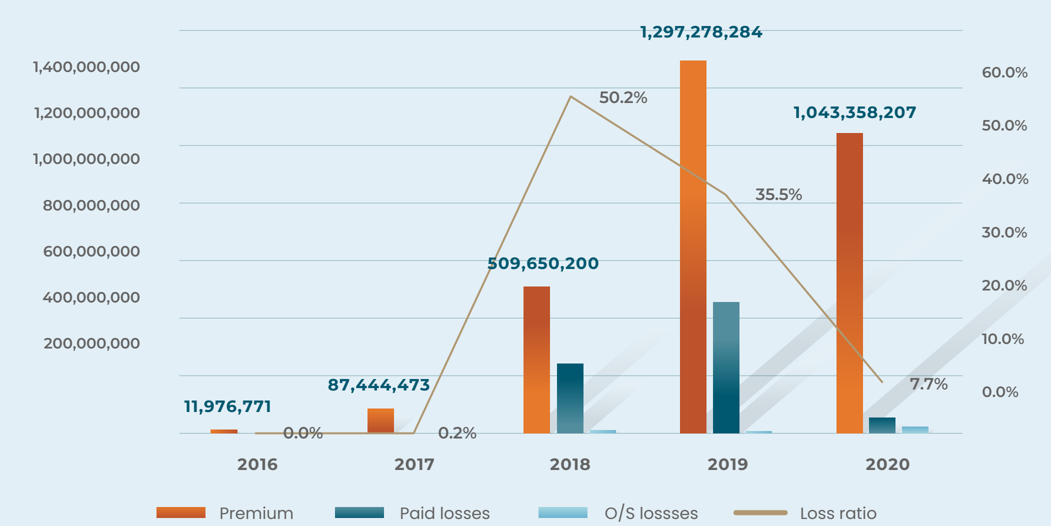
- In 2014, Chang An P&C launched Surety Bond insurance product in Wenzhou City, Zhejiang Province. It was deemed the first insurer ever in China that explored this new area.
- In 2015, a few more major insurers joined the Surety Bond market, namely PICC, Sunshine, China Life, China United, China Continent, etc.
- In 2016, China Prime Minister Mr Li Keqiang proposed that the management of security deposits shall be more efficient, aiming at relieving the financial stress of obliged corporates (e.g., the project contractors).
- In 2018, China's Ministry of Housing and Urban-Rural Development announced the official acceptance of insurance policies and encouraged project owners shall accept insurance bonds as an option. This undoubtedly gave the country's huge construction market a substantial loosening.

Given that the traditional P&C insurance products can hardly generate satisfactory margins, insurers were keen to explore product innovations. As of the end of 2020, some over 20 provinces and municipalities, out of 34, had permitted insurance policies as a security measure. There were roughly 30 active Surety Bond insurers in the China market, reflecting 23 proportional reinsurance treaties and more to come.

Taiping Reinsurance Brokers. Ltd (TPRB) placed its first Surety Bond treaty in early 2016, literally the first Surety Bond treaty in the China market. Since then, TPRB had been actively (now dominantly) involved in assisting local insurers for Surety Bond treaty establishments and proudly been the lead or sole reinsurance broker of many of these treaties.

TPRB had been joyfully working with Active Re in the China Surety Bond market on a number of reinsurance treaties since 2020. We believe that such cooperation will healthily last and turn into a mutually beneficial situation in a stable long term.

The below graph demonstrates the market developments in the recent 5 years.

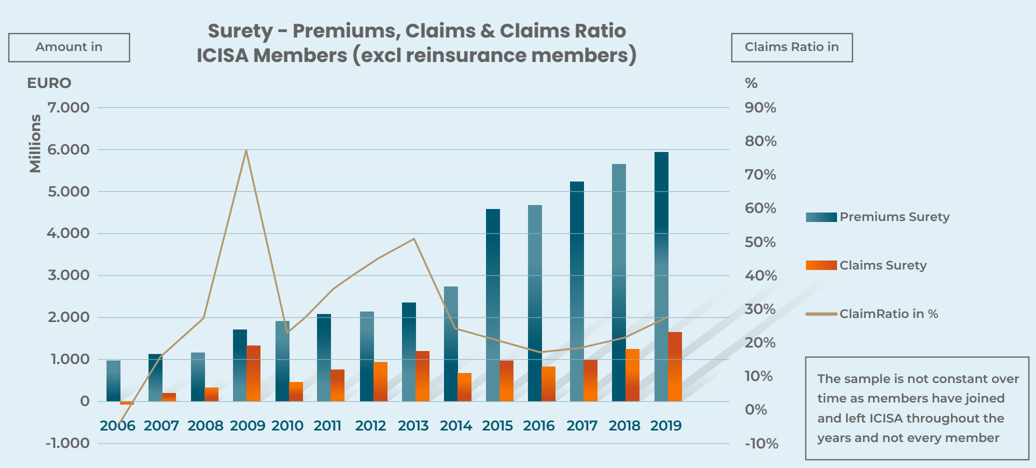


NOTE: The above figures are collected and consolidated based on treaty SoAs received by TPRB as of the 3rd Quarter of 2020.

It can be observed from the bars and curve that:

- In 2016 and 2017, there was merely a noticeable volume of premium acquired. But in 2018, the premium volume jumped by 6 times against 2017. In 2019, the total market size grew over 100% compared to 2018.
- Losses came from the Customs Bond, mostly. In 2020, the market suffered large losses from Customs Bond, which partially can be blamed on the COVID-19 pandemic. Losses attached to UY2018 and 2019, causing a steep curve, but significantly went down in 2020.
- Considering all currently available figures (2016 – 20203Q), the overall loss ratio is around 27.1%, which is pretty much a similar experience comparing to the ICISA statistics (see table below).

Apart from the volume growth, the Surety Bond market in China was rapidly evolving, too. During recent years we had seen developing trends coming from a provincial or municipal level from both the local MOHURDs and beneficiaries. The below main aspects were observed:



Class of business

Insurers had been adding new products into their reinsurance treaties. These new inclusions were due to the above-mentioned replacement of security deposits by insurance policies and that expended within the construction industry and extended into some other areas.

- Customs Bond. It was an important innovation prompted by the China Customs since 2018, a commonly seen product in the international bond market.
- Pre-paid Card Bond. The correspondent regulatory and promoting party was the Chamber of Commerce. The product protected individual consumers against corporates' failure to provide products/services under pre-paid memberships or vouchers.
- Migrant Workers Wage Payment Bond. This was a very important product in the China Surety Bond market. The bond explicitly protected the migrant workers employed by contractors. Instead of any corporate, the beneficiaries are the migrant workers themselves. The State Council, together with the Supreme Court, stipulated that protracted default in paying migrant workers' wages could trigger a criminal offence.
- Principal Payment Bond. This was a unique product in China, where the obligor appeared to be the project owners, and the bond protected contractors from project owners' non-payment of construction works.
- Contract Supply Bond. This is an extended application of the replacement of security deposits by the insurance policies, which applies to normal commercial contracts. The bond protects the buyer from the supplier's failure of deliveries (time, quantities, qualities, etc.).

On-demand

The original policy wordings required beneficiaries (in China, majority being different levels of governments or their invested firms) to file an arbitration or litigation against the contractors at their own costs prior to any indemnification. Such a requirement was not realistic, and hence, insurers offered "on-demand" as an alternative, under which beneficiaries would receive indemnifications before any actual arbitration or litigation.

The indemnifications were made according to the insurance principles, i.e., only when the incident falls into insurance liabilities and outside exclusion terms. Therefore, it was deemed that the "on-demand" situation in China was actually a "speedy payment" instead of a straightforward unconditional bond.

Consortiums

Local administrations were active to initiate and form a local Surety Bond consortium, with a number of major insurers participating via prior public tendering. Insurers were also keen to participate and enjoy a stable business inflow without competing on an individual basis.

Counter indemnity

The stronger bargaining power a contractor had, the more difficult it could submit a separate counter indemnity agreement, as a board approval was required. In reality, we were not aware that this was actively pursued, haven't said that the banks didn't require the same, and remain a strong competitor.

In all the original policy wordings, all insurers were naturally given, by the Insurance Law of PRC, the subrogation rights against the obligor and its guarantors, if any. Therefore, the subrogation rights given by the original policy instead of a separate counter indemnity agreement is deemed enforceable as well.

China recovered from the COVID-19 pandemic and proudly achieved an outstanding GDP growth of 2.3% when all other major economics suffered a deterioration. Going into 2021, it is expected that the Surety Bond market will continue to grow into a sizable volume of over CNY 2.5 Billion, inclusive of all the above-mentioned bond types, but construction Surety Bond remained as the majority.

Business Report & Achievements

Overview

In this challenging environment, Active Re continued with its fundamental growth and diversification strategy and is proud to report results that outperform the industry. With a net premium growth of 22%, we achieved a combined ratio of 83.8% and a return on equity of 21%. AM Best reaffirmed Active Re's A- rating with a Stable Outlook.

This outstanding 2020 result was the combination of several factors:

- Minimal CAT exposure
- No exposure to the US
- Accurate retro protection
- No event cancellation or business interruption exposure
- Diversification
- Development of lines of business not affected by COVID-19
- No historical losses to offset
- No operational difficulties

Working in a new environment

In the insurance and reinsurance world, travelling and meeting in-person with clients is a vital lifeline where meaningful personal relationships and trust are built. However, adapting to remote work did not harm our business. Our dynamic structure and technological platform allowed us to maintain existing relationships and develop new business in new markets.

We actively sought to strengthen our relationships with existing business partners and service in an agile and proactive manner the new relationships established using digital means.

Simultaneously, we invested in human resources, increasing our team with eleven new first-class professionals in different company areas, including four senior underwriters. By the end of 2020, our staff was composed of 48 professionals located strategically on different continents. The diversity of our staff signifies that we provide proficient service in Spanish, English, Arabic, Russian, French, German, Portuguese and Italian.

In 2020, we also continued investing in IT, upgraded our reinsurance system and integrated it into our accounting system, allowing us to have daily closing of accounts in real-time and improving our reserves and aggregations calculation system.

With this setup, Active Re has maintained a continuous and unchanged decision-making flow while providing our clients with uninterrupted and first-rate service.

Growth and diversification

Despite the pandemic, Active Re's business development in 2020 has been of consistent growth and diversification, with a conservative underwriting performance, with a clear strategy on how and where to grow.

Gross written premiums for the year were US$ 146 million sourced through 117 brokers, 9 MGAs and Facilities for 346 cedants in 107 countries. Since 2019, Active Re has expanded its business into 28 additional countries. Our net retained premium was US$ 51 million, while in 2019, it was US$ 38.4 million, for an increase of 33%. Our retention was increased to 35% from 32% in 2019.

A strategy based on five axes

1. Property & Engineering in-house underwriting
Active Re has kept its facultative capacity, using it with prudent underwriting guidelines, avoiding as much as possible CAT exposure in highly exposed locations or industries.

2. MGA business
The MGA proliferation in central reinsurance marketplaces like London, Miami, or Dubai offers exciting opportunities for a company like Active Re. This model facilitates the incorporation of experienced and successful underwriters and access to international business, which flows to the most prominent MGAs. This strategic partnership does not require a dramatic change to the corporate structure to manage business growth and relies on a variable cost model.

At the end of 2020, Active Re had agreements with nine MGAs dealing with business worldwide in different classes: property, engineering, energy, surety, and marine hull.

3. Affinity business*
Affinity has always been a speciality class for Active Re since its foundation in 2007.

Active Re´s Affinity business includes:
Personal Accidents, Credit Life, Group Life, Unemployment and Fraud, and Theft & Loss of Credit Cards.

We have kept the most profitable accounts and selectively considered new business. This is a stable book of business that is and has been the core business at Active Re.

4. Expansion of the Surety & Credit book
The consensus forecast for this business class was pessimistic when the pandemic hit, as many losses were expected. Consequently, some traditional reinsurers withdrew from this business class for internal policy reasons, which led to a shortage of capacity in the market.

At Active Re, we did not share the general negative forecast. Instead, we saw an opportunity to cautiously increase our Surety & Credit book with moderate shares in well-performing treaties across the world. The result was an outstanding performance with a negligible loss ratio for 2020.

5. Focus on Treaty business
Treaty business became significant for Active Re in 2020. Our focus is to write more treaty business in 2021 than in 2020 for it to become an essential part of Active Re's portfolio, thanks to the increased capacity obtained through our retrocession programmes.

Claims

During 2020, Active Re sustained the following major claims: COVID-19 losses related to a Group Life programme in Mexico, two fires and a hail storm in the United Arab Emirates, and the Beirut explosion.

Prudent reserves have been made, and some of the losses have been recovered from our retrocession programmes. Our overall loss ratio, thanks to our diversified book, amounted to 57%.

Results & key performance indicators

In 2020, Active Re had a 13% increase in Underwriting Income to US$ 14.6 million compared to US$ 13 million in 2019. Considering the losses reported during 2020, we ended the year with an impressive, combined ratio of 83.8%.

Net income amounted to US$ 9.7 million, showing a 10% increase compared to US$ 8.8 million in 2019.

Active Re's Return on Assets for 2020 was 5% and Return on Equity amounted to 21%.

The shareholders equity of the company increased by US$ 11.6 million to US$ 51.9 million during this year, with the net retained premiums written of US$ 51 million, resulting in a leverage of 0.98 vs. 0.95 in 2019. Our solvency margin amounts 264% of Barbados´ regulatory requirements.

Rating

AM Best reaffirmed Active Re's A- Excellent rating in Financial Strength, and Long-Term Issuer Credit Rating of a-, both with a Stable Outlook for 2020. This rating is a recognition of financial health, integrity, and ethical management.

Active Re´s balance sheet strength is underpinned by risk-adjusted capitalisation that is at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR).

Awards

Active Re received two awards from Capital Finance International: "Best Specialised Reinsurance Solutions," Global 2020 winner, and the "Best Reinsurer, Emerging Markets 2020".

We also received the "Best Alternative Risk Transfer Solutions – Latin America for 2020" issued by BV World.

2021 Outlook

The current market trends will continue in 2021, offering business opportunities in different classes of business and territories, with a hard market that will allow for better conditions for reinsurers. The competition will be fierce on traditional well-performing accounts, and there lies a risk of a "selective market softening" that we should address carefully.

Active Re will continue with its growth and diversification strategy by progressively increasing the treaty business thanks to its expanded capacity. Treaty business will become in the medium term the basis of Active Re's business.

MGA business will continue to grow, with two new business lines that have already been incorporated during the first months of 2021.

Geographically speaking, we will incorporate African business into our book, and the Asian business is also likely to develop.

We foresee a conservative growth of 6% in premiums, which we could easily improve if the favourable trends continue.

The goal is to consolidate long-term business relationships with our strategic partners, cedants, MGAs, and brokers and increment our global presence by penetrating new markets, regions, and business lines.

Our technology platform with a modern and flexible ecosystem will continue improving, preserving the quality and stability of our core system.

Reinsurance capacity and market conditions in the Middle East

Ahmed Rajab
CEO
Shields Reinsurance Brokers

SHIELDS
REINSURANCE BROKERS

It is a great honour to be invited this year to contribute to Active Re's 2020 Annual Report. Over the last three years, Active Re has become a pillar in our region and a reinsurer that is highly regarded and praised for its rapid and formidable achievements. The team's knowledge, understanding and dedication to insurers in the Middle East allowed Active Re to become one of our closest partners.

2020 has been one of the most challenging years in the world over the last century, despite that Gulf Cooperation Council (GCC) countries were able to better navigate through the storm than other countries in the world, mainly due to a smaller population and significantly better and faster anticipation of the impact of COVID-19. Facemasks were made compulsory from the month of January 2020, along with working from home, schools' closures, travel restrictions, extensive testing and a very high-quality medical system limiting the number of deaths. Subsequently, the GCC countries were among the first ones in the world to start early vaccination, allowing them to come out first from the pandemic effects.

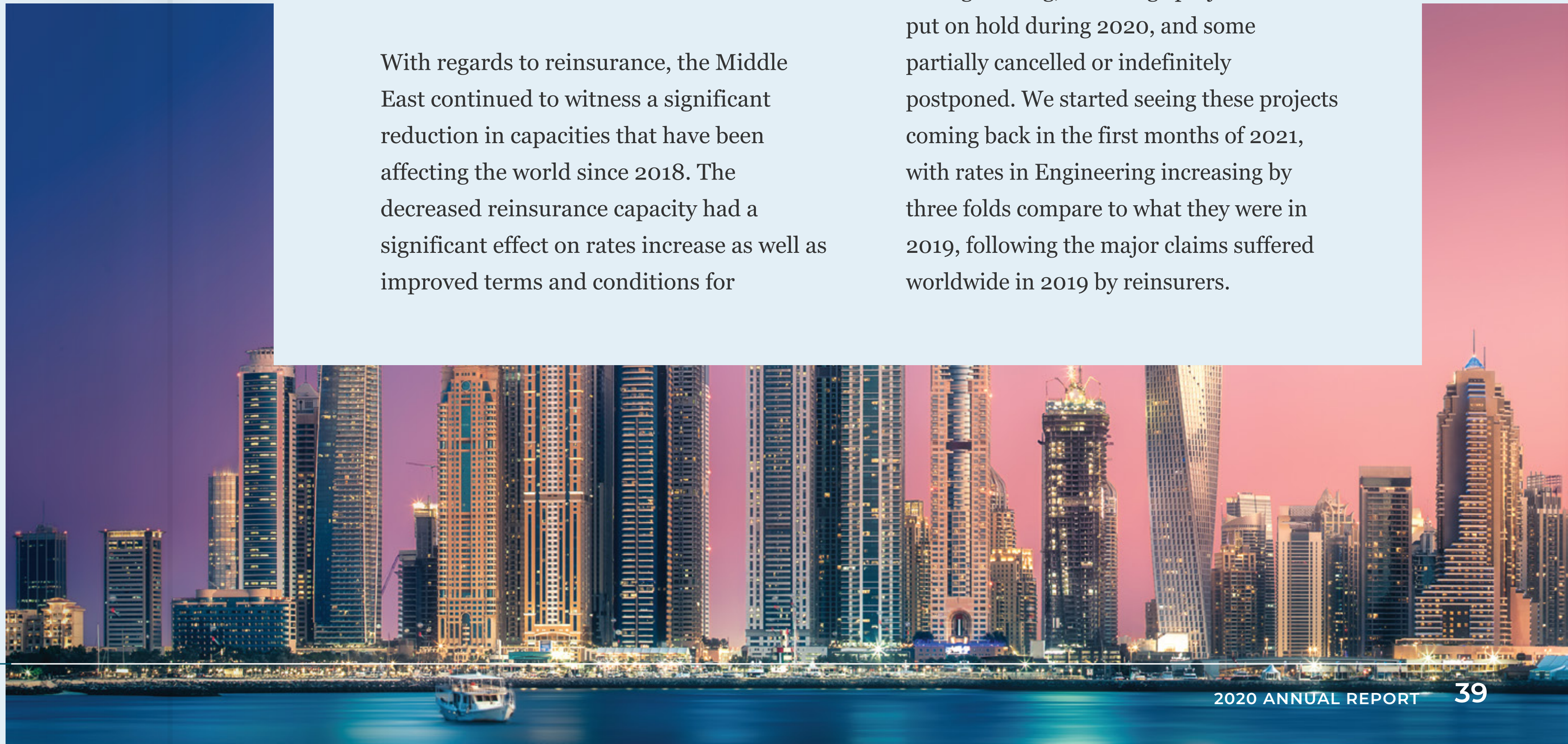
Direct insurers in the GCC countries continued to see through 2020 local mergers in both Saudi Arabia and UAE (Noor Takaful and Dar Al Takaful) strengthening local players, while international insurers such as AIG and AXA were seen pulling out of Direct Insurance markets or selling their Direct business to local players as they could not achieve a meaningful size after a presence of 5 to 10 years. Same for RSA who is selling to Intact Financial Corp.'s its operations in Canada, Britain, Ireland and the Middle East by mid-2021. While Allianz, who was planning to take over a mid-size insurer in the UAE, decided to withdraw from the discussions due to COVID-19. This is very similar to what the Turkish market experienced 5 years ago when some International Insurers pulled out of Direct Insurance due to not achieving critical size and low performance. While local insurers in the UAE, for example, enjoyed an overall increased market profit by 21% compared to 2019, mainly due to increased rates and low motor claims.

With regards to reinsurance, the Middle East continued to witness a significant reduction in capacities that have been affecting the world since 2018. The decreased reinsurance capacity had a significant effect on rates increase as well as improved terms and conditions for reinsurers, especially benefiting those who started building their portfolio in the region over the last two years, such as Active Re.

From September 2020, despite significant rates increases across all classes, there was still not enough reinsurance capacity to cover existing risks. Hence regulators such as the Insurance Authority in the UAE, who originally made it compulsory to have reinsurers with a minimum rating BBB+ from January 2021, decided to postpone the application of the law by one more year, allowing Insurers in the UAE to continue utilising none rated reinsurers.

On the Property class of business, rates increased for facultative placements by +20% to +250% depending on the quality of the risk and the size due to lack of reinsurance capacities rather than claims.

In Engineering, most large projects were put on hold during 2020, and some partially cancelled or indefinitely postponed. We started seeing these projects coming back in the first months of 2021, with rates in Engineering increasing by three folds compare to what they were in 2019, following the major claims suffered worldwide in 2019 by reinsurers.



Business Partner Perspective

Marine business was affected by a significant decrease in volume due to lower international trade. However, rates have remained more or less flat compare to 2019.

Motor business saw a major improvement in claims across the region, mainly due to the effects of lockdown decreasing the number of vehicles on the road. In the second half of the year, Motor rates started to decrease under governments' pressures to leave more income with households and then followed in the 4th quarter by insurers themselves decreasing rates when witnessing the significantly improved results due to lower claims.

Liability such as Professional Indemnity, General third Part Liability, Product Liability continued to grow due to being made compulsory for almost all commercial activities. The level of court litigation is still low due to the nature of the population, mostly expats and therefore not that litigious.

Treaty business continues to grow, and the requirements for rated reinsurers in the UAE from 2022 will have a major impact on the reinsurance panel utilised by local insurers as many non-rated reinsurers will have to be removed to comply with the Insurance Authority. Here again, Active Re is very well positioned to take advantage of this major opportunity.

To conclude, GCC countries are now even more attractive than ever, two key examples indicating the pulse rate in the region, more than 700 financial firms registered at DIFC in 2020, while Saudi Arabia is starting the construction of one of the most revolutionary cities in the World NEOM, proving the attractiveness of the region and growing opportunities.

Over the last 2 years, Active Re management identified the significant need for reinsurance in the Middle East and Africa, made a roadmap for the company to mobilise its teams and resources and take advantage of increased rates and improved terms and conditions for reinsurers.

At Shields Reinsurance Brokers, we are very proud to be working with Active Re, its visionary management and highly qualified team who understands the region by delivering the right solutions at the right moment to our clients.

"Treaty business continues to grow, and the requirements for rated reinsurers in the UAE from 2022 will have a major impact on the reinsurance panel utilised by local insurers as many non-rated reinsurers will have to be removed to comply with the Insurance Authority".

Underwriting Performance

Overview

2020 was characterised by increased rating requirements led by Lloyd's and the London market, higher rates and deductibles and the opportunity to improve conditions in the business acquired.

Lower financial ratings and higher capital requirements resulted in reinsurance companies reducing or entirely withdrawing underwriting capacity for certain traditional and non-traditional product lines in the regions where Active Re is focusing our expansion objectives. This ultimately allowed Active Re the two-fold opportunity to write a valuable additional book of business and to achieve our objectives. These opportunities have permitted us to create meaningful relationships with clients as we were able to provide them with an alternative capacity to meet their reinsurance requirements.

The value of Active Re in providing this alternative rated capacity and offering bespoke reinsurance solutions is reflected in the depth of the mutual relationships established with our business partners and clients.

Our AM Best A- rating remains a crucial element of our success. This factor, combined with the quality of our professional underwriting teams that are strategically located worldwide, allows us the flexibility to respond to our client's needs 24/7, has been the formula for success in positioning Active Re as a technically competent and agile reinsurer.

2019 was the year in which we commenced writing treaty business, which was further strengthened in 2020 with the addition of new underwriting resources and tools with the intention of translating this into a future trend to build a more balanced portfolio.

During this year, we entered into new markets never visited before, not even virtually, and we are now doing business in 107 countries servicing 346 cedants, provided by 117 brokers, 9 MGAs and Facilities.

Main business lines

The progression of the business lines we write has been consistent over the years with a conservative underwriting policy but focused on expanding our diversification, not only geographically but also in the type of business we write.

Affinity

In 2007, Active Re initiated writing Affinity and Bancassurance business in Latin America. This type of business continues to be an essential part of our portfolio and a strategic class of our business. The strengthening of our underwriting team has provided us with the relevant expertise and market recognition to strategically position Active Re as a lead quoting market for this line of business. This advancement in the Latin American market has been mirrored by a comparable positioning in the MENA region, for which Active Re is expanding its footprint by targeting suitable opportunities in this region.

Surety & Credit

Credit business is a carefully selected portfolio, focusing on markets where they have an excellent track record. Surety, a relatively new type of business for Active Re, was started as a facultative initiative for Latin America. Subsequently, we developed the European Treaty Portfolio, after which we replicated this treaty experience with a very selective approach in Latin America. This has proven to be a profitable line of business if pursued with adequate underwriting thresholds.

With this knowledge in hand, in 2020, we further developed this niche line of business in Latin America through our presence in the Panamerican Surety Association and the alliance with the Lions Gate Underwriting MGA. With their expertise and recognition, we have complemented our existing LATAM portfolio by penetrating specific new markets and clients.

Our experience in this niche line has enabled us to identify signals of market recovery following a downturn in economies, from which we expanded the Credit and Surety portfolio into Asia and select MENA countries to position Active Re as a strategic market leader in this segment.

Property & Engineering and Energy

These traditional core product lines continue to grow in our portfolio, both for the facultative and treaty lines, with the predominant growth stemming from our strategic alliances with London based MGAs. In parallel, our facultative underwriting teams continue with their direct marketing of these lines, primarily focusing on LATAM and MENA regions, while the Treaty Desk is focused on developing the treaty business worldwide with high underwriting standards. Overall, these lines of business remain important and profitable for Active Re.

Underwriting Capacities

Active Re offers insurance companies a reinsurance capacity in a wide range of business lines supported by reputable first line A+ reinsurers across various operating regions.

The written business across Latin America, Europe, MENA, and APAC, is supported by our AM Best A- rating, business development and underwriting expertise, providing maximum support to all our clients worldwide.

Products & Services

Property & Engineering
- LATAM: Facultative US$ 5 M, Treaties US$ 1.5 M
- WORLDWIDE: Facultative US$ 10 M, Treaties US$ 3.5 M
- MGAs & Facilities

Energy
- MGAs & Facilities

Surety & Bonds
- LATAM: Facultative US$ 10 M
- WORLDWIDE: Treaties US$ 1.5 M

Credit
- WORLDWIDE: Treaties US$ 1.5 M

Products & Services

Miscellaneous
- Super Yachts (MGA)
- ATE Legal Expenses (UK)
- Liability
- Marine

Affinity & Bancassurance
- Credit LIfe
- Fraud, theft and loss for credit cards
- Extended Warranty

Group Life
- Life
- Personal Accidents

Alternative Risk Transfer (ART)
- Reinsurance solutions for corporate accounts
- Captive Structures

Our fully protected retro capacity is placed by the top brokers worldwide (Aon, Guy Carpenter, AHJ, Shields) with first-line Lloyd's and London Market securities.

The volume and protection provided by these retrocessionaires enables us to advance our market penetration objectives, aligning our risk appetites to these specific market dynamics by offering competitive and innovative underwriting solutions for multiple lines of business.

During 2020, we introduced more sophisticated underwriting tools that allow us to produce even more bespoke solutions. These tools are adjusted to the evaluated portfolio's reality and monitor the exposure in the different regions with more precision to optimise our purchased and deployed retrocession capacity.

Channels

2020 has been crucial to developing strategic relationships with new cedants, brokers and MGAs in all regions. Each of them has contributed with their expertise and teamwork to the achievement of our targets. They are an essential part of our strategic alliances to service clients all over the world.

For Active Re, creating new and maintaining existing strategic relationships with cedants, brokers and MGAs is one of the cornerstones of our business development which enables us to effectively service our clients globally. 2020 has proven to be a true test of our strategic relationships with the restrictions imposed by the pandemic as each of our business partners have contributed their individual expertise and knowledge in assisting Active Re to achieve its targets.

Traditional channels

One hundred and seventeen brokers worldwide have given us service during 2020 being our allies in our marketing strategies to expand our reach to more territories and business lines.

Building strategic alliances and capitalising on business ventures, the direct relationship with brokers, both multinational and regionally specialised broking houses, is key to the diversification and business reach worldwide.

In our core operating region of Latin America, we focus on acquiring business directly from the cedants by building personal relationships, thus enabling us to understand fully and service their unique reinsurance requirements. This level of service has again earned us the Best Alternative Risk Transfer Solutions (Latin America) awarded by BV World for 2020.

MGAs & Facilities

During 2020, we concentrated our efforts on the growth of our business through nine MGAs specialised in specific lines of business. These MGAs are critical to penetrating new niches and increasing our reach in specialised markets, whose expertise and knowledge of their respective lines and geographical scope have been essential to creating an exciting business portfolio with an excellent worldwide spread. MGAs represent 32% of our net earned retained premium.

MGAs have brought profitable business opportunities and the advantage of obtaining varying underwriting philosophies and criteria to evolve our underwriting tolerance and approach to specific business lines and new territories.

The facility under the Swiss Re platform located in the MENA and LEVANT regions has also given us access to a profitable business portfolio in those areas.

MGAs

ROKSTONE UNDERWRITING
Onshore Property & Energy
Worldwide
US$ 1,000,000

AUROUS
Onshore Property & Energy
Worldwide excl. America
US$ 5,000,000

GLOBE UNDERWRITING
Onshore Construction, Power Generation
Worldwide
US$ 15,000,000

XS LATAM
Onshore Property
Latin America & Caribbean
US$ 5,000,000

KEMAH CAPITAL
Property, Engineering & Energy Treaty
Africa
US$ 2,500,000

LIONS GATE
Surety (Bonds)
Latin America & Caribbean
US$ 10,000,000

CRANBROOK
Super Yacht Hull
Worldwide
US$ 10,000,000

ROKSTONE UNDERWRITING
Marine /Cargo
Global
US$ 2,500,000

Facilities / Follow Lines

SwiftRe®
Onshore Property
Middle East
US$ 5,000,000

SwiftRe®
Onshore Property
Indonesia
US$ 3,000,000

Argenta
Property & Engineering Big Risks
MENA
US$ 1,000,000

PATRIA RE
Oil & Gas and Power Generation
Worldwide
US$ 7,000,000

Portfolio Distribution

Diversification is the objective to spread our risk geographically and per type and lines of business.

Analysis by type of business

We increased our treaty portfolio from 1% to 2% in number of acceptances and from 46% to 54% in MGA binders, while the facultative portfolio was slightly reduced as a consequence of a stricter underwriting approach.

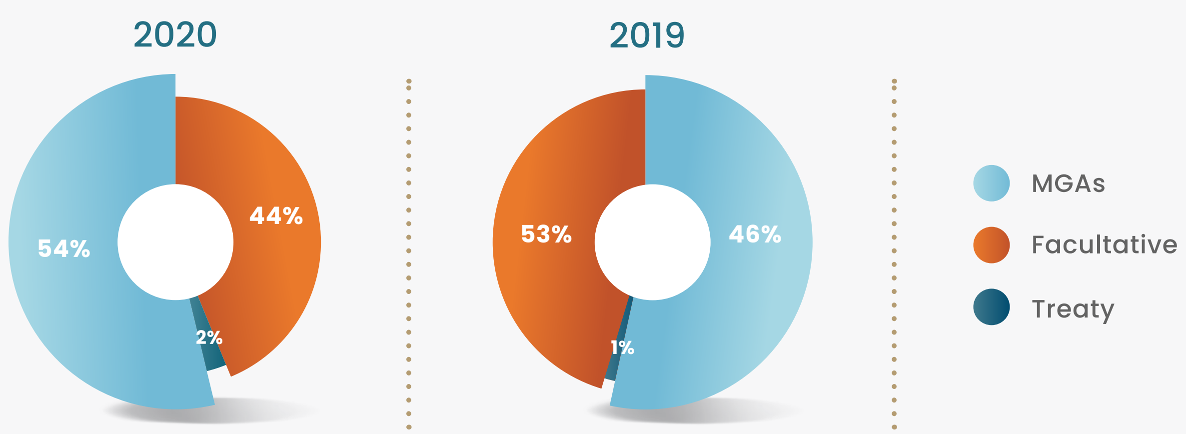
For 2020, production from the treaty and MGA portfolio contributed towards 86% of our underwriting results.

We will continue to focus our efforts for 2021 on building our new treaty book and maximise our retro capacities from the revitalisation of economies and prevailing hard market conditions.

Expansion in these particular classes of business resulted in the restructuring of a balanced portfolio, which provided an additional financial buffer against any potential significant risk or cat loss.

Due to the existing and incorporated technical talents, we are able to identify and pursue the most profitable opportunities in the respective markets in which we operate, allowing us to optimise company performance.

Portfolio Structure by Type of Business
% of Accounts

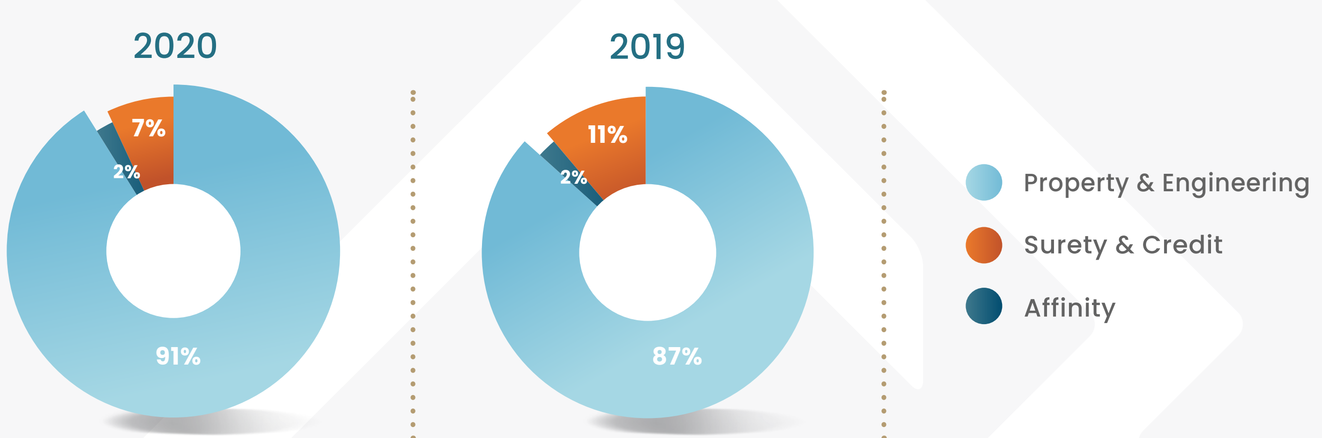


Analysis by Line of Business

The traditional lines of business of Property & Engineering and Energy continue their year-on-year proportional growth comprising approximately 91% of the offers received and generating 45% of the portfolio's technical result. While these statistics illustrate a growth factor greater than our mature Affinity and Surety & Credit business as a result of the Affinity market's operating efficiencies, this further improves our bottom-line results.

We continue to capitalise our Affinity strengths by offering to cedants and, by extension, the insureds new and innovative types of cover that may have previously not existed in their markets. This allows us to access reciprocal business opportunities that may have been otherwise inaccessible with these clients.

Portfolio Structure by Line of Business
% of Accounts



As a result of that ongoing diversified growth, we were able to achieve sound returns on earned retained premium of 29%.

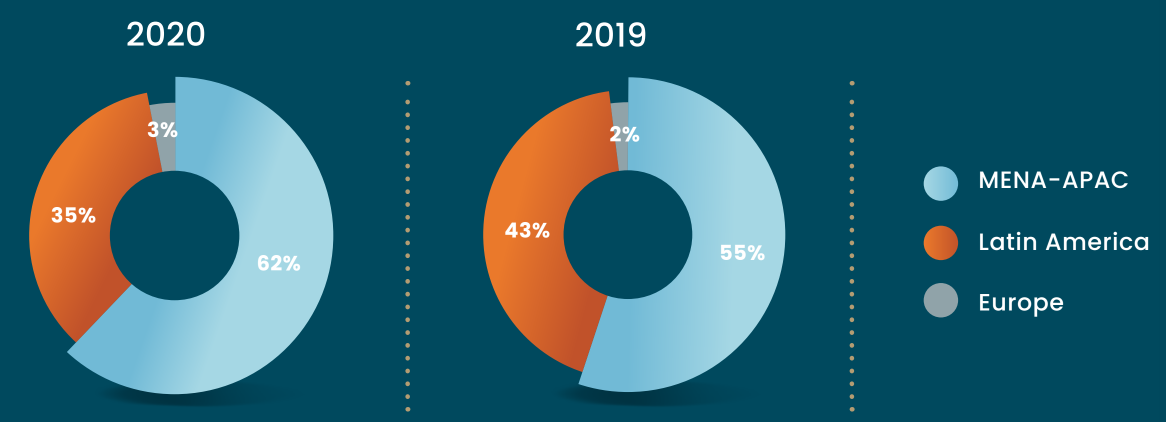
Geographical Spread

2020 allowed us to consolidate the 2019 marketing efforts and translate them into materialised business in all regions, resulting in having accepted business from across 107 countries.

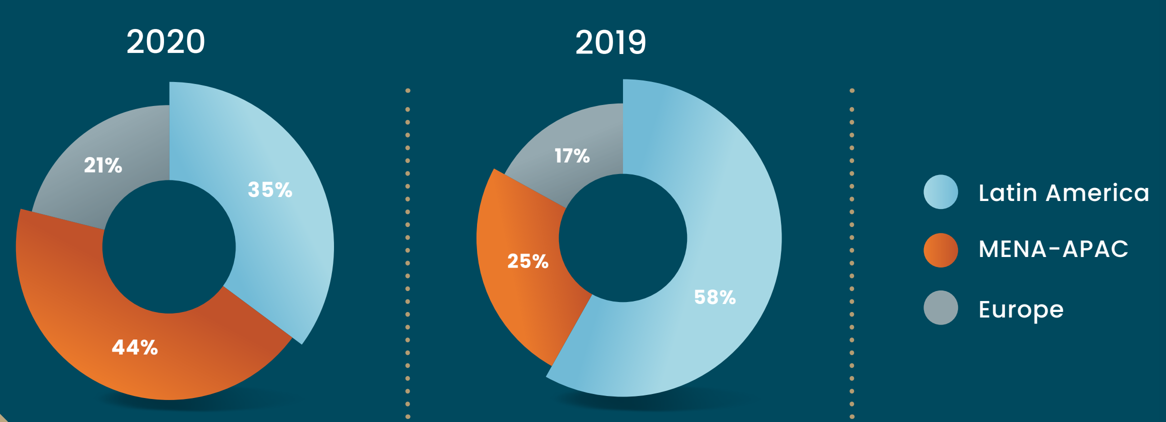
Our global portfolio, which initially originated in Latin America, has expanded to Europe, MENA and APAC, with 65% of our acceptances being derived from MENA and APAC, followed by Latin America and Europe.

Portfolio Structure by Region

% of Accounts



% of Earned Retained Premiums



MENA – APAC

The dedicated and technically specialised team focused on the overseas portfolios produced profitable new business from those important markets, based on our Lloyd's Markets capacities.

Our underwriting team concentrates on facultative risks in Commercial, Corporate and Industrial Property across Europe, MENA and APAC. Engineering risks also form part of the overseas underwriting responsibilities. However, this translates to a much smaller percentage of the Property & Engineering portfolio.

We continue identifying an increased trend in market rates in segments such as Energy, Aviation and Directors & Officers, and a slower but already recognised increase in Property & Engineering risks.

These increases allow our expert team to start writing new business with improved conditions, with a vital refinement work due to the number of offers arriving from the different business sources, in order to continue developing our balanced risk portfolio.

Latin America

Our specialised team, strategically located across the region, focuses on developing the existing historical relationships from Affinity business and identifying opportunities with new clients based on current market needs emerging from this unique momentum of lack of capacity.

The Latin American Affinity portfolio is followed by Group Life which demonstrates the most growth. Surety Bonds continues its trend with important growth expectations for 2021 after materialising the alliance with Lions Gate Underwriting Latin America and waiting for the market to recover after the COVID-19 pandemic stage.

No losses have been notified or incurred as a result of the challenging COVID-19 environment, which speaks volumes of our in-house discipline and expertise. These results allow us to successfully renew the Surety Bonds Retro Capacity with a 150% oversubscription to the program with existing and new A+ S&P rated retrocession partners.

Mexico leads this portfolio with 57%, followed by Honduras 15%, Peru 7% and Colombia with 7% of the earned premiums. The remaining regions in Latin America collectively contribute 14%.

Our objective for 2021 is to start developing new markets such as Chile, Bolivia, Central America, and the Dominican Republic with our new talent expertise. We will continue to focus on Mexico as being the largest market in Latin America for further growth of the Mexican treaty and Property & Engineering facultative portfolio. We aim to continue diversifying our existing and core product based on Affinity lines, which contributed 46% of the company's earned retained premium for 2020.

Europe

Compared to Latin America, MENA and APAC, Europe remains relatively under-penetrated by Active Re. However, new business came from Facultative Property & Engineering and facultative and treaty Surety & Credit because of still existing challenging placement conditions that have produced increased pricing activity.

We have generated new business for the facultative Property & Engineering portfolio as well as the facultative and treaty Surety & Credit portfolio. However, we continue to face existing challenges in the market that have produced increased pricing activity.

Underwriting Results

Our retention was increased to 35% from 32% during 2020. We wrote US$ 146 million of gross earned premium versus US$ 119 million in 2019.

Facultative business continues to be the class of business that is still foremost in our portfolio and our results. 91% of the earned premium is from this type of business, of which we retained 29%, producing an Underwriting Income of 88%.

However, although relatively small compared to the facultative portfolio, treaty business contributes 9% of the gross earned premium income with a retention of 6% and 12% of the Underwriting Income, respectively.

GWP Structure by Type of Business

2020	Gross Earned Premiums	Retained Premiums	Underwriting Income
Facultative & MGAs	91%	29%	88%
Treaty	9%	6%	12%

When analysing the portfolio by Line of Business, Affinity risks have 49% of the gross earned premiums, followed by Property & Engineering with 46% and Surety & Credit, the remaining 5%.

However, analysing this portfolio from the earned retained premiums perspective, the distribution is Affinity 46%, Property & Engineering with 44% and Surety & Credit with 10%.

Property & Engineering generates 45% of the Underwriting Income, Affinity 31%, and Surety & Credit with 24%.

GWP Structure by Line of Business

2020	Gross Earned Premiums	Retained Premiums	Underwriting Income
Property & Engineering	46%	44%	45%
Affinity	49%	46%	31%
Surety & Credit	5%	10%	24%

Underwriting Tools

Risk analysis

During 2020 we have incorporated resources that, together with the existing underwriting and risk analysis tools, have improved our underwriting practice to evaluate, with a more sophisticated approach, the catastrophic exposure as well as the experience on man-made portfolios.

This year, we focused on qualitative information to get a deeper systematic analysis of the managed portfolios, according to the retrocession market demand, for the hardest market conditions of the last two decades.

Risk exposure tools

Based on Risk Modelling Software and Nat Cat analytical tools, which are critical to our underwriting operations, we monitor, in real-time, each of our accounts and risk profiles to observe our underwriting aggregates trend, allowing us to mitigate risks by obtaining adequate, effective CAT and Retro covers to ensure that we can meet any resulting claim.

This change in our Nat Cat guidelines allowed us to reduce the exposure to net losses with a PML, based on a frequency of 1:250 years, from US$ 5.2 million in 2019 to US$ 1.5 million in 2020. In terms of equity, this represented a reduction from 13% to 3%.

Nat Cat analytics is a vital resource used when accepting any risk to conclude what are the natural primary risks of account exposure and price sufficiency.

We can obtain practical and optimal reinsurance solutions tailored to meet our particular conditions by modelling catastrophe losses to minimise our total risk.

Rating tools

Compiled from the underwriters' combined experience and market historical data, aligned with the current individual market dynamics, we have developed our internal rating guidelines that provide us with the necessary structure and basis for assessing placement rates and deductibles by occupancy and respective countries.

As a result, we can maximise our risk exposure to premium variables to optimise the use of our capacities.

Claims & Reserve Management

Premium reserves

Unearned Premium Reserves (UPR) represent the premiums written that has not yet been earned as the business that it covers is still in force. The reserve's purpose is to have the premiums available to respond in case of cancellations of the business in force.

At the end of 2020, the Net Unearned Premium Reserves were US$ 29.7 million resulting in an Unearned Premium Reserve of 56% of the Net Premiums Written of US$ 50.9 million.

Unearned Premium Reserves by Line of Business

Line of Business	Gross (US$)	Ceded (US$)	Net (US$)
Affinity	17,641,756	(1,682,734)	15,959,022
Surety & Credit	2,722,446	(646,275)	2,076,171
Property & Engineering	29,025,165	(17,409,527)	11,615,638
Total	**49,389,367**	**(19,738,535)**	**29,650,831**

Claims reserves

Claims reserves represent the amount reserved for incurred reported unpaid and unreported (IBNR) claims at the valuation date.

Under the actuarial simulation of 10,000 cases following a standard distribution and assuming a normal distribution, 2020 business results in an adjusted claims reserve of US$ 20,105,724.

Claims Reserves by Line of Business

Line of Business	Expected Ultimate (US$)	Standard Deviation (US$)	Adjusted Reserves (US$)
Affinity	11,438,582	1,123,247	12,561,829
Surety & Credit	1,300,023	127,659	1,427,682
Property & Engineering	5,569,317	546,896	6,116,213
Total	**18,307,922**	**1,797,802**	**20,105,724**

Building a Prestigious Presence in Property and Energy Reinsurance in the London Market

Carl Beardmore
CEO
Aurous Risk Partners Ltd.

London continues to be a massively important global hub for reinsurance. Its reach is impressive, and its insights and professionalism are highly regarded around the world. Its reputation attracts complex risk from all corners of the globe because clients know the expertise in London is best able to provide clients with effective reinsurance solutions.

An MGA requires two distinctive attributes to be successful:

- Specialist underwriting insights and skills
- A balanced panel of capacity with which to underwrite – ideally resulting in optimal matches between risk and capital

Aurous commenced its journey three years ago and chose in the first instance to specialise in the upstream and downstream energy class. Our London base has provided excellent access to global energy risk, and we continue to deploy our specialist underwriting skills to good effect.

Our results to date are impressive and outperform mainstream markets. In 2020 Aurous commenced underwriting in the D&F property class, again with emphasis on having impressive specialist underwriting capability. Our performance to date emulates our success in the property class.

Moving forward, whichever class in which Aurous decides to underwrite, we will always put underwriting excellence at the top of our list of priorities. This is because we treat capacity as if it is our own capital. Our fame will, in part, be achieved off the back of our return on capital for capacity partners as opposed to chasing premium with the associated carnage that can bring. As such, we subscribe heavily to the notion of underwriting what we want to underwrite as opposed to underwriting what we see. London optimises the possibility of underwriting what you want to underwrite because of its extensive global access and therefore the quantum of risk that is attracted to the market.

To show off our underwriting skills and the access to risk that London provides, we need a balanced panel of capacity. In the current market, developing a balanced portfolio is more challenging, and the search for capacity needs to be far-reaching. Finding those right partners is so critical to our success. Active Re has supported Aurous almost from its outset. They have been excellent in responding to our needs and flexible in terms of customising its capacity to match the underwriting specialisms we bring to the market. They have become an important business partner, and we are hopeful this will continue over the long term.

In 2021 Aurous will be utilising its greater recognition to better exploit the global access provided by its London presence. The D&F property class continues to present us with many desirable opportunities, and our mission is to make sure we are well-positioned to take advantage of them. In respect of the energy class, we plan to enter the Renewable Energy class this year. The move to this form of energy creation is accelerating. Our expertise in underwriting high hazard traditional energy risk leaves us well placed to service the increasingly complex renewable energy class where specialist insights are an absolute necessity. And, consistent with other specialist classes, London is becoming a focal point for insurers who require specialist solutions for complex renewable energy risk.

Corporate Governance, Risk Management & Compliance

Corporate Governance Framework

Corporate Governance is fundamental to any enterprise's successful continuing operation, affecting all business functions and their relationship with all the company's internal and external stakeholders.

Good business requires good Corporate Governance. Active Re's global presence demands a Corporate Governance framework that encompasses the achievement of its objectives. This framework guides how the business development and the plans are established, including the internal control structure.

The Strategy Map (Mapa Estratégico®) organises priorities and resource allocation to five main areas: commercial development, customer service, organisation and human resources, underwriting and operational processes and technology.

We measure performance and corporate responsibility, maximising its value for shareholders, employees, and the markets where Active Re is involved. Corporate Governance 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 Behaviour
- Compliance with laws and regulations

These values and principles are Active Re's responsibilities starting with the shareholders, all the way to the Board of Directors, senior management, and staff. Our objective is to enter into relationships with clients and strategic partners who share and comply with these ideals.

Another strategic priority is having a clear value proposition regarding fostering and retaining human knowledge and talent, always striving for its best business model. 2020, although a challenging year, has been one where we have identified talented professionals, therefore increased our staff by 30%. We have our staff strategically located in nine countries on three continents, proficient in eight languages: Spanish, English, Arabic, Russian, French, German, Portuguese and Italian.

Active Re's Corporate Governance structure is the following:

The Board of Directors plays a predominant role in defining corporate strategy and supervising management with a profound vision of ethics, sustainability, and its 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 maximising intangibles such as reputation and customer loyalty. Sustainability is Active Re's competitive advantage and its strategy to stimulate innovation. Modernisation is transformed into concrete actions and implemented by management. Innovation is the key to keep ourselves constantly changing, and self-renewal is our distinction.

Board of Directors

Juan Antonio Niño Pulgar
Executive Chairman

Álvaro Stein Barillas
Vice President

Carlos García De Paredes
Independent Director

Ramón Martínez Carrera
Secretary

Kyrk Cyrus
Independent Director

Margarita Niño de De La Rocha
Treasurer

Alternate Directors

Luis Antonio Ibáñez

Christian Vergara

Robert Blair Ali

Juan Antonio Niño Reategui

Executive Committee

Juan Antonio Niño Pulgar
Chairman & CEO
jan@acreinsurance.com

Juan Antonio Niño Pulgar was born in Panama in 1954. He graduated in Finance and Economics from the University of Panama and subsequently obtained a master's degree in Finance and Economics from the North Wales University in Bangor, Wales, UK. Later, Juan Antonio Niño Pulgar completed several postgraduate studies at the Wharton School of Business, Philadelphia, USA.
Early on, Juan Antonio Niño Pulgar began his professional career in banking, and over a period of 40 years, he has held several positions, including the executive chairmanship of various regional banks.

During the same time, he has also held the presidency of influential business organisations, including the Latin American Federation of Banks (FELABAN), the Panamanian Banking Association (ABP) and the Panamanian Association of Business Executives (APEDE).
After a successful journey in banking, he merged his field of work into the reinsurance business in the early 2000s and founded Active Capital Reinsurance Limited in 2007. In 2019, Capital Finance International honoured Juan Antonio Niño Pulgar with the award for "Outstanding Contribution to Banking and Insurance (Latin America)". Having been Chairman & CEO of Active Re ever since its beginning, Juan Antonio Niño Pulgar has decided to retire from his position as CEO in 2021.

Ramón Martínez Carrera
Deputy Chief Executive Officer
r.martinez@acreinsurance.com

In March 2016, Ramón Martínez joined Active Re as Executive Vice President. He brought with him 30 years of experience in the insurance industry. In March 2020, he was appointed Deputy CEO. He is also a member of the Board of Directors. In connection with Juan Antonio Niño's retirement as CEO in 2021, Ramón Martínez will assume this position.
Ramón Martínez has a Bachelor of Mathematics Degree from the University of Havana and a PhD in Mathematical Economics from Moscow State University of Economics, Statistics, and Informatics.
Before commencing his insurance career, he combined practical work with applied scientific research and academics, working with national statistics, econometric modelling, strategic planning, and finance.
After entering the insurance business, Ramón Martínez has held directorships in insurance and financial institutions like North of England Protecting and Indemnity Association (P&I) Ltd., Heath Lambert Acia Ltd., and Beta Gran Caribe Ltd. He was also President of the Association of Insurers and Reinsurers of Developing Countries (AIRDC).

Luis Antonio Ibáñez
Overseas Chief Operating Officer
libanez@acreinsurance.com

Luis Antonio Ibáñez joined Active Re as Overseas COO in March 2019. As of May 1, 2021, he was appointed Global COO.
He graduated with a master's degree in Law and Economics from ICADE, the Comillas Pontifical University, Madrid, Spain.
Professionally, his career began in the broking industry before he - a few years later – joined the Spanish insurer CESCE where he occupied senior management positions for more than 25 years. At CESCE, he became a member of the Executive Committee in 2000 and, in his last eight years, he served as Global COO, running the company's operations in ten countries.
Luis Antonio Ibáñez has extensive experience in change management and business development. His background also includes being an international negotiator representing Spain in trade finance matters with the European Union and OECD. As of 2021, Luis Antonio Ibáñez is also Alternate Director of the Board of Directors.

Christian Vergara
CFO - Chief Financial Officer
cvergara@acreinsurance.com

Christian Vergara has practically been with Active Re from the very beginning as he already joined the company as CFO in 2008, managing the company's treasury and investments through financial institutions in Europe, United States and Panama.
He graduated in 2001 from the Universidad Latina of Panama and holds a degree in Business Administration where he specialised in Bank and Finances. Christian Vergara has more than 19 years of experience in the reinsurance and banking sectors where he has acquired extensive experience in Bancassurance and ART products.
During his career with Active Re, Christian Vergara has led the business control and supporting processes, including claims, technical and financial accounting, and developing automatic dashboards. As of 2021, Christian Vergara is also an Alternate Director to the Board of Directors.

Margarita Niño de De La Rocha
VP Corporate Affairs
mnino@acreinsurance.com

Margarita Niño de De La Rocha has been working with Active Re for almost 10 years, currently as Vice President of Corporate Affairs. During her time working with the company, her main areas of responsibility have been Corporate Governance and Corporate Affairs, focused on her extensive experience in managing the company's relationships with regulators, lawyers, and insurance managers worldwide.
She is member of the Board of Directors as of 2021.
She started her professional career in the reinsurance sector in 2010, after completing a master's degree in Chicago, USA.
Subsequently, Margarita Niño de De La Rocha has also completed various insurance and reinsurance studies at ICADE, the Comillas Pontifical University, Madrid, Spain, as well as completing time with major global underwriting and broking firms in London, UK.

Nelly Bremner
CAO – Chief Administrative Officer
nelly@acreinsurance.com

Nelly Bremner has been part of Active Re from the very beginning in 2007 as CAO and Personal Assistant to the Chairman. She manages HR functions and supports logistics, management, and coordination, ensuring that the company's administrative operations run smoothly.
She has a bachelor's degree in Business Administration from the University of Panama.
Nelly Bremner has 28 years of experience working in the insurance and reinsurance sector, with experience in several types of insurance at ASSA Cia. de Seguros (ASSA Insurance Company, Panama). Nelly Bremner has also taught fire risk classes at the ASSA Study Centre. She is a Certified Facilitator of Organizational Climate programs from the INCAE Business School.
Nelly Bremner is also a licensed insurance broker, which she currently does not practice.

Eira Vega Hand

CGO – Chief Governance Officer
evega@acreinsurance.com

Eira Vega Hand has been with Active Re since 2019. As CGO, her main objective is safeguarding the company's permanence, the transparency of its activities, maintaining and continuously updating an efficient internal control system to ensure the confidence of current shareholders and new investors, and regulatory entities and risk rating agencies.

She has a bachelor's degree in Industrial Engineering from the Santa Maria La Antigua Catholic University (USMA) in Panama and a master's degree in Finance and Business Administration from the Interamerican University of Panama (UIP). Recently, Eira Vega Hand has furthermore obtained a certification in Compliance Management.

Before Active Re, Eira Vega Hand worked more than 20 years in the banking sector, where she acquired leadership skills and particular expertise in planning and controlling organisational goals, coordination of profitability, budgeting, and strategic projects, as well as the development of risk analysis and operational efficiency processes.

Dafne Gutiérrez Cisneros

CIO – Chief Information Officer
dgutierrez@acreinsurance.com

Dafne Gutiérrez Cisneros has been the CIO of Active Re since March 2018, where she contributes with more than 25 years of experience in the technology industry and extensive knowledge of the insurance and reinsurance sector.

She graduated with a master's degree in Computer Science from the Central University of Venezuela with an ITIL Certification. Dafne Gutiérrez Cisneros is an expert in managing systems development tools, databases, and application development management.

Throughout her career, Dafne Gutiérrez Cisneros has held managerial positions, in which some of her core tasks have been developing strategic plans, placing technology as an elementary piece for the interrelation of the different business units.

Juan José Leal

Deputy Chief Financial Officer
jleal@acreinsurance.com

Juan José Leal was appointed as Deputy CFO at Active Re during the first months of 2021. He graduated in 1977 from the Francisco Marroquín University in Guatemala with a degree as Systems Analyst. Juan José Leal brings to Active Re more than 45 years of experience in consumer banking operations from the banking sectors in Guatemala and Panama. He has served as VP of Operations and Technology and Finance at Grupo Financiero Uno, as Comptroller at Citibank Panama, VP Operations and Technology at Banco Lafise Panama, among others. During 25 years of his banking career, Juan José Leal specifically acquired experience in accounting and finances. He directed digital automation teams to open ten new financial institutions (Banking and Credit Card Stations) in Central America. He led banking core change teams in seven institutions and consolidated two systems in connection with bank mergers.

Martín Bages

VP Business Development
mbages@acreinsurance.com

Martín Bages joined Active Re in 2020 as VP Business Development and is based in Active Re´s Miami Office. He currently coordinates cooperative relationships with our strategic clients and is in charge of our facultative business in Latin America and globally responsible for our treaty business.

He studied Actuarial Science at the University of Buenos Aires and subsequently obtained a degree in Business Administration and Management from the Universidad Anáhuac in Mexico City.

Martín Bages has 25 years of experience in senior management of global professional reinsurers' regional offices, serving the claims, underwriting, and marketing areas of the Facultative and Treaty business lines.

Prior to Active Re, he worked for 22 years in different offices for Swiss Re. During that period, Martín Bages held several positions from Treaty Underwriting for the whole Region, up to VP Market Underwriter and Client Manager for Puerto Rico, Dominican Republic, Haiti and Costa Rica.

During his career, Martin Bages has particularly acquired extensive experience in marketing and underwriting for facultative and treaty business, including claims management, where he has had supported regulators after critical catastrophic events in the Caribbean, allowing the markets to quickly react with agile administrative and payment process.

Operational Team

Robert Blair Ali
Deputy COO
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Maria Tsareva
Head Business Development & Underwriting
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Humberto Riquelme
Underwriting Manager
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Juan Antonio Niño Reategui
Delegated Underwriting Authorities Coordinator
janr@acreinsurance.com

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Business Development
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Alejandro López
Business Development
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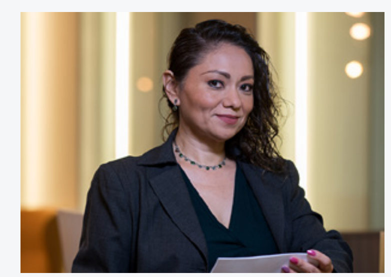

Claudia Vázquez
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Iván Quintero
Financial Manager
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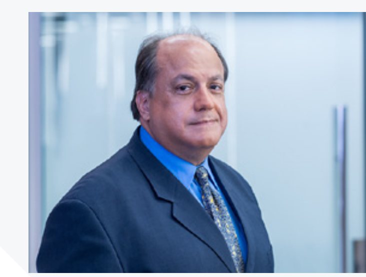

Rolando Noli
Accounting Manager
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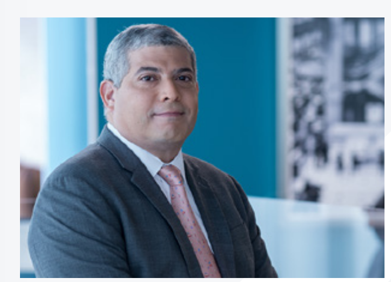

Alfonso Guevara
Claims Manager
aguevara@acreinsurance.com

Committees of the Board of Directors

> "In 2020, Active Re had a 13% increase in Underwriting Income to US$ 14.6 million compared to US$ 13 million in 2019".

Executive Committee

This committee is responsible for directing and carrying out the company's Senior Management, based on a clear delegation of powers by the Board of Directors to approve operating expenses, investments, and human resources.

Other managers and or special guests may be invited to specific meetings to complement topics.

The Executive Committee meets regularly following an agenda with current and specific issues for decision-making for the company's proper operation and to create value for existing and potential business. Online dashboards, which integrate the reinsurance and accounting systems, show valuable financial information to manage its traceability and profitability. The committee worked continuously in 2020, despite the pandemic and quarantine mandates worldwide. It continued to efficiently attend to its objectives and functions while maintaining strong communication with its members and the different profesional teams across the company.

Enterprise Risk Management (ERM) & Underwriting Committee

Risk exposures in all the areas of the business are evaluated and assessed in this committee. This assessment includes the quality and profile of reinsurance risks, exposure to market risks and analysis of operational and legal risks of business lines that the company offers. Methodologies are used that include different risk indicators that are periodically updated, considering current market situations. The main approaches in the analysis and risk control mitigation are summarised in maps aligned to macro-risks, technological risks, and risks related to Anti-Money Laundering, Financing of Terrorism and the Financing of Proliferation of Weapons of Mass Destruction.

2020 was particularly intense and vital. In addition to maintaining vigilance to reduce the current exposure of the company's risks, the prevailing uncertainty of COVID-19 presented the need to address and evaluate the risks both from the business and human resources point of view.

Investment & Finance Committee

This committee is in constant communication with all its members to immediately take care of liquidity needs and decisions that can affect solvency and profitability. Its main objective is to analyse, everything related to business results, including capital, liquidity and portfolio management, attention to tax issues, and, in general, to the company's financial performance. The committee Is also the liaison to financial consultants, auditors and risk rating agencies.

The company applies best practices and complies with laws that regulate international financial and accounting operations. Some essential aspects, defined in this committee's internal policies, include: the rules for new investments, how and when to pay dividends, the correct reserves' accrual, and the behaviour of financial indicators such as solvency, return on equity, technical results, among others.

Marketing & Business Development Committee

This committee plans and implements the company's marketing strategy. The focus includes directing and controlling marketing efforts, evaluating the services offered and tending to client's needs. It establishes marketing, advertising, promotions policies and all events that strengthen Active Re's image in the market. It evaluates the profitability and effectiveness of the services offered and the company's businesses' continuous growth, always ensuring excellent customer service. In the reinsurance business, face-to-face interaction is essential to establish relationships and acquire potential businesses. However, given the current circumstances, virtual meetings, training, and conferences made it possible to develop close relationships with clients and strategic partners.

Compliance Committee

This committee's task is the incorporation and implementation into Active Re's policies and procedures of legislation and world standards concerning Anti-Money Laundering, Combating Terrorist Financing, and the Financing of the Proliferation of Weapons of Mass Destruction.

The committee's policies and procedures are fully documented in internal manuals that explain them in detail and comply with requirements indicated by our regulatory entity in Barbados (Financial Services Commission) as well as international standards and worldwide best practices.

Corporate Governance Manual

The company has a Corporate Governance Manual that incorporates all the policies and procedures approved by the Board of Directors.

Code of Ethics

This Code promotes respect, tolerance, and acceptance in all aspects of the diversity of age, ethnicity, personalities, race, gender identity, nationality, religious beliefs, sexual orientation, and physical abilities.

Enterprise Risk Management (ERM)

Active Re identifies, analyses, and quantifies the probability of a loss arising from an event, action, or business.

The principal goals of the committee are:

- To maximise preventive and corrective actions.
- To be vigilant to threats while maintaining the expected profitability.
- To provide substantive value for our shareholders and clients.

Active Re provides a specific risk management approach to proactively mitigate risks creating an atmosphere that encourages the staff's decision making. We use an adapted model of the "Three Lines of Defence", which has eased the company's decision-making process under a practical and straightforward approach.

- **The first line of defence** is in the Business and Finance areas, responsible for implementing the business and risks decisions, carrying out this process within the risk limits under the underwriting policies and reporting results.
- **The second line of defence** is the implementation of the Integral Risk Management Process, keeping a close assessment of our risk matrix within three major categories:
    - Strategic Risks (reputational, governance, macroeconomic, political),
    - Financial Risks (credit, liquidity, solvency, market) and
    - Operational Risks (labour, technology, compliance).
- **The third line of defence** ensures Internal Controls' effectiveness of asset protection and compliance with laws, regulations, and contracts, supported by corporate-company areas outside the business chain and by External Auditors, with constant monitoring and evaluation concerning financial and operational information integrity.

The company manages risks matrices in line with our appetite and tolerance level in 3 areas:

- 17 key indicators in the General Risk Matrix covering all aspects of our operation.
- 5 key indicators concerning Anti-Money Laundering, Combating Terrorist Financing, and the Financing of the Proliferation of Weapons of Mass Destruction. These indicators are established to assess existing and prospective business relationships.
- 4 key indicators in technology to ensure technical security in all aspects.

AM Best highlighted and confirmed our Risk Management development and improvement procedures, as appropriate, indicating that:

- We correctly manage the relevant aspects of corporate governance, business ethics, internal controls, enterprise risk management, fraud, and financial reporting. To diagnose problems and generate the necessary changes to manage and evaluate their effectiveness, aligned with the COSO II Risk Model.
- We mitigate risks processes with an essential structure of continuous monitoring and periodic review of all our risk indicators.
- We continuously and efficiently use specialists who know the latest and best practices in risk management.
- Best practices in Corporate Governance matters are constantly updated to keep abreast of changes and needs as they arise.
- We strengthened operational areas and increased the staff that takes care of business continuity and growth, risk mitigation and appropriate attention to the operations' growth, expedited client service, and attention to claims, true to our mission "Benefits for all".

Compliance

In compliance with the regulations issued by the Financial Services Commission of Barbados (FSC), Active Re complies with the rules established to prevent money laundering, financing of terrorism, and the financing of the proliferation of weapons of mass destruction.

Under the risk-based approach philosophy, the Compliance Department implements policies and procedures to minimise the risks related to illegal activities. Its shareholders, senior management and staff, are committed and vigilant to always act under current legislation.

- We apply the "know-your-client" principle based on our regulator's laws, international guidelines, and best practices to know and understand the individuals or entities being considered for a commercial relationship. This policy applies to potential clients, strategic partners, staff, consultants and any third party interested in a commercial relationship with Active Re.
- The confidentiality and protection of our client's data is a fundamental responsibility, so we follow a web-based solution to obtain sensitive customer and suppliers' information, incorporating safeguards that guarantee the data's security.
- The basis of always being involved in legal activities and transactions ensures that we comply with all the reinsurance business laws in our jurisdiction of residence, Barbados, and any legislation related to our business locations.

Technological Management

With a global presence, Active Re focuses on developing a Technology Management with a fundamental objective to maintain excellent quality communication and service with high cybersecurity standards.

Technological advances required organisational and investment efforts to bring our business model in line with the value proposition for our clients' benefit. In the last years, we have completely revamped our technological platform to incorporate a growing level of automation in our operation.

"Technology is one of Active Re's most essential pillars. We continuously update and upgrade our systems, integrate processes, and improve existing ones".

To guarantee our staff's integration and coordination, we have implemented computer security tools such as a virtual private network (VPN), allowing us to manage connections, either inside or outside our offices and across all time zones. With our employees located in nine countries on three continents, the operation continued uninterrupted, even during the lockdown period due to the COVID-19 pandemic.

Technology is one of Active Re's most essential pillars. We continuously update and upgrade our systems, integrate processes and improve existing ones.

The IT department's objectives are to:

- Maintain a live online dashboard to monitor all submissions received. We are working 24/7 in all regions to respond to every need, always providing a quick and effective response.
- Have a highly automated process of operations' closing per period (daily, monthly, quarterly, or the required period), providing up-to-date online and prompt financial information for timely decision making.
- Support the operative areas with automatisation in the different regulations required, such as, for instance, the calculation of technical and unearned premium reserves, including excess of loss protection costs, generating bordereaux for management and attention of our retrocessionaires (security list).

APPENDIX I

Financial Statements for the Year Ended December 31, 2020

Financial Statements

ACTIVE CAPITAL REINSURANCE, LTD.

For the Year Ended December 31, 2020

Active Capital Reinsurance, Ltd.

Contents

December 31, 2020

Deloitte.

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Fax: +246 430 6451
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Independent auditors' report

To the Shareholder of Active Capital Reinsurance, Ltd.

Opinion

We have audited the financial statements of Active Capital Reinsurance, Ltd. (the Company), which comprise the statement of financial position as at December 31, 2020, the statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management and those charged with governance are responsible for the other information. The other information comprises the Annual Report for the year ended December 31, 2020.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work we have performed, on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Deloitte.

Independent auditors' report (continued)

To the Shareholder of Active Capital Reinsurance, Ltd.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Other matters

This report is made solely to the Company's shareholder, as a body, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Company's shareholder those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder as a body, for our audit work, for this report, or for the opinion we have formed.

Deloitte & Touche

June 4, 2021

Active Capital Reinsurance, Ltd.

Statement of financial position
As at December 31, 2020
(Expressed in United States dollars)

	2020 $	2019 $
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5 & 18)	35,659,950	26,376,004
Other cash deposits (Note 5)	12,400,000	7,600,000
Premiums receivable (Note 6)	125,904,939	41,480,823
Receivable from related parties (Note 7 & 18)	4,035,299	5,022,515
Prepayments and other receivables (Note 8)	30,155,227	13,510,300
Deferred retrocession premiums (Note 9)	19,738,535	7,777,394
Investments (Note 10 & 18)	2,022,470	3,001,962
	229,916,420	104,768,998
Non-Current Assets		
Property, plant and equipment (Note 11)	695,006	893,818
Investments (Note 10 & 18)	5,260,000	-
Other cash deposits (Note 5)	9,915,497	8,415,497
Long term prepayment (Note 7 & 17)	-	546,834
Total Assets	245,786,923	114,625,147
LIABILITIES		
Current Liabilities		
Claims liabilities (Note 4 & 12)	34,977,529	12,198,184
Experience rebate provision (Note 12)	166,889	467,422
Accounts payable and other liabilities (Note 13 & 18)	17,066,909	8,803,273
Unearned premiums and unearned commission income (Note 14)	49,389,367	24,537,496
Retrocession premium payable (Note 15 & 18)	92,308,775	28,320,775
Total Liabilities	193,909,469	74,327,150
SHAREHOLDER'S EQUITY		
Share capital (Note 16)	40,000,000	31,500,000
Retained earnings	11,877,454	8,797,997
Total Shareholder's Equity	51,877,454	40,297,997
Total Liabilities and Shareholder's Equity	245,786,923	114,625,147

Approved for issuance on behalf of the Board of Directors of Active Capital Reinsurance, Ltd. on June 4, 2021

Director

The accompanying notes form an integral part of these financial statements

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Active Capital Reinsurance, Ltd.

Statement of comprehensive income
For the year ended December 31, 2020
(Expressed in United States dollars)

	2020 $	2019 $
Income		
Net Reinsurance premiums	145,897,901	119,418,021
Net ceded premiums	(94,904,099)	(81,061,151)
Commission income (Note 19)	15,796,594	24,133,982
Net Premium and Commission Income	66,790,396	62,490,852
Underwriting Expenses		
Experience rebate	-	303
Claims incurred and paid	50,554,925	40,103,510
Reinsurance claims recovered	(21,492,212)	(25,096,055)
Withholding taxes on Premiums (Note 21)	515,011	504,647
Commission expenses (Note 7 & 19)	22,590,018	34,019,375
Net Underwriting Expenses	52,167,742	49,531,780
Net Underwriting Income	14,622,654	12,959,072
Operating Expenses		
Professional fees	3,440,914	2,618,581
Depreciation expense (Note 11)	290,681	103,993
General and administrative expenses (Notes 7 & 20)	2,646,311	2,827,279
	6,377,906	5,549,853
Other Income		
Referral fees	269,694	129,826
Interest	1,152,104	1,217,074
	1,421,798	1,346,900
NET INCOME AND TOTAL COMPREHENSIVE INCOME	9,666,546	8,756,119

The accompanying notes form an integral part of these financial statements

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Active Capital Reinsurance, Ltd.

Statement of cash flows

For the year ended December 31, 2020

(Expressed in United States dollars)

	2020 $	2019 $
Operating Activities		
Net income for the year	9,666,546	8,756,119
Items not affecting cash:		
Loss on disposal of fixed assets	-	28,584
Depreciation	290,680	103,993
	9,957,227	8,888,696
Changes in working capital:		
Increase in premiums and claims recoveries receivable	(84,424,116)	(11,762,737)
(Increase) Decrease in prepayments and other receivables	(16,098,092)	7,834,206
Increase in Deferred retrocession premiums	(11,961,141)	-
Increase in claims liabilities	22,779,345	3,023,980
Increase in retrocession liabilities	63,988,000	7,113,999
Increase in unearned premiums and unearned commission income	24,851,871	759,973
(Decrease) Increase in good experience rebate provision	(300,533)	221,290
Increase in accounts payable and other liabilities	8,263,636	3,817,429
Increase in other cash deposits	(6,300,000)	(300,000)
Net Cash from Operating Activities	10,756,196	19,596,836
Investing Activities		
Purchase of fixed assets	(91,869)	(791,015)
Investment	(4,280,508)	93,420
Net Cash used in Investing Activities	(4,372,377)	(697,595)
Financing Activities		
Advances to related parties	987,216	656,226
Share capital issued	8,500,000	1,400,000
Dividends paid	(6,587,089)	(5,149,453)
Net Cash from / (used in) Financing Activities	2,900,127	(3,093,227)
Increase in Cash and Cash Equivalents	9,283,946	15,806,014
Cash and Cash Equivalents at Beginning of Year	26,376,004	10,569,990
Cash and Cash Equivalents at End of the Year	35,659,950	26,376,004

The accompanying notes form an integral part of these financial statements

Active Capital Reinsurance, Ltd.

Statement of changes in shareholder's equity

For the year ended December 31, 2020

(Expressed in United States dollars)

	Share capital $	Retained earnings $	Total $
Balance at January 1, 2019	30,100,000	5,191,330	35,291,330
Net income for the year	-	8,756,119	8,756,119
Share capital issued (Note 16)	1,400,000	-	1,400,000
Dividends declared	-	(5,149,452)	(5,149,452)
Balance at December 31, 2019	31,500,000	8,797,997	40,297,997
Net income for the year	-	9,666,546	9,666,546
Share capital issued (Note 16)	8,500,000	-	8,500,000
Dividends declared	-	(6,587,089)	(6,587,089)
Balance at December 31, 2020	40,000,000	11,877,454	51,877,454

The accompanying notes form an integral part of these financial statements

1. Background Information

Active Capital Reinsurance, Ltd. ("the Company") was incorporated in the Turks & Caicos Islands on July 26, 2007. On July 31, 2007, the Company was licensed under the Insurance Ordinance 1989 to write non-domestic reinsurance business, restricted to credit life and credit card fraud risk. On October 31, 2013, the Company was redomiciled to Barbados and licensed under the Exempt Insurance Act Chapter 308A to write non-domestic reinsurance business. In 2018, the Financial Service Commission of Barbados repealed the Insurance Act Chapter 308A and effective January 1, 2019 the Company is licensed under the Insurance Act Chapter 310.

The Company's business activity is to underwrite facultative and treaty reinsurance policies generated from intermediaries such as reinsurance brokers, Managing General Agents (MGA´s) and insurance companies covering the Middle East and North of Africa (MENA) region, Asia, Europe and the Latin American region. In 2020, MGA´s contracts were responsible for the Company´s further growth by virtue of a diversified risk portfolio in reinsurance contracts.

Where risks exceed the Company's preferred retention levels, because of the size or complexity of the risks covered, the Company will retrocede the surplus to the retrocession market. The retrocession contracts are agreed with the retrocessionaires under the same terms and conditions as the facultative and treaty business. Therefore, the retrocession contracts mirror the reinsurance contracts underwritten by the Company.

The Company's registered office is at Caribbean Corporate Services Ltd, One Welches, Ground Floor, Welches, St. James BB22025.

The Company is a wholly owned subsidiary of Pine Holdings Corp., which is registered in Turks and Caicos Islands. The ultimate controlling party is Mr Juan Antonio Niño, a Panamanian citizen.

2. Summary of Significant Accounting Policies

The financial statements have been prepared by the Company in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities ("IFRS for SMEs"). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

The financial statements have been prepared in accordance with IFRS for SMEs and have been prepared under the historical cost convention. The preparation of financial statements in conformity with IFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

b. Insurance and retrocession contracts - classification

An insurance or reinsurance contract is a contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Such contracts may also transfer financial risk. The Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more than the benefits payable if the insured event did not occur. Retrocession contracts are entered with the primary purpose of recovering losses resulting from insured events. However, such contracts do not relieve the Company from its obligations to the insured parties. The amounts to be recovered from retrocessions are recognized by the Company and the financial condition of the retrocession companies, risk concentration and changes in the economic and regulatory environment are reviewed periodically.

2. Summary of Significant Accounting Policies (continued)

c. Claim liabilities

The Company establishes liabilities for the ultimate settlement cost (including direct expenses expected to be incurred in settling claims, net of the expected subrogation value and other recoveries) of claims reported but not settled based on information received from its primary underwriter, estimates, and reported on the bordereaux. The liabilities for claims incurred but not reported are estimated by management analysis based on the Expected Loss Method. Under this method, the ultimate expected claims are calculated by multiplying the net earned premium by the expected loss ratio for each line of business, from which actual claims to date are deducted. Changes in estimates of unpaid claims resulting from the continuous review process and differences between estimates and payments are recognized in the Statement of Comprehensive Income in the period in which the estimates are changed or the payments are made. The Company does not discount its liabilities for unpaid claims. The Company applies a liability adequacy test which considers current estimates of all contractual cash flows, and of related cash flows such as claims handling costs. If the test shows that the liability is inadequate, the entire deficiency is recognized in the Statement of Comprehensive Income.

d. Experience rebate provision

Certain reinsurance contracts underwritten initially by the Company in prior years include experience rebate clauses, where the Company may, at its sole discretion, rebate a portion of the reinsurance premiums ceded under certain circumstances. The Company establishes a provision for these rebates based on reinsurance premiums earned under those contracts and expected loss ratios. Changes in the estimate of these provisions are recognized in the Statement of Comprehensive Income in the period they occur.

e. Balances and transactions in foreign currencies

The functional and presentation currency of the Company is the US dollar. Foreign currency transactions are converted at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the conversion of year end balances denominated in foreign currencies are recognized in the Statement of Comprehensive Income.

f. Revenue recognition

Revenue comprises of the fair value of the remuneration received or receivable for reinsurance cover in the ordinary course of the Company's activities as well as interest income and dividend income.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the transaction have been resolved. The Company bases its estimates on historical results, taking into consideration the type of transaction and the specifics of each arrangement.

(i) Reinsurance and retrocession premiums

Reinsurance and retrocession premiums written/expensed are recognized in the Statement of Comprehensive Income proportionally over the period of coverage. Reinsurance and retrocession premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums. Reinsurance and retrocession premium adjustments are recognized in the Statement of Comprehensive Income in the period in which they are determined.

2. Summary of Significant Accounting Policies (continued)

f. Revenue recognition (continued)

(ii) Commission income

Commission income earned on insurance contracts is recognized over the same period as the premiums written, being proportionally over the period of coverage.

(iii) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is uncollectable, 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.

(iv) Dividend income

Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for equity securities.

(v) Other income

Other income is recognized when the right to receive payment is established, based on the underlying agreements.

g. Cash and cash equivalents

Cash and cash equivalents include cash and deposits with original maturities of less than three months.

h. Financial instruments

The Company has chosen to apply the recognition and measurement principles under IAS 39: Financial Instruments, Recognition and Measurement and the disclosure requirements prescribed within section 11 and 12 of the IFRS and SMEs

Financial assets

The Company classifies its financial assets as loans and receivables and investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this at every reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the financial position date. These are classified as non-current assets. The Company's loans and receivables comprise premium and claims recoveries receivable, receivable from related parties, other receivables, cash and cash equivalents and other cash deposits on the Statement of Financial Position.

If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(ii) Investments

On initial recognition, investments are recognized as noted below. On subsequent measurement, the Company recognizes its investments on an amortized cost basis. At each financial position date, the Company assesses whether there is objective evidence that the investment is impaired.

2. Summary of Significant Accounting Policies (continued)

h. Financial Instruments (continued)

Financial assets (cont'd)

Recognition and de-recognition

Financial assets are initially recorded at fair value plus transaction costs for all financial assets. Financial assets are written off when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortized cost using the effective interest method less any impairment.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Impairment

The Company assesses at each financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If required, impairment, or any reversal thereof, is charged /released to the Statement of Comprehensive Income.

Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities of the Company consist of accounts payable and other liabilities which are classified as basic financial instruments and are stated at amortized cost.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

i. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Included in Furniture and Fixtures is artwork that is not depreciated. Depreciation on other assets is provided to write off the assets on a straight-line method to reduce their cost to their residual values over their estimated useful lives, as follows:

	Years
Office and electronic equipment	3
Improvements	10
Motor Vehicles	5
Furniture and Fixtures	10

2. Summary of Significant Accounting Policies (continued)

i. Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recorded as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is written off. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and value in use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within Other income and expenses in the Statement of Comprehensive Income.

j. Accounts payable

Accounts payable are recorded initially at fair value and subsequently measured at amortized cost using the effective interest method.

k. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity.

l. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to General and Administrative expenses in the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

3. Critical Accounting Estimates and Judgments

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

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

In March 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. The extent and duration of the long-term impact of the COVID-19 pandemic on the specific industries in which the Company operates cannot be determined with certainty at this point. This event has the potential to adversely affect the Company as the core business activity of the company is the reinsurance of Property & Engineering, Surety, Credit and Affinity. The company estimates these possible effects per line of business:

(1) Property & Engineering:

1. Practically no business interruption cover on the book.
2. Performance Delays.

(2) Surety:

1. Potential post pandemic insolvencies.

3. Critical Accounting Estimates and Judgments (continued)

(3) Credit:

1. Default and insolvencies.

(4) Affinity:

1. Loss increases in group life business due to COVID-19 effect.

The claims liabilities on the statement of financial position include management´s judgements regarding the anticipated impact of COVID-19. Management and the directors will continue to monitor the development of COVID-19 and evaluate its impact on the financial position and operating results of the Company in future periods.

Reinsurance risk, claims liabilities and good experience rebate provision.

The accounting estimates and assumptions pertaining to the insurance contracts underwritten have been detailed in Notes 4 and 12.

4. Insurance Risk, Risk Management and Claims Liabilities

Insurance Risk
Insurance risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims are greater than estimated. Insurance events are random and the actual number and amount of claims will vary from year to year from the level established using statistical techniques.

Risk Management

Since the beginning of 2014, the Board of Directors decided that, to meet the Company's strategic objectives, it had to implement a Risk Management strategy and general guidelines, taking into consideration the following risks.

ii. Credit Risks
iii. Market Risks
iv. Liquidity Risks
v. Solvency Risks
vi. Operational Risks
vii. Regulatory Risks

For each of these risks, the Company has identified the factors that would have the most impact on the Company. The Board of Directors has established several operating Committees to set the risk tolerance levels and the controls required to supervise policy compliance in the organization. To align the strategic objectives in each of the risk management areas indicated above, the Board formed the following committees:

- Executive Committee
- Finance Committee
- Risk Management Committee
- Compliance Committee
- Business and Operational Committee

Each of these committees have a mission to create a general risk management culture within the organization and to administer its effectiveness.

(Expressed in United States dollars)

4. Insurance Risk, Risk Management and Claims Liabilities (continued)

Risk Management (continued)

For each of the risk management areas, the committees must assess the risks identified, and after evaluating each risk, classify them in order of importance, measured by economic impact on the organization. As a third step in the process, prevention and mitigation measures must be set for each of the identified risks. The whole process must be compiled in a risk matrix, which is then communicated within the organization. This practice is based on the COSO II Matrix (Organization of the Treadway Commission), also on the international risk management standard ISO 31000.

Claims Liabilities

Claims Reserves represent the unpaid obligations at the reporting date for both reported claims (Case Reserves) and Incurred But Not Reported claims (IBNR).

The Case Reserves are the reserves for incurred and reported claims. The amount of this reserve is estimated by the claims department of the cedent company for which the cedent company provides the list of claims (bordereaux).

IBNR reserves are the estimated amount expected for claims that have already occurred but have not yet been reported to the Company. The IBNR reserve has been calculated using the Expected Loss Method. Under this method, the ultimate value of the claims (Net Ultimate Loss) is estimated by multiplying the Net Earned Premium by the loss ratio for each line of business. The IBNR is the difference between the expected Net Ultimate Loss and the Net Incurred Loss to Date. The loss ratios used are based on the market data for the lines of business in the countries of origin of the risk or business.

Claims Liabilities

The Claims Reserves are based on an actuarial valuation which concluded that the total reserves required were as follows:

	2020 $	2019 $
Case reserves	19,099,025	5,917,185
Gross IBNR	27,620,997	6,357,559
Recoveries under retrocessions	(11,742,493)	(345,906)
	34,977,529	11,928,838

5. Cash and Cash Equivalents / Other Cash Deposits

Maturity groupings based on the period from original deposit to maturity are as follows:

	2020 $	2019 $
Cash and cash equivalents - Up to 3 months	35,659,950	26,376,004
Other cash deposits - Greater than 3 months but less than 1 year	12,400,000	7,600,000
Other cash deposits – Greater than 1 year	9,915,497	8,415,497

6. Premiums Receivable

	2020 $	2019 $
Premiums receivable	125,904,939	41,480,823

No allowance for bad debts has been provided as the premiums receivable at the year-end are related to policyholders for whom there is no recent history of default.

7. Related Party Transactions and Balances

The following balances with related parties are included in receivable from related parties on the Statement of Financial Position:

	2019 $	Advances $	Payments received $	2020 $
Due from a Director	2,013,800	470,999	2,050,087	434,712
Advances to the shareholder	3,000,365	600,222	-	3,600,587
Other	8,350	-	8,350	-
	5,022,515	1,071,221	2,058,437	4,035,299

The advances to a Director of the Company are unsecured, bear no interest and are payable on demand.

The amount advanced to the shareholder is unsecured and bears no interest in 2021 which served as repayment of these advances.

On June 1 the Board declared dividends, out of which US$1,841,910 served as repayment of 2019 advances.

The balance of the related company refers to organization expenses of a Miami office, which are unsecured, bear no interest and are payable on demand.

Key Management Compensation
Key management includes the Board of Directors and all members of senior management. The compensation paid or payable to key management for services is shown below:

	2020 $	2019 $
Key Management Compensation		
Fees and other benefits (included within Professional fees in the Statement of Comprehensive Income)	1,306,100	1,164,575
Life insurance (included within General & Administrative expenses within the Statement of Comprehensive Income)	10,792	22,398
	1,316,892	1,186,973

Other transactions

Included within General and administrative expenses is $106,100 (2019: $83,287) paid to close family members of the ultimate controlling party for services provided. In July 2020, the Company reclassified the amount of USD 546,834 (registered in 2017 as advanced payment for a property procurement that went into litigation) from Asset Procurement Advances to Other Accounts Receivables in its accounting books. This reclassification was made based on a court ruling favorable to Active Re in the litigation.

8. Prepayments and other receivables

	2020 $	2019 $
Prepayments	1,488,499	191,101
Recoveries	19,514,846	1,866,524
Commissions prepaid	3,409,412	6,716,326
Other receivables	5,742,470	4,736,349
	30,155,227	13,510,300

9. Deferred retrocession premiums

	2020 $	2019 $
Deferred retrocession premiums	19,738,535	7,777,394

The deferred retrocession account refers to ceded premiums from policies which have an effective period of coverage that exceeds cutoff date of the fiscal year. These premiums are recognized monthly in accordance with their expiration as stablished in the original insurance contract.

10. Investments

	2020 $	2019 $
January 1	3,001,962	3,095,382
Purchased during the year	5,280,508	-
Matured during the year	(1,000,000)	(93,420)
December 31	7,282,470	3,001,962

On February 15, 2014, the Company purchased a bond of $1,000,000 issued by Grupo Financiero Ficohsa S.A. The bond matured on February 15, 2019 and has an interest rate of 6.50% plus LIBOR (6 month), with a maximum rate of 8%. This bond matured on February 2019 and the company did not renew the investment. On April 30, 2015, the Company purchased a bond of $2,000,000 issued by Grupo Financiero Ficohsa S.A with an interest rate of 7.5%. The bond matured on April 30, 2020 and was renewed by the company. On October 20, 2016, the company purchased 10,000 A2 Shares of GBN Ltd an Underwriting Agency based in London. On August 2018, the company purchased 5,000 A2 Shares of GBN Ltd. In 2019, GBN Ltd. Entered a voluntary liquidation, after a valuation of GBN Ltd, the company received a payment for its share. On November 2019, the company invested in a money market fund (Instacash BNP Paribas). The fund was rolled over and subsequently written off in March 2020. During 2020, three new investments have been added to Active Re investment portfolio. In January, USD 2,260,000 in shares of Truckslogic (Panamanian company) were purchased. In June USD 2,000,000 in corporate bonds were purchased from US companies. In December USD 1,000,000 in shares of Sultecor Investments (mining company) were purchased.

Active Capital Reinsurance, Ltd.
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11. Plant, Property and Equipment

	Office and Electronic Equipment $	Motor Vehicles $	Furniture and Fixtures $	Total $
Cost				
Balance December 31, 2019	88,388	415,502	840,143	1,344,033
Additions	19,932	-	71,937	91,869
Disposals	-	-	-	-
At December 31, 2020	108,320	415,502	912,080	1,435,902
Accumulated Depreciation				
Balance December 31, 2019	(62,732)	(274,103)	(113,380)	(450,215)
Charge for the year	(15,321)	(59,799)	(215,561)	(290,681)
At December 31, 2020	(78,053)	(333,902)	(328,941)	(740,896)
Net Book Value				
At December 31, 2020	30,267	81,600	583,139	695,006
At December 31, 2019	25,656	141,399	726,763	893,818

12. Claims Liabilities and Experience Rebate Provision

	2020 $	2019 $
Claims liabilities	34,977,529	12,198,184
Experience rebate provision	166,889	467,422
	35,144,418	12,665,606

The Company establishes liabilities for both reported claims and the adverse development thereof and claims which have been incurred but not reported and are expected to be reported within the provisions of the reinsurance contract. The Company also establishes provisions for discretionary experience rebates based upon expected underwriting profits. The amounts recorded in respect of the above are necessarily based on estimates and, while management believes that the amounts are adequate, the ultimate liability may be in excess of or less than the amounts provided. Below is a summary of the techniques used by management to estimate liability amounts in respect of the Company's reinsurance policies, along with a discussion of the uncertainties inherent in the estimation process.

Claims on reinsurance contracts are payable on an occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is reported after the end of the contract term.

The claims paid on the underlying reinsurance agreements are the amount of the loss suffered by the insured party as a result of theft or fraud arising on the relevant credit cards held. The Company is liable for the losses passed on by the primary writer in accordance with the reinsurance agreements.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims´ exposure. However, given the uncertainty in establishing claims liabilities, it is likely that the outcome will prove to be different from the original liability established.

12. Claims Liabilities and Experience Rebate Provision (continued)

The estimation of claims liabilities for claims incurred but not reported is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. The IBNR proportion of the total liability will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating liabilities.

13. Accounts payable and other liabilities

Accounts payable and other liabilities comprise of:

	2020 $	2019 $
Commissions payable (1)	6,154,327	6,209,468
Other liabilities (2)	10,912,582	2,593,805
	17,066,909	8,803,273

(1) Commission Payable refers to the reserve made for the payable variable remuneration to third party Professional Service Consultants for referred business throughout the fiscal year.
(2) Other liabilities include the payments that are going through the source identification process by the Company´s operation department.

14. Unearned premiums and unearned commission income

	2020 $	2019 $
Unearned Premiums	48,797,653	24,537,496
Unearned Commission	591,714	-
	49,389,367	24,537,496

The UPR reserves are calculated according to the standard practice considering the remaining time not expired proportional to the premium. The booked reserves are in line with the calculation. The unearned commissions derive from the unearned premiums applying the same calculation principles.

15. Retrocession premium payable

	2020 $	2019 $
Retrocession	92,308,775	28,320,775

The retrocession premium payable account refers to ceded premiums from policies which effect period of coverage exceeds the cutoff date of the fiscal year. These premiums are paid in accordance with the collection of the accepted premiums.

16. Share Capital

The Company is authorized to issue an unlimited number of shares of no-par value. All shares issued are fully paid at the statement of financial position date.

Share capital comprises:

	2020 $	2019 $
Issued and fully paid:		
40,000,000 (2019: 31,500,000) ordinary shares	40,000,000	31,500,000

Active Capital Reinsurance, Ltd.
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16. Share Capital (continued)

In 2019 a resolution was passed to increase the issued share capital to $31,500,000. In February 2020, USD 3,500,000 from prior year net income was reinvested to increase the share capital to USD 35,000,000. In October 2020, a shareholder contribution was made for USD 3,000,000.00, increasing the share capital to USD 38,000,000. Finally, in December 2020, through a shareholder contribution of USD 2,000,000 the share capital was raised to USD 40,000,000.

17. Commitments

During 2012, the Company entered into an agreement to purchase office space for availability in 2017. As referred to in Note 7, an amount of 2019: $546,834 was paid as a deposit with a remaining commitment of 2019: $78,166 outstanding. The balance would be paid when the space was completed.

During 2017, the Company entered into an arbitration process against the real estate promoter. In 2018, a resolution was passed by the Court allowing the execution of the arbitral award. In 2019, the Court elevated the categorization of the arbitral award to seizure.

This year, the Company obtained a favorable arbitral award on this process and is exercising all the actions and resources to recover the amount. In July 2020, the Company reclassified the entire amount of USD 546,834 from Asset Procurement Advances to Other Accounts Receivables in its accounting books, based on the court ruling.

18. Financial Instruments

	2020 $	2019 $
Financial assets:		
Financial assets measured at amortized cost		
Cash and cash equivalents	35,659,950	26,376,004
Other cash deposits	22,315,497	16,015,497
Premiums receivable	125,904,939	41,480,823
Receivable from related parties	4,035,299	5,022,515
Other receivables	5,742,470	6,603,172
Investments	7,282,470	3,001,962
Total	200,940,625	98,499,973

	2020 $	2019 $
Financial liabilities:		
Financial liabilities measured at amortized cost		
Accounts payable and other liabilities	17,066,909	8,803,273
Retrocession premium payable	92,308,775	28,320,775
Total	109,375,684	37,124,048

(Expressed in United States dollars)

19. Reinsurance Commissions

All premiums on assumed reinsurance are normally subject to a commission cost, since the ceding company must be compensated for the acquisition cost or commissions paid to direct insurance brokers or intermediaries that produce the business. Besides the acquisition cost, the ceding company requires compensation on their administrative costs.

When a reinsurer seeks capacity in the retrocession market, it must also get compensated for at least part of the reinsurance commissions it has paid to the ceding company, plus some compensation for administrative costs. On facultative reinsurance, commissions on retrocessions are normally lower than the commission paid on the original reinsurance ceded by the insurance company.

	2020 $	2019 $
Commissions expense	22,590,018	34,019,375
Commissions income	(15,796,594)	(24,133,982)
Net commission expense	6,793,424	9,885,393

20. General and Administrative Expenses

	2020 $	2019 $
Administrative expenses	1,080,465	1,090,042
Outsource	260,664	566,546
Transportation	60,349	416,417
Food and lodging	114,732	303,307
Miscellaneous	91,464	169,942
Seminars	259	59,854
Other expenses	414,784	50,293
Insurance	41,365	38,310
Dues and subscriptions	39,115	30,021
Customer relations	12,167	29,192
Bank charges	41,428	14,858
Telephone and communications	11,023	14,387
Maintenance	5,244	13,461
Legal expenses	328,813	11,659
Donations	13,261	7,779
Fuel and lubricants	1,896	5,144
Office supplies	3,172	3,923
Software	126,110	2,144
	2,646,311	2,827,279

21. Taxation

Under the terms of the Barbados Exempt Insurance Act, Cap. 308A, as amended, the Company is liable to income tax at a rate of 0% during its first fifteen financial years of operation. Thereafter, if the Company has taxable income, it is liable for tax at a rate of 8% of $125,000 and no license fee is payable. Where a taxable loss occurs, a license fee of $10,000 is due.

Regulatory Changes

Effective January 1, 2019, the Exempt Act was repealed and Insurance Act Cap. 310 amended, and unless grandfathered, the Company will be assigned to Class 2 category licence. Effective January 1, 2019, the tax rate applicable to the Company is zero percent.

The Company elected to be grandfathered in 2019. As such, the rights and benefits conferred upon licensees under the previous Exempt Act are maintained until June 30, 2021. The Company may at any time elect to transition to the new regime.

On November 29, 2019, the Barbados government repealed the Business Companies (Economic Substance) Act, 2018-41, and replaced it with the Companies (Economic Substance) Act, 2019-43 (“the Barbados Act”). Under the Barbados Act, all resident companies (other than those being grandfathered) must comply with the economic substance rules for fiscal periods commencing on or after January 1, 2020. The Barbados Act will require a resident Company which derives income from the carrying on of a relevant activity to satisfy the economic substance test in relation to that relevant activity and will require the Company to file an economic substance declaration annually.

If the Director of International Business determines that a resident Company has failed to meet the economic substance test for a fiscal period, the Director may impose a penalty not exceeding $150,000 in any subsequent year. The Barbados Act will be applicable for the Company for the year ended December 31, 2021, and management is currently assessing how the substance requirements will apply to the Company. Certain countries apply a withholding tax on money transfers which applies to the premiums earned from insured parties in those countries.

	2020 $	2019 $
Withholding taxes on premiums	515,011	504,647

22. Capital Management

The Company must maintain a minimum solvency requirement under the revised legislation detailed in note 21. The Company has exceeded the minimum solvency as at December 31, 2020.

The Board monitors the capital base of the Company in relation to the solvency requirements of the Barbados legislation and other insurance standards. In addition, the investment guidelines serve to minimize investment risk with a goal of maintaining the capital base.

The Company’s capital base is required to help the Company absorb losses due to underpricing of the insurance product; to absorb an unexpected decline in the value of the Company’s assets; to provide a buffer for the potential undervaluation of the Company’s unpaid claim liabilities and to provide a mechanism for financing the growth of the Company.

23. Subsequent Events

On January 26, 2021, the board authorized payment of USD 5,330,974 in dividends to Pine Holdings, Ltd.


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