ACTIVE RE

2021 *ANNUAL REPORT*

15 YEARS BUILDING *STRONG ALLIANCES*

ACTIVE RE

ACTIVE CAPITAL REINSURANCE, LTD.

welcome

It is with great satisfaction and gratitude that we present Active Re's Annual Report for 2021. In our 15th anniversary, we are proud to demonstrate how - with commitment and discipline - we have been able to pursue our growth and diversification strategy and achieve outstanding financial results.

In doing so, we have continued to expand our global footprint.

Our operating philosophy is constant and unwavering. Active Re is focused on delivering "Benefits for All". We put customers first, measure risk twice, and - after due diligence - always pay claims.

A heartfelt "thank you" goes out to the friends, business partners and colleagues who have been with us for our first fifteen years. Without them, this unique journey would not have been possible.

As in previous years, we have invited three business partners to contribute articles on current trends and developments in their respective fields and markets.

content

about us

Active Capital Reinsurance, Ltd. (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.

The transition from a regional to a global reinsurer was initiated in 2015, and – carried on a progressive diversification strategy – it has proven to be very successful.

Active Re's product offerings include Property, Engineering, Energy, Financial Lines, Marine Hull, Cargo & Liabilities, Surety, Bonds & Credit, Affinity & Bancassurance, Group Life which are written through our inhouse underwriting teams or through strategic agreements with our delegated underwriting partners. To complement large corporate clients' financial needs, Active Re offers tailor-made Alternative Risk Transfer solutions (ART), including actuarial analysis and risk management advisory services.

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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.

From 2017 to 2021, Active Re's total equity grew from US$ 30.7 million to US$ 68.9 million, with a compound average annual growth rate (CAGR) of 22%, double that reported by the global reinsurance industry. In 2021, Active Re added a record capitalisation with 33% growth in equity to US$ 68.9 million and paid-in capital of US$ 45 million.

AM BEST A- Excellent

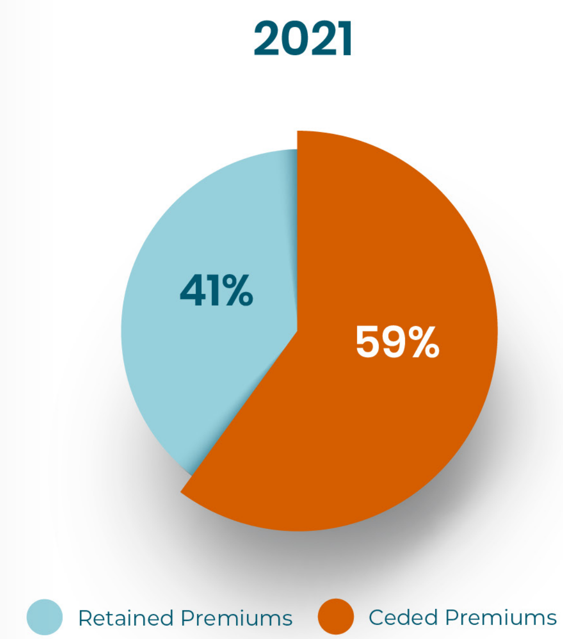
Financial Highlights 2021

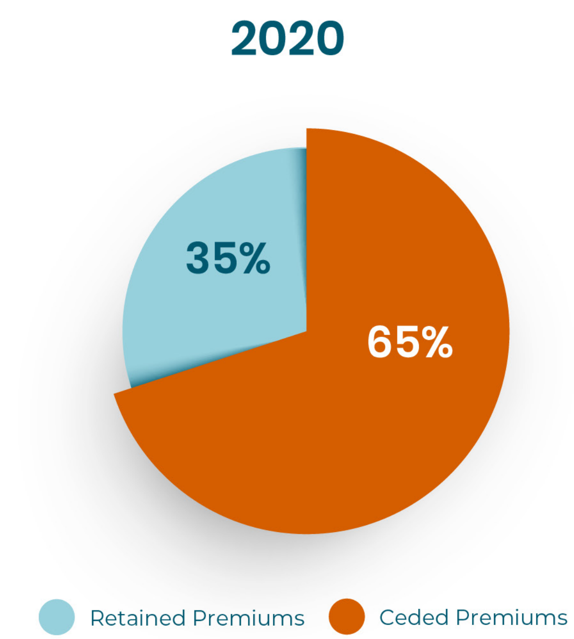
AM Best Rating

FINANCIAL STRENGTH	LONG-TERM ISSUER CREDIT
A– (Excellent)	a–

Key Performance Indicators

ROP	ROA	ROE	COMBINED RATIO	LEVERAGE
25.4%	7%	29%	76.5%	0.99%

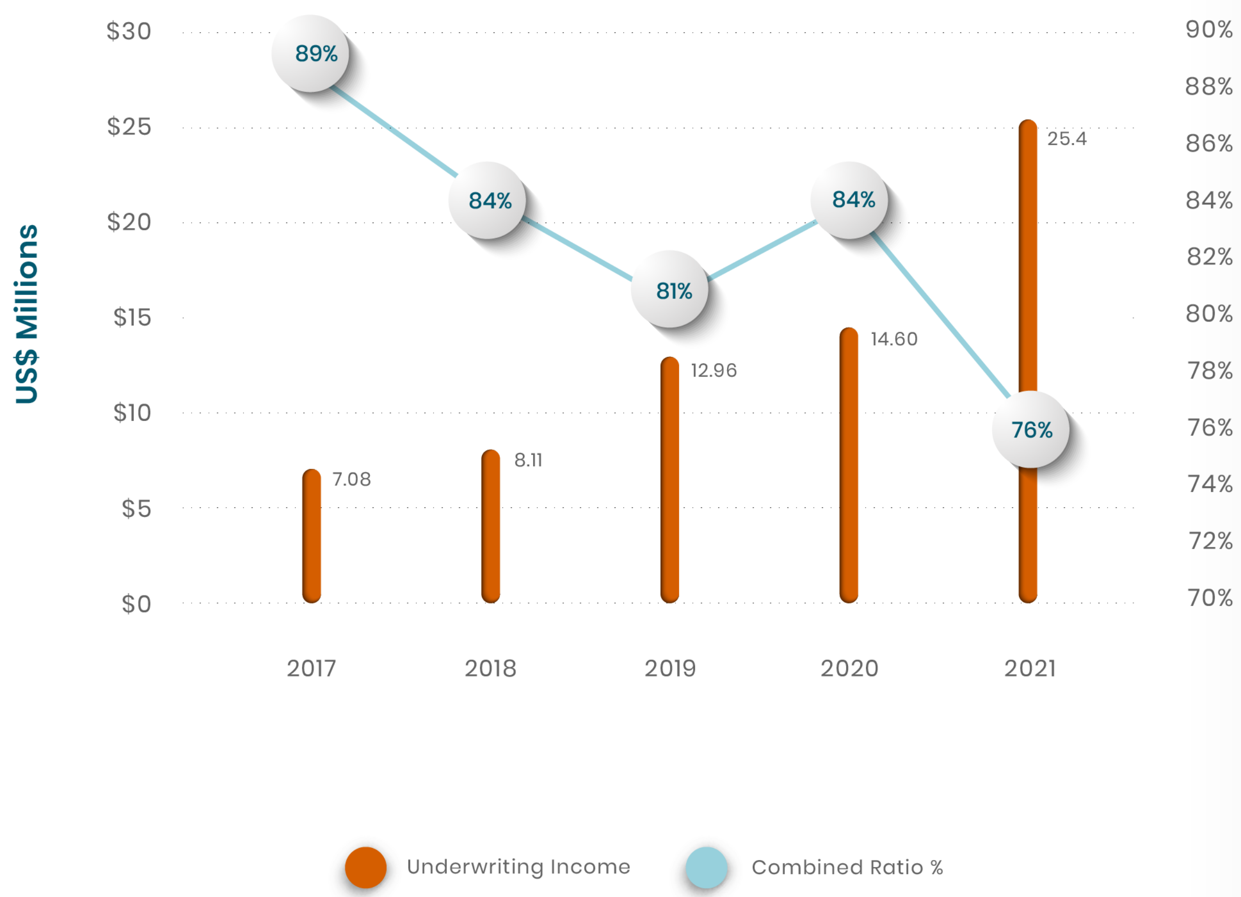




Active Capital Reinsurance, Ltd.

US$ in Millions	2021	2020	2019	2018	2017	Changes in % 2020-2021
Net Premiums Written	164.7	145.9	119 .4	99.0	92.2	13%
Net Retained Premium	68.3	51.0	38.4	29.2	33.6	34%
Underwriting Income	25.4	14.6	13.0	8.1	7.1	74%
Operating Income Before Taxes	16.1	8.2	7.4	4.6	3.8	96%
Net Investment Income	1.2	1.15	1.3	1.1	1.4	-8%
Net Income	17.3	9.7	8.8	5.8	5.2	79%
Total Assets	251.8	245.8	114.6	94.7	47.9	2%
Total Equity	68.9	51.9	40.3	35.3	30.7	33%
Combined Ratio %	76.5	83.3	80.7	84.1	88.6	-8%
Return on Premium %	25.4	19.0	22.8	19.8	15.4	34%
Return on Equity %	28.7	21.0	23.2	16.4	16.9	37%
Leverage	0.99	0.98	0.95	0.83	1.09	1%

Underwriting Results & Combined Ratio

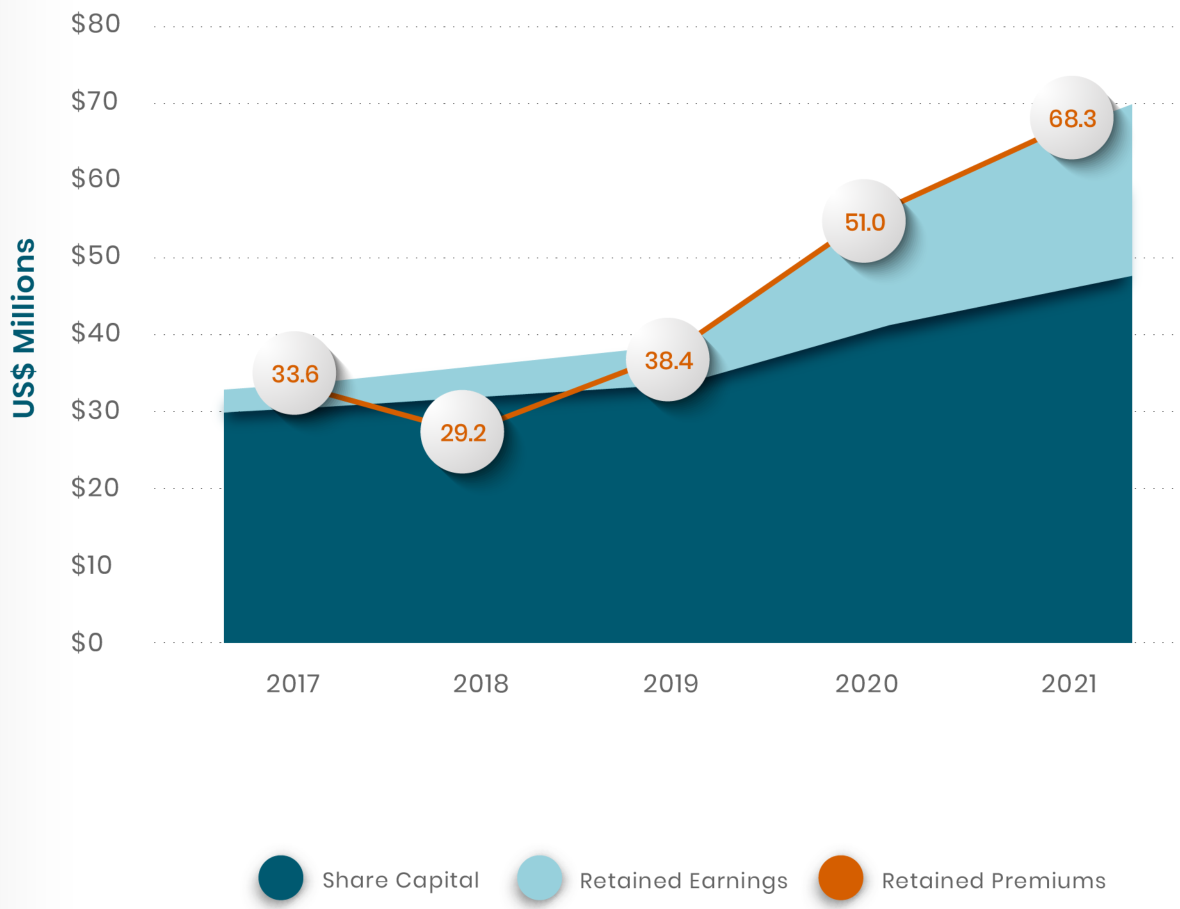


US$ 68.1 M
UNDERWRITING INCOME IN MILLIONS OF US$ 2017 - 2021

82%
FIVE YEAR AVERAGE COMBINED RATIO

* **31%** FIVE YEAR AVERAGE TECHNICAL PROFITABILITY

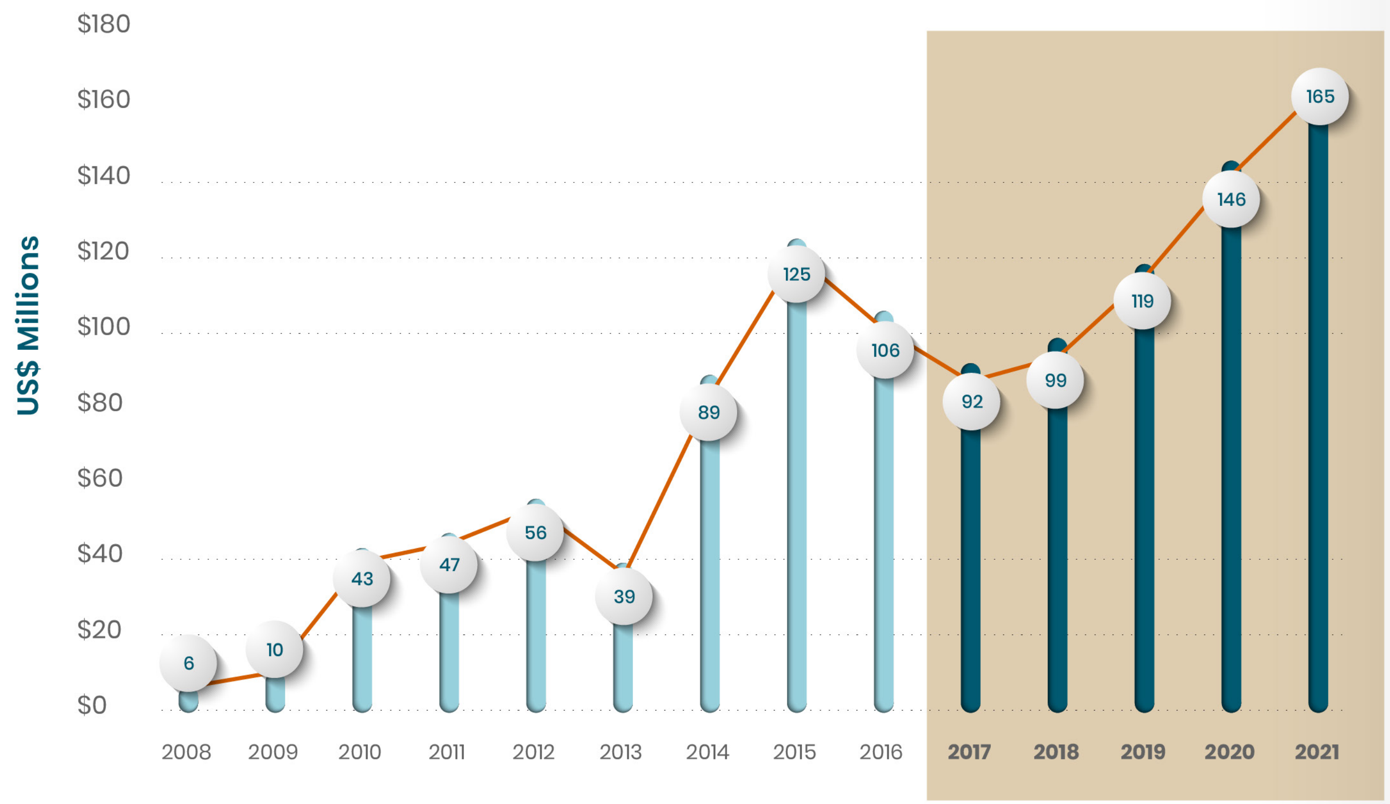
Shareholders Equity & Retained Premiums



0.99
LEVERAGE

45%
PAY-OUT RATIO

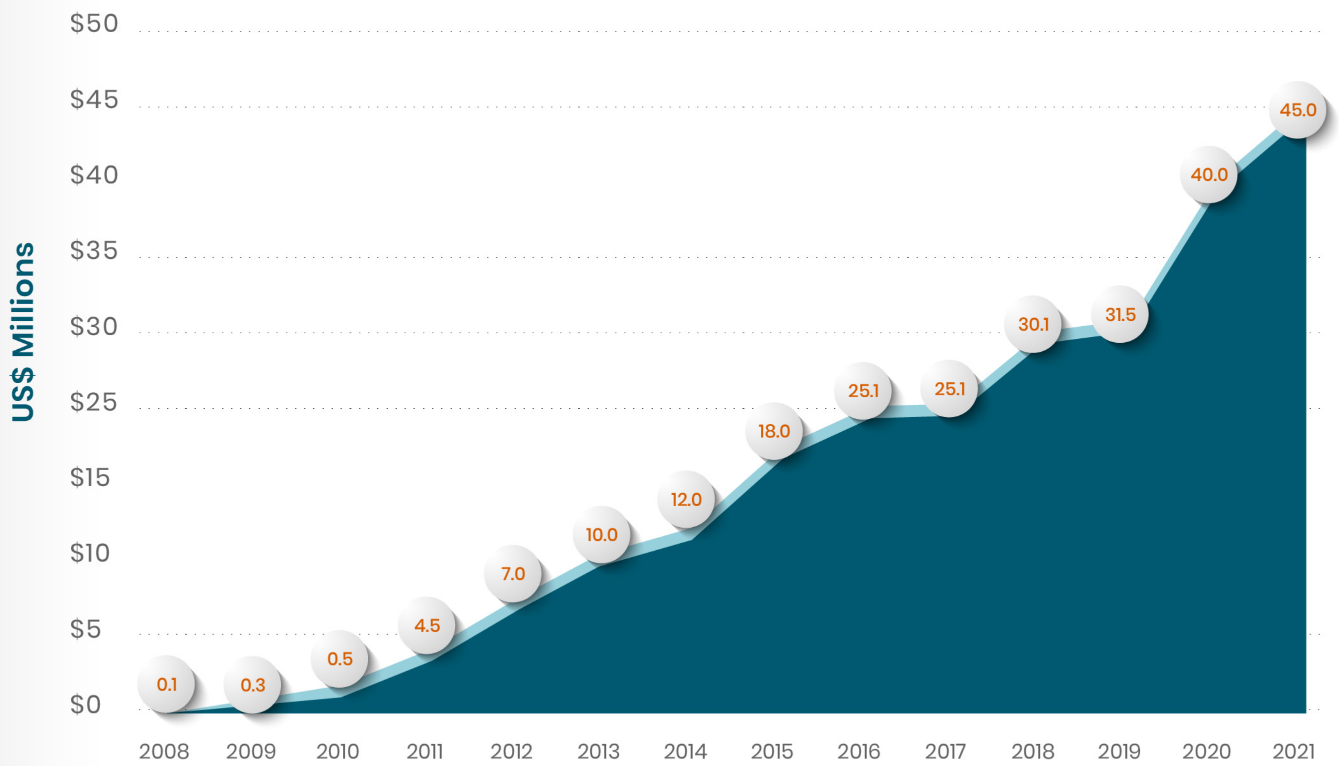
Gross Earned Premiums



US$ 1,143 M
ACCUMULATED TOTAL AMOUNT GROSS EARNED PREMIUMS

US$ 124 M
FIVE YEAR AVERAGE GROSS EARNED PREMIUMS

Shared Capital



60%
GROSS CAPITAL CAGR

703%
REGULATORY SOLVENCY MARGIN (BARBADOS)

Evolution & Strategic Update

2007 2012	2013 2014	2015 2017	2018 2019	2020	2021
Incorporated in the Turks & Caicos Islands	Re-domiciled in Barbados	Opening of a new representation office in Miami, FL. Active Capital Corp. to comply with market demands	Active Re: New brand with global vision	Strengthening of the team worldwide, with the addition of professionals and staff to the company	Strengthening of the operational team and new directors
General Insurance and Reinsurance License	Increasing capitalisation	Start of agreements with MGA's & Pools	Increased capacities and portfolio diversification in Latin America, the Middle East, Eastern Europe, Asia Pacific, and North Africa	Portfolio diversification by countries, lines and distribution channels. Various agreements with MGAs (London) and facilities in MENA	Expansion of the portfolio of accepted treaties and consolidation of MGAs as a pillar of growth and profitability
Regional ratings	B+ / bbb international rating with Stable Outlook awarded by AM Best	Upgraded to B++ / bbb+ international investment grade rating with Stable Outlook by AM Best	Upgrade and subsequent affirmation of international investment grade rating to A-/a- (Excellent) with stable outlook by AM Best	Affirmed international investment grade rating A- / a- (Excellent) by AM Best with stable outlook	Upgraded the Outlook from Stable to Positive and affirmation of the international investment grade rating of A- / a- (Excellent) by AM Best
Reinsurer specialised in Affinity and Bancassurance with first registrations in Latin American markets	Expanding presence in Latin American markets	Implementation of a diversification and globalisation strategy begins	Opening of a new representative office in Madrid to meet the demands Implementation of a new IT platform: New Integrated Reinsurance System	Continuous intake of new business and workflow at a time when the industry's growth was profoundly altered	Record capitalisation, with 33% growth in equity to US$ 68.9 million and paid-in capital of US$ 45 million
				Complete and successful integration between technical, operational, accounting systems, and compliance	Introduction of innovation initiatives, with favourable results with respect to peers and process improvements
			International awards	International awards	International awards

Value Proposition

The best ally for our client

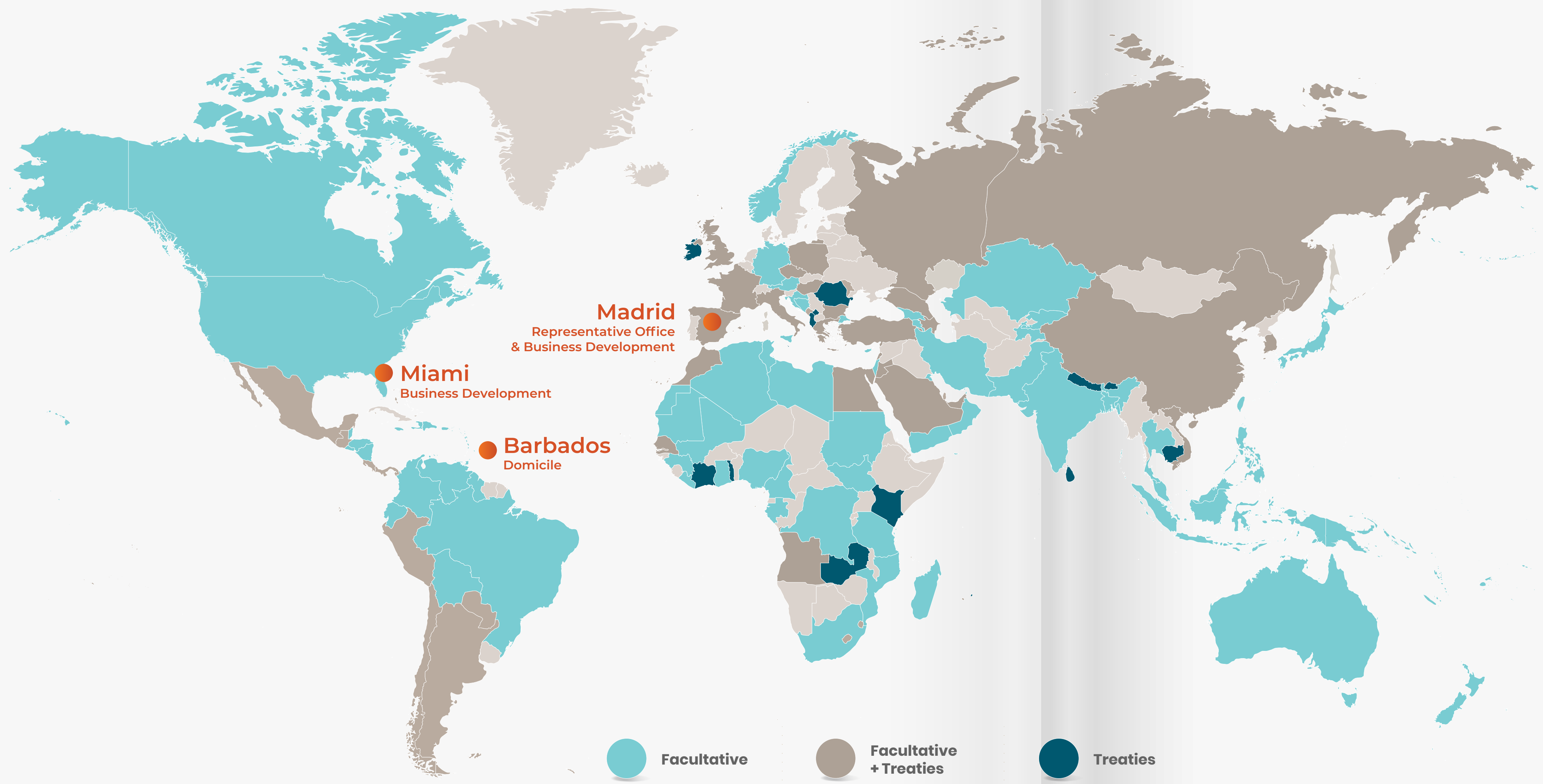
Vision
Global, Specialised & Innovative

Strengths
Investment Grade Rating of A- by AM Best
International Strategic Alliances
Workforce
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



*Excludes sanctioned countries

Always with our clients and strategic partners.

112 Countries

99 Brokers

412 Cedants

13 MGAs & Facilities

10 Management & Technical Teams

8 Spoken languages

- English
- Spanish
- French
- German
- Portuguese
- Italian
- Russian
- Arabic

Audited figures as of December 31st, 2021

International Awards

In 2021, Active Re received various international awards:

Two awards from Capital Finance International:	**Two awards from World Economic Magazine:**	**One award from BV World:**
■ "Best Specialised Reinsurance Solutions" - Global ■ "Best Reinsurer" - Emerging Markets	■ "Best Risk Management Service Provider" – Latin America ■ "Best Reinsurance Company" – Latin America	■ "Best Alternative Risk Transfer Solutions" - Latin America

Message from the *Executive Chairman*

Dear clients, colleagues, and friends,

First, I want to express my sincere gratitude to our clients and partners and my deep appreciation to our directors, colleagues, and dedicated staff for their continuous support.

As presented in this report, these combined efforts resulted in another great year of achievements for Active Re.

Despite the challenging times experienced during the last pandemic, our company has focused on innovating our processes and strengthening the global placing of our human talent to provide our clients with the most efficient, fast, and customised service possible. Active Re could meet and exceed all financial and corporate goals by following a clear strategy.

We remain strict in following our strategic growth objectives: market niches, geographic dispersion, and focusing on short-term, non-catastrophic risks.

These allowed us not only to retain but to increase our portfolio of clients, professional intermediaries, and markets around the world.

It is important to mention that our planning has gone hand in hand with continuous improvement and actualisation of processes and practices throughout all the company's departments.

We feel confident that if we maintain our hard work and sound professional practice, we will continue to be on the right track toward success.

With my best regards to all of you,

Juan Antonio Niño Pulgar
Excecutive Chairman

"Our company has focused on innovating our processes and strengthening the global placing of our human talent to provide our clients with the most efficient, fast, and customised service possible".

Message from the *CEO*

Dear friends, business partners, and colleagues,

At the end of 2021 and on the threshold of Active Re's fifteenth year of operation, we have reaffirmed the sustained upward trajectory, achieving unprecedented technical, financial, and operational results. Net Premium Written increased by 13% to US$ 164.7 million, Net Income nearly doubled to US$ 17.3 million, and Total Equity grew 33% to US$ 68.9 million. AM Best affirmed Active Re's financial strength rating at A- (Excellent) and, for the second consecutive year, the outlook for this rating is positive.

The reported growth exceeded the initially outlined targets and was achieved on account of a superb underwriting performance by our own professional team and business partners, as well as the continued support of our shareholders through profit reinvestment and fresh capital contributions. Underwriting Income grew 74% to US$ 25.4 million, the Combined Ratio was 76.5%, and Return on Equity was 28.7%.

The past two years have represented a major test of resilience. In the wake of the COVID-19 pandemic, new challenges havearisen from the impact of climate change, disruption in supply chains, and - more recently - geopolitical conflicts and global macroeconomic volatility, with a marked upturn in inflation. Obtaining the outstanding results that we are now presenting has required commitment, discipline and a well-coordinated set of firm hands on the helm.

Disciplined risk underwriting, with an aversion to catastrophic exposures and appropriate financial, technological, and professional talent support for the capabilities offered, have led to the sustained growth, diversification, and profitability of our book of business.

Our strategy has continued to focus on reinforcing the five pillars that underpin our vision of Active Re as a global, specialised, and innovative professional reinsurer, which is achieved by delivering benefits for all.

Reading the subsequent chapters of this report will provide an opportunity to assess the progress of the work done to secure the proposed long-term goals. Hence, in this message, I will highlight a few points that have been treated with priority by Active Re's senior management during the year 2021.

Active Re's balance sheet strength and financial size have been identified as two crucial pillars of its strategy to meet the challenges of the global reinsurance market in highly competitive and volatile conditions. It is only by maintaining sustained financial stability that we have been able to sustain the commitment to meet contractual and regulatory obligations and to be chosen as a preferred reinsurer by local and regional partners in emerging and dynamic markets where we have focused our commercial efforts.

Two main factors have enabled us to remain in the select group of carriers whose financial strength is rated "Strongest" according to AM Best's capital adequacy model (BCAR).

Sustained capitalisation and optimisation based on a prudent risk underwriting policy focused on technical profitability with low leverage, geographic and business line diversification, as well as adequate support from the retrocession markets.

Over the past five years (2017-2021), Active Re's Total Shareholders' Equity grew from US$ 30.7 million to US$ 68.9 million, with a compound average annual growth rate (CAGR) of 22%, double that reported by the global reinsurance industry. With organic growth, as shown so far, we are very close to achieving the strategic goal of climbing to AM Best's subsequent financial size category VIII, with equity of more than US$ 100 million. We will also be focused on reaching a credit rating upgrade to A (Excellent).

> **"** *In 2021 Active Re continued to modernise and improve its IT infrastructure and the overall digital transformation of the operation as one of the key areas of innovation.*

In the five-year period just ended, Active Re's average combined ratio was 82%, while the industry average was 102%. The average return on equity (ROE) was 21%, far exceeding the industry average (5.8%), which in three of the five years under review could not exceed the average cost of capital (WACC).

The third pillar of Active Re's strategy focuses on developing a profile and business model that allows it to expand its position as a specialised reinsurer. With satisfaction, we can say that in innovation, we have found a source of growth with efficiency and diversification, achieving new milestones in business development and the effective use of distribution channels and management tools. No less important has been the investment in professional talent, management team and digitalisation of processes.

In addition to the already traditional growth and expansion of the Affinity business (Group Life and Personal Accident), in which Active Re acts as the quoting market agent and leader of major programmes, two key areas of work were strengthened in 2021, with a high impact on the results presented here. The first relates to the increased share of automatic treaty business in the inward reinsurance portfolio, representing 46% of net retained premium and 37% of reported underwriting income for the year. Secondly, the consolidation of alliances with top-level underwriting agencies (MGAs) and regional brokers, whose expertise and platforms have been an excellent complement to the product offering and a pivot of Active Re's efficiency, contributing 41% of the technical profit for the year.

The fourth strategic direction that has received the attention of Active Re's Senior Management relates to the achievement of strong operational performance, underpinned by implementing and monitoring high industry standard metrics. In addition, underwriting and business development were strengthened with a professional team located in different geographical locations to optimise client service and distribution channels.

In 2021, our professional team-initiated business in 24 new markets, bringing the total number of ceding companies we work with to 412 in 112 countries. All business lines reported technical profits, with adequate reserve management and aggregate control. In addition, excess risks were placed in diversified and highly rated retrocession markets, which also benefited from Active Re's prudent underwriting.

Financial management has adequately supported Active Re's underwriting practice and overall reported results. At year-end 2021, total investments and cash in banks increased by 18% to US$ 79.8 million, driven by a recovery in collections management following critical pandemic times. Net investment income grew by 8% because of a conservative investment strategy, with a portfolio comprised of 87% cash and fixed deposits and 13% investments in other instruments, which match well with the portfolio's short-term reinsurance business obligations.

The commercial, technical, and financial results mentioned have been accompanied by an equally remarkable performance in technical and corporate support activities. During 2021, we improved horizontal integration, process optimisation and relationships with strategic partners, thanks to a higher level of automation. The Technical Accounting team was consolidated, formalising the integration of the overall administration processes of inward and outward contracts, improving its internal interaction with the technical and financial divisions, as well as relations with cedants, distribution channels and retrocessionaires.

In 2021 Active Re continued to modernise and improve its IT infrastructure and the overall digital transformation of the operation as one of the key areas of innovation. Introducing new products and services has required further customisation of the Integrated Reinsurance System (SIR) and its integration with other sub-systems, reducing manual interventions and repetitive operations.

A new generation of real-time, interactive analytical reports based on modern business intelligence tools has been introduced, improving the productivity of the professional team and the experience of clients and partners while making the information management base more rational and private.

The fifth pillar of Active Re's strategy is geared towards the continuous improvement of our comprehensive risk management system, governance and the implementation of paradigms with a greater socio-environmental focus. The current landscape has presented challenges and opportunities. However, Active Re has demonstrated resilience in these difficult times, absorbing market volatility and expanding its service offering and bespoke solutions.

In 2021, Active Re's risk model was regularly monitored by the specialised committee established by the Board of Directors. Particular attention was paid to the regular review of key risk indicators and updating mitigation efforts for technological, operational, and other extreme events whose severity and global impact have increased in recent years. As a result, at Active Re, we are prepared to adapt the strategy to a new reality, with emerging risks never seen before and economic cycles significantly shortened compared to historical averages.

The Corporate Governance function has been primarily focused on ensuring Active Re's compliance in executing its commercial and financial activity, assessing and preventing the potential legal impact of operations. An important benchmark in 2021 was to address compliance with the new Economic Substance Act and other regulations applicable in our legal domicile (Barbados), as well as the priorities of the international financial sector in the global combat against money laundering, terrorist financing, proliferation of weapons of mass extermination and the application of other international sanctions regimes.

In 2021 Active Re strengthened the professional Compliance team and digitally integrated the Compliance Management System with the Integrated Reinsurance System and the Financial Management System in a collaborative environment facilitated by the functionalities of the overall IT platform. As an immediate result, operational performance and compliance with regulatory reporting commitments improved. During the year, manuals, policies, and corporate documentation were reviewed and updated, all of which were timely communicated to the staff and third parties involved. In addition, Active Re's entire technical team, management and directors received specialised training in AML, CFT Governance and Oversight.

Active Re has continued to foster a corporate culture that encourages inclusion, respect for universal values and compliance in all areas and markets where we operate. We have strengthened the external projection of the brand and direct communication to all employees and business partners. We remain active in social media and publications in conventional media. The awards received in recent years from international trade publications show that Active Re is increasingly recognised as a reliable and innovative business partner.

In summary, the results we present in this report eloquently reaffirm the certainty of the strategy adopted. Active Re has successfully entered new markets and lines of business, replacing competitors who have chosen to go in a different direction. Active Re's business model and organisational structure are innovative and continuously improved. Our highly qualified and experienced team of professionals, representing diverse nationalities and cultures, is our biggest asset. Our professional diversity, with an organisational structure that is cooperative and inclusive, has been pivotal in providing a better service to our clients and strategic partners.

In the projections up to 2024, Active Re will continue with the diversification and growth strategy geographically and by lines of business. We will consistently improve the operational performance and business profile by cultivating long-lasting relationships with strategic partners and clients with stimulating innovation, combined with the cooperation and expertise of our top-tier professional talent.

Continued equity strengthening will reinforce the increased risk retention in our portfolio and the access into new business classes and market segments, where the risk-return trade-off justifies the full alignment between our business activity and shareholders' interests.

The past few months of 2022 confirm our forecasts of a tightening market, with a reduction in risk appetite and capacity offered by many traditional markets. We will continue to monitor industry developments, the macroeconomic and geopolitical outlook, the regulatory environment, and emerging risks to adjust our growth and profitability targets, as well as our reserving and pricing assumptions and projections.

I would like to thank my colleagues at Active Re for their dedication, commitment, and collective spirit, which have made our achievements possible. My thanks also go to our founding shareholder and Executive Chairman, Juan Antonio Niño Pulgar, for his continued support and unfounded encouragement to improve overall performance.

Finally, to our clients and business partners, I offer my special acknowledgement for the continued trust placed in us.

Working with many talented people and renowned institutions has been a privilege. It is satisfying to know that Active Re is recognised for its financial, operational, and innovative performance, as well as for its ability to adapt and improve in the face of extraordinary events, which is only possible when there is a positive working environment and employee satisfaction. We are all optimistic about continuing to elevate our brand in years to come.

Ramón Martínez Carrera
Chief Executive Officer

We will consistently improve the operational performance and business profile by cultivating long-lasting relationships with strategic partners and clients.

Business Report & Achievements

2021: A year of recovery for the industry

Once again, Insurers and Reinsurers have weathered a severe global crisis successfully. As a result, all specialised reports announce increases in the overall capital of the worldwide insurance industry. Also, reinsurers achieved a combined ratio below 100%, and analysts foresee ROEs of around 10% .

The harmful effects of the pandemic on some classes of business have not created a significant problem for the overall reinsurance industry. Discipline in management and rating levels have been maintained to guarantee a good performance.

While the industry managed to adapt fast to the new operating requirements imposed by the pandemic, it was welcomed with joy when – in 2021 – the traditional reinsurance conferences resumed. Finally, after a year with limited travelling, physical meetings, and office work, reinsurers could gather again with brokers and clients, which is essential in a sector so firmly built on personal trust.

In this more stable environment, Active Re achieved its challenging business goals in 2021, improving all key performance indicators compared to 2020.

Market trends & opportunities

The market continued to offer good opportunities to Active Re due to specific circumstances favouring our chosen strategy.

Firstly, 2021 was a hard market, particularly in some regions and business classes. That translated into higher rates and reinsurance prices plus tighter underwriting conditions that are sometimes more protective for insurers and reinsurers than the rates themselves.

Secondly, the downgrading of some reinsurers in 2020 and 2021 and the exiting of Lloyd's syndicates from some classes turned "A" rated capacity scarcer than it was.

Finally, when the pandemic started, the reinsurance industry was generally inclined to reduce its surety and credit exposures because it was identified as one that could be more sensitive to the economic effect of COVID-19. At Active Re, we had a different view and remained one of the few reinsurers with an appetite for growth. This different risk perception offered many exciting business opportunities.

Business Strategy

Growth and diversification in a collaborative "ecosystem"

Active Re maintained its "Growth and Diversification" strategy in 2021. The company further spread the territorial distribution of its portfolio, which is now more balanced across more than one hundred markets. Additionally, more business classes have been incorporated and significantly increased the weight of treaty business, now representing nearly 50% of the premium income.

We have managed to grow and diversify whilst keeping an agile and lean structure, which is quintessential to our managerial principles.

It is challenging to reconcile adherence to a lean structure and simultaneously accelerate a growth and diversification strategy.

Firstly, although Active Re has systematically increased its capital base by reinvesting most of its earnings, the business may potentially grow faster than the actual capital build-up.

Secondly, growth and diversification require considerable additional resources in structure and experienced underwriters that cannot be incorporated on the same path as the business opportunities require.

How might we increase our capacity and the number of resources to grow and diversify fast?

Regarding capacity, we have adopted three courses of action:

- Continuing to increase our paid capital by reinvesting a significant share of our earnings.
- Reinforcing and expanding our retrocession programmes with first-line markets. Although the hard conditions of the retro markets, we managed to renew all our programmes and increase the resulting capacities. In particular, we contracted a per risk and CAT protection programme that allowed us to step vigorously, in January 2021, into the Property & Engineering treaty business. This programme was renewed and expanded at the end of 2021.
- Putting together ad hoc proportional retrocession capacity for our MGA's and Facilities' programmes, leveraging on colleague reinsurers' willingness to participate in business opportunities that Active Re scouts, analyses, and wishes to take a risk on.

Regarding the necessary resources, we have applied the following strategy:

- Identifying the core structural business to be kept internally managed in full. We put in this category treaty business, Affinity (Group Life) and some facultative lines of business in the property and surety classes.
- Incorporating new senior staff to reinforce our internal underwriting capabilities related to this structural business.
- Expansion in facultative businesses with our resources is slow and requires high investment in staff and structure. Therefore, the risk of inefficiency is high, and time-to-market is not guaranteed.
- Hence, Active Re has based its growth in facultative business on partnerships with first-class MGAs and brokers operating historically successful facilities. In addition, we managed to incorporate several experienced underwriters with a proven track record and an entrepreneurial mindset using this system. These MGAs constitute an essential part of Active Re's growing offering to the market.

This peculiar ecosystem that Active Re is orchestrating has proven to address the business targets of different industry participants. MGAs can develop their business plan using Active Re's A-rated capacity. Fellow reinsurers grow and diversify their portfolio leveraging Active Re's business initiatives. Finally, the company accelerates the implementation of its strategy whilst sticking to its agility and lean structure principles.

In 2021, the "externalised" part of the ecosystem produced 17% of the retained premium and 41% of the underwriting income.

The final and essential pillar of the strategy is, of course, distribution. Active Re has developed a very close relationship with several regional brokers that have supported the company since the early days of its internationalisation. In addition, global brokers intensify their collaboration with Active Re as the company expands and consolidates its excellent credit rating.

The company reinforced the area dealing with the collaborative ecosystem by increasing the staff dedicated to the MGAs onboarding process, the due diligence process, the control and monitoring procedures, and the operational framework. Active Re's collaborative business model will be consolidated and expanded in 2022 and 2023, making it even more attractive to all business partners.

Business Development by Class

1. Property & Engineering

Property and Engineering is now the most important class of business for Active Re, represented in 2021 around 49% of the retained premium and contributing 76% to the company's underwriting income.

The diversification strategy that presides Active Re's business model imposes limiting as much as possible CAT exposures and aggregations. Accordingly, we try to exclude CAT exposed locations and retrocession business.

1.1. Treaty Business

Treaties supplied the most considerable expansion in this class of business. Active Re managed to structure a retrocession programme to start participating in treaties. Many of our facultative clients trusted their favourable experience with our company and signed proportional and non-proportional treaties with us.

In 2021, Active Re managed to sign treaties with more than forty ceding companies from all corners of the world. It is worth mentioning that, during 2022, that figure grew by around 50%; all the treaties were renewed in January, and the signed lines increased significantly.

Although this business is tagged as structural and accordingly internally managed, we have agreed with the MGA Kemah Capital to write Property & Engineering business in Africa, where they are specialists.

Writing property and engineering treaty business enabled us to moderately step into other classes like marine and liability due to the "bouquet" placement system our clients are used to in the Middle East and Asia.

1.2. Facultative Business

Active Re kept writing facultative property and engineering business using our two available capacities: US$ 5 million for Latin America and US$ 10 million for the rest of the world. As a result, the business grew moderately but performed very well after two years when losses, including the Beirut explosion, severely hit the Middle East portfolio.

This class's partnership with several MGAs produced significant business and good results. For example, Active Re worked with Artex (Property & Energy), Rokstone Underwriting (Property & Energy), Globe Underwriting (Onshore Construction & Power Generation), and XS Latam (Property Latin America and The Caribbean).

We also participated in some regional facilities in the MENA Region and Latin America, putting follow lines behind industry leaders.

2. Affinity business

Affinity represents one of the core lines of business in which Active Re focuses its effort, which has resulted in a portfolio of GWP of US$ 62 millions. This line of business is covered with top-of-the-line retro capacity provided by Lloyd's in London.

Active Re's footprint continues to increase in size and dominance across several markets and types of business between facultative and treaty opportunities around the globe, which allow us to have a diversified portfolio and avoid high concentration in one country.

Active Re is participating in a quoting market. This gives us the advantage of assuming a leadership role in specific programs.

3. Surety & Credit

Credit and Surety represented 26% of Active Re's retained premium and contributed, in 2021, 12% to the underwriting income.

By the end of 2021, Active Re had a portfolio of more than 50 Credit & Surety treaties. This figure duplicates 2020's and totals around US$ 18 million of retained gross written premium. The performance of this portfolio is excellent, and the class result was only jeopardised by a claim resulting from an old risk underwritten before we adopted the current guidelines.

In 2022, we expect the number of treaties to remain as they are, not least due to the cancellation of some Russian treaties because of the imposed international sanctions. However, due to some increases in Active Re's shares at January renewals and the expected traction of the Surety business after the pandemic, we expect significant growth in our portfolios.

Active Re writes facultative Surety business in Latin America. The premium level remained stable in an extreme slowdown in public works due to COVID-19. We still hold a clean loss record in this class.

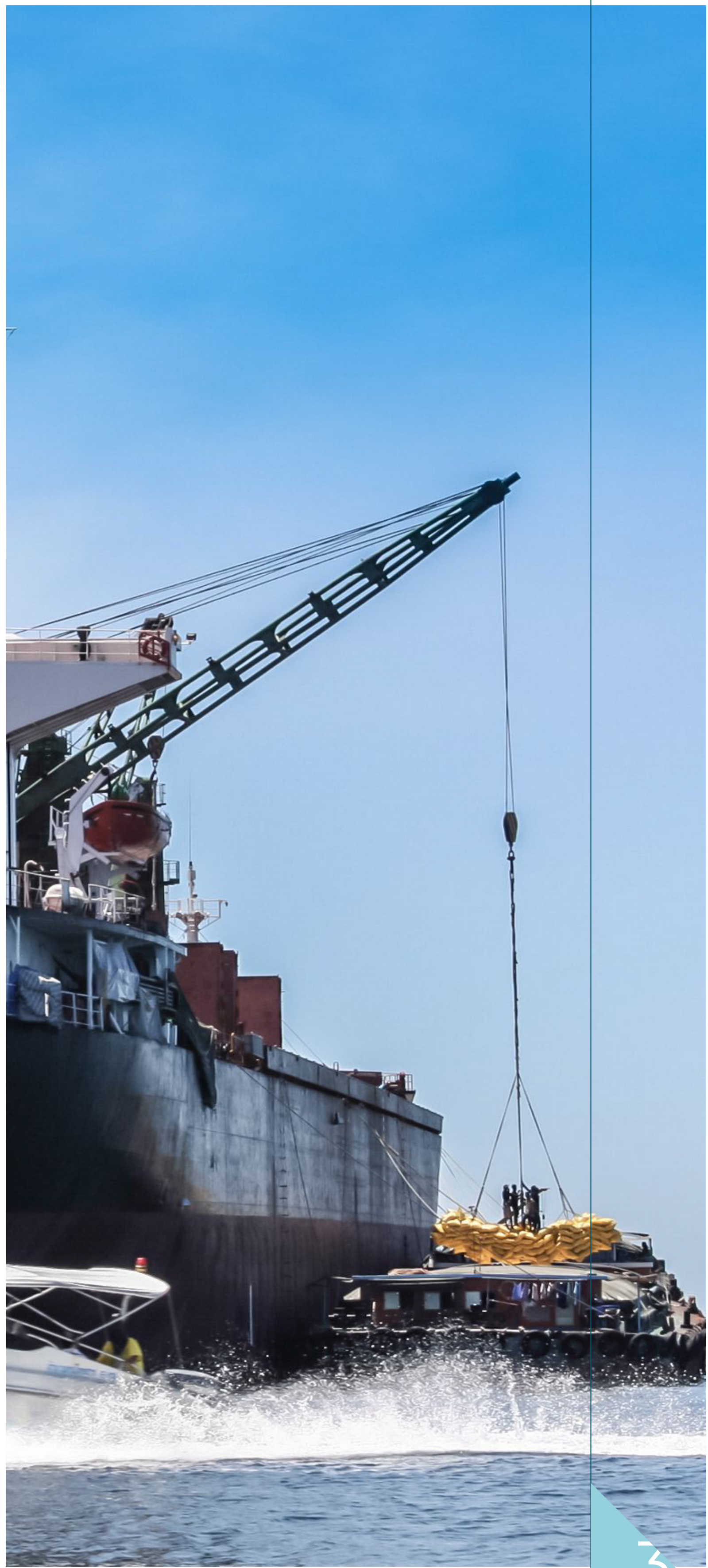
4. Other Classes

Thanks to the expansion of treaty business and the development of the collaborative ecosystem previously described, Active Re started to expand its portfolios to other business classes.

We signed some lines in marine and liability treaties with clients that place their programmes on a "bouquet" basis.

We entered the Facultative Marine Cargo business through a new binder signed with Rokstone Underwriting.

We also started developing the Financial Lines class by partnering with two London-based MGAs: Frontier Global and One Advent.



Claims

2021 Loss Ratio stayed at 46%

Results & key performance indicators

In 2021, Active Re had a 74% increase in underwriting income to US$ 25.4 million for the year against US$ 14.6 million for 2020. The combined ratio showed 76.5% versus 83.3% in 2020.

Net income amounted to US$ 17.3 million, showing a 79% increase compared to 2020 (US$ 9.7 million).

Active Re's Return on Assets for 2021 was 7% and Return on Equity amounted to 28.7%.

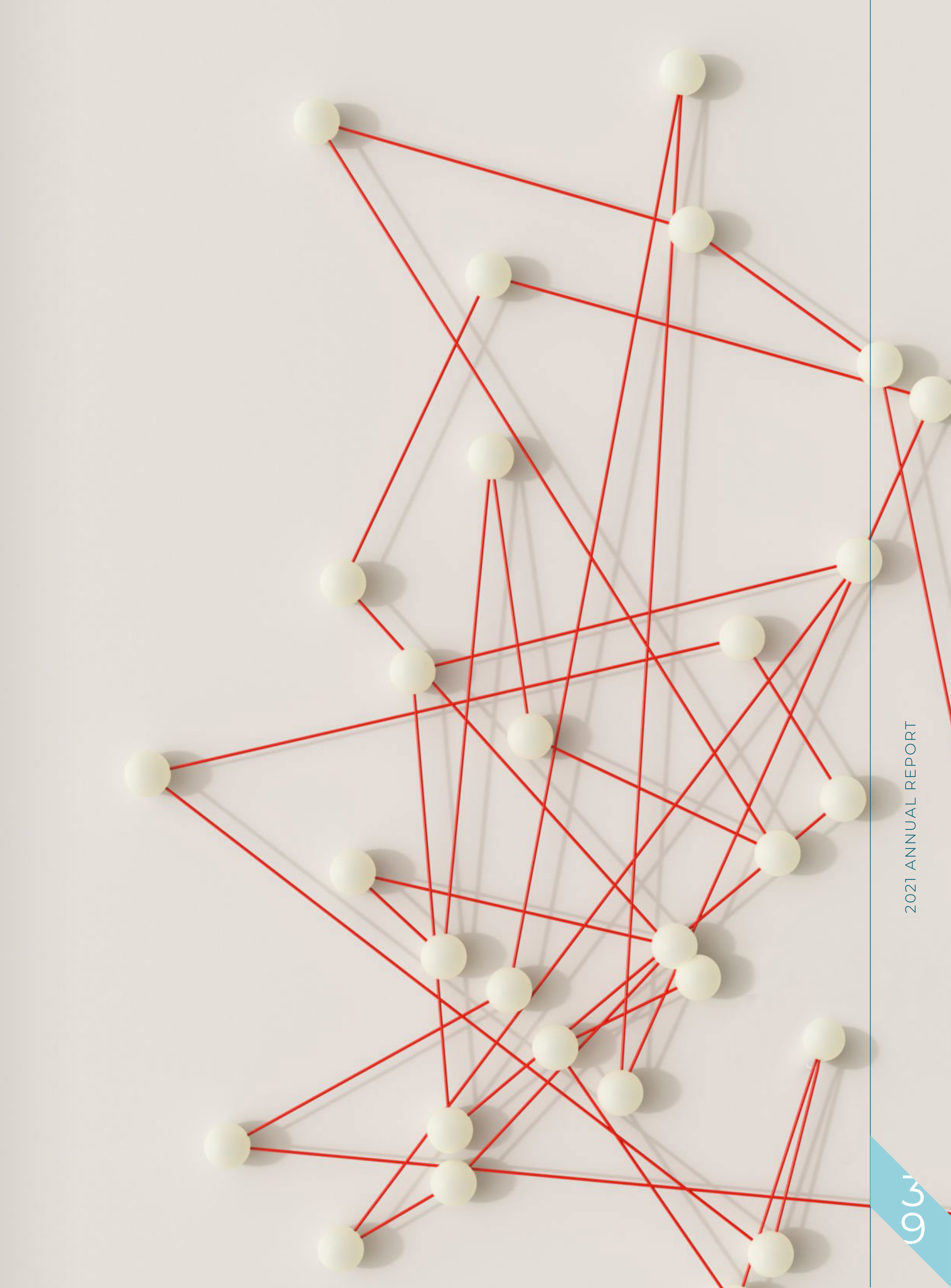
Active Re's total equity has increased by US$ 16.9 million to US$ 68.9 million this year, with the net premiums written of US$ 164.7 million, resulting in leverage of 0.99% versus 0.98% in 2020. Our solvency margin amounts to 703% of the Barbados regulatory requirements.

Rating and awards

AM Best has reaffirmed our A- Excellent rating in Financial Strength and Long-Term Issuer Credit Rating of "a-" and improved the outlook from stable to positive for 2021, recognising financial health, integrity, and ethical management. AM Best also rated us Excellent under Best Capital Adequacy Ratio (BCAR) model.

Active Re received two awards from Capital Finance International:
"Best Specialized Insurance Solutions," Global 2021 Winner, and the "Best Reinsurer, Emerging Markets 2021".

We also received the
"Best Alternative Risk Transfer Solutions Award" Latin America for 2021 issued by BV World.



HARDNESS OF RETROCESSION MARKET

Guy Hudson
Divisional Director AHJ Europe AS, UK Branch | 2 Minster Court, Mincing Lane, London, England
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AHJ Ltd is delighted to have been invited to contribute to the Active Re 2021 Annual Report. We have been privileged to work closely with Active Re to assist in the establishment of various retrocession solutions that aid the company in fulfilling their growth and development strategy.

Active Re's underwriting team are both experienced and effective in their chosen areas of activity, all of which makes our role as one of their brokers a sincere pleasure.

On the approach to the 1st January 2022 renewal season, the market for retrocession capacity was constrained in its access to capital and had been disproportionately impacted by those losses leading up to the new year. As a result, the priorities for those writing such covers were significantly altered, and in turn, this meant buyers had to adapt to the emerging market environment.

The changes witnessed within the retrocession market ensured that January renewals were extremely challenging, and issues relating to appetite for retro aggregate and availability of capacity led to intense debate and robust negotiations. Some buyers of retrocession found themselves in an awkward position with renewal discussions lasting beyond the end of the year, and in some instances, this process lasted well into January.

There were a number of occasions where available capacities only just met minimum requirements leading to some major reinsurers looking to add further retro capacity across the first few months of 2022. Whilst this scenario can, in some senses, be considered a typical annual process, with buying often going on through January and into February (especially on the indexed or industry loss side of the market), the scale of the challenge being met in early 2022 made it somewhat different from the norm.

This process is likely to continue during 2022 due to the fact that retro capacity was so reduced in advance of the renewals, not least as a result of significant losses impacting some of the collateralised retro specialists. In addition to these issues, one can recognise that a number of markets offering aggregate retro capacity may now have a further reduced appetite as a consequence of the February storms followed by the potential impact that the current war in Ukraine will be seen to have on market results.

At 1st January 2022, non-marine catastrophe retrocession rates-on-line for Excess of Loss coverage rose by approximately 15%, which in turn would suggest a 75% increase has been witnessed since 2017. This is significant in a market where capital efficiency has also improved during the relevant period.

Such increases had been recognised as necessary and one should also take into account that 15% is an average figure with some retro layers renewing with price increases of up to 30% or even more. This is due to underwriters understanding that catastrophe risks, especially climate exposed, have been either not modelled, incorrectly modelled or simply under-priced.

The contraction of available aggregate for retro reinsurance protection was partially due to battered and trapped ILS sector capital, but amongst other reasons, most notably, there was a perceived increase in the frequency and severity of catastrophe events (Storms in Europe and the December tornadoes in the United States) together with the added examination in respect of reinsurance profitability which affected the ILS investors and therefore their willingness to provide capacity.

Consequently, the capacity for the more exposed bottom end layers of retrocession excess of loss has become far more limited, and the level of attachment point taking just as important a role as price.

partners viewpoint

Models are being carefully analysed as to efficacy, especially in respect of secondary perils which have been somewhat overlooked historically.

Consequently, the available retrocession capacity has moved further away from first event coverage, and larger deductibles are being demanded.

It would seem likely that the remainder of the year will see continued pressure being applied to retro reinsurance programs that will see changes introduced to some loss triggers; to deductibles and subject to second or third events, while some retro buyers are also expecting to incorporate more index-linked protection as well.

In terms of retrocession, sidecar and quota share reinsurance capacity remains bruised, and only limited new capacity is emerging for these structures. It is anticipated that this movement will continue. Poorly performing retro quota shares will be dropped, and for others, restrictions such as reducing exposure by application of caps will be implemented.

A differentiation will become ever clearer and more noticeable with providers of capacity looking to demand a movement on levels of attachment; deductibles; per event coverage and a focus on risk. This could lead to ceding companies having to be more strategic in their thinking and markets focusing on developing products that meet the buyer's needs, without unduly exposing themselves.

AHJ
Alwen Hough Johnson

underwriting performance

Overview

With resilience and sound conservative underwriting policies, Active Re has successfully met the hard market that continued in 2021. The year brought rate increases and strength conditions in most countries, led by Lloyd's and the London Market, with an appetite still at specific terms. This results in less capacity to almost cover the Cat demand across the region.

Active Re, strengthened by AM Best A- outlook from Stable to Positive, is continuing its treaty accelerated expansion creating new relationships and expanding the existing ones to other lines and types of business.

Active Re's rated capacity delivered to the market, with its flexible, agile, and qualified response by its worldwide strategically located professional underwriting team, has positioned it as a strategic alternative reinsurance provider.

2021 has allowed us to consolidate the growing treaty portfolio, balancing the portfolio's distribution per type and business lines, per risks covered, and regions.

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.

Today more than a decade later, Active Re keeps strengthening the underwriting team, which provided us with relevant expertise and market recognition to continue our position as a lead quoting market for this line of business. Moreover, a relative positioning has mirrored this advancement in the Latin American market in the MENA Region, for which Active Re is expanding its footprint by targeting suitable opportunities in this region

Surety & Credit

Due to the nature of this line of business for Active Re, credit business continues to be under a selective underwriting focus. Therefore, excellent track records are required from those markets selected by the quality of the balance presentation.

Surety continues to represent a young line of business for Active Re, which started as a facultative initiative for Latin America and expanded to treaty business, with excellent performance in the last three years, thanks to the underwriting behaviour.

In parallel, we developed the European Treaty Portfolio, which has proven to produce a profitable result when 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 in 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 this, we expanded the Credit and Surety portfolio into Asia and selected 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 constantly, in the facultative and treaty lines, with the predominant growth stemming from our strategic alliances with London-based MGAs.

In parallel, and due to the hard market conditions, we accessed new treaties in LATAM, MENA, and APAC selectively. Our specialised Treaty Desk team is focused on developing the treaty business worldwide with high underwriting standards by monitoring and accompanying the hardening in conditions and rate increases.

Our facultative underwriting teams continue directly marketing these lines, focusing primarily on LATAM and MENA Regions.

Overall, these lines of business remain essential and profitable for Active Re.

Underwriting Performance:

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

Affinity & Bancassurance	Group Life	Alternative Risk Transfer (ART)	Miscellaneous
Credit Life	Life	Reinsurance solutions for corporate accounts	ATE Legal Expenses
Fraud, theft and loss for credit cards	Personal Accidents	Captive Structures	Liability
Extended Warranty			Marine

Channels

2021 continued the trend of reinforcing existing relationships with cedants, brokers, and MGAs, and developing strategic new ones in all regions. Each has contributed with their expertise and teamwork to achieve our targets.

They are an essential part of our strategic alliances to service clients worldwide.

For Active Re, creating new and maintaining existing strategic relationships with cedants, brokers, and MGAs is one of our business development's cornerstones, enabling us to service our global clients effectively.

With the world slightly returning to its offices after pandemic restrictions, 2021 proved to be a period of consolidation in terms of relationships as each of our business partners has contributed their expertise and knowledge assisting Active Re to achieve its targets.

Traditional Channels

100 brokers worldwide have given us service during 2021, as our allies in our marketing strategies, by expanding our reach to 112 territories across the different lines of business.

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 Facultative and Treaty business through our broker partners and directly from cedants by building personal relationships, enabling us to understand and service their unique reinsurance requirements fully. This level of service has again earned us the Best Alternative Risk Transfer Solutions (Latin America) awarded by BV World for 2021.

This level of service has again earned us the Best Alternative Risk Transfer Solutions (Latin America) awarded by BV World for 2021.

MGAs & Facilities

MGAs

The MGA spectrum brought Active Re unique opportunities during 2021 following our Vision of being Global, Specialised, and Innovative by enhancing our commitment to expand the range of product offerings to our clients.

These 2 new lines of business are Marine Cargo (Rokstone Underwriting) and Financial Lines (Frontier Global Underwriting and One Advent).

The Financial Lines Delegated Underwriting Authority is the first hybrid DUA initiated under Active Re's MGA platform. The respective MGAs were assigned underwriting territories focused on the class underwriter's knowledge and experience.

In 2021, Active Re had 11 different operational Delegated Underwriting Authority binders in force with 9 individual MGAs.

Facilities

Following an excellent first year of performance, Active Re renewed its support to four brokers operating the Swift Re® platform in the MENA region, further enhancing Active Re's presence in the region.

Through the Swift Re® platform, Active Re had the opportunity to support a separate portfolio for Indonesia, which started in 2021 with one producing broker.

In 2021, Active Re operated six Underwriting Facilities through five individual producing brokers.

Underwriting Capacities

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.

In 2021, most of the Retro capacities were over placed, showing an explicit recognition by Lloyd's Markets of our underwriting performance, periodical monitoring on exposures of the different regions, and the provision of precise information during renewals.

The volume and protection provided by these retrocessionaires enabled 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.

PROPERTY & ENGINEERING	ENERGY	SURETY & BONDS	CREDIT
LATAM: • FACULTATIVE US$ 5 M • TREATIES US$ 5 M	MGAS & FACILITIES	LATAM: • FACULTATIVE US$ 10 M	WORLDWIDE: • TREATIES US$ 1.5 M
WORLDWIDE: • FACULTATIVE US$ 10 M • TREATIES US$ 5 M		WORLDWIDE: • TREATIES US$ 1.5 M	
MGAS & FACILITIES			

MISCELLANEOUS	AFFINITY BANCASSURANCE	GROUP LIFE	ALTERNATIVE RISK TRANSFER (ART)
	CREDIT LIFE	LIFE	REINSURANCE SOLUTIONS FOR CORPORATE ACCOUNTS
ATE LEGAL EXPENSES	FRAUD, THEFT & LOSS OF CREDIT CARDS	PERSONAL ACCIDENTS	CAPTIVE STRUCTURES
LIABILITY	EXTENDED WARRANTY		
MARINE			
FINANCIAL LINES			

Underwriting Results

Active Re's retention was increased to 41% in 2021, from 35% during 2020 for Property, complemented by hard market trends and excellent performance of this primary line of business; while in MENA-APAC, the retention was reduced from 44% to 33%, due to a more conservative approach on the Affinity business, previously affected by COVID-19.
Finally, the European business maintains an unaltered 21% retention. As a result, we wrote US$ 164.7 million of gross earned premium versus US$ 145.9 million in 2020.

Underwriting Tools

Risk analysis

We continued incorporating resources that, together with the existing underwriting and risk analysis tools, have improved our underwriting practice to evaluate the catastrophic exposure and the experience of man-made portfolios with a more sophisticated approach.

Risk Exposure Tools

With Risk Modelling Software and Nat Cat analytical tools, critical for our underwriting operations, we monitor, in real-time, each of our accounts and risk profiles. We observe the underwriting aggregate trends, thus mitigating our risk exposure by obtaining adequate, effective CAT and Retro covers, thus ensuring the ability to meet any claims.

The current Nat Cat guidelines allowed us to maintain the already reduced exposure to net losses with a 5% PML, based on a frequency of 1:250 years, very far from the 15% tolerance over the risk capital established by the company years ago.

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

We can obtain practical and optimal reinsurance solutions tailored to meet our specific 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 the necessary structure and basis for assessing placement rates and deductibles by occupancy and respective countries.

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

Analysis by Type of Business

Foremost in our portfolio is the facultative business, mainly coming from MGAs production and its results. This trend, however, is continually changing because of the Treaty business growth, which will have a significant effect during the next 24 months.

73% of the earned premium comes from facultative business, of which 47% comes from Active Re underwriting with 35% own retention and 22% Income, while MGAs are producing 27% with a 19% company retention and an impressive 41% Income.

Finally, although relatively small compared to the facultative portfolio, treaty business contributes 26% of the gross earned premium income with a retention of 46% and 37% of the Underwriting Income, respectively.

In terms of business volume, MGA is leading the ranking with 59% of total accepted accounts, while Facultative produce 37% and Treaties 4%.

Portfolio Structure by Type of Business – % of Accounts

NO. OF ACCOUNTS	2021	2020
MGAS	59%	54%
FACULTATIVE	37%	44%
TREATY	4%	2%

Analysis by Line of Business

When analysing the portfolio by Line of Business, Property & Engineering have 50% of the gross earned premiums, followed by Affinity risks with 38% and Surety & Credit, the remaining 12%.

However, analysing this portfolio from the earned retained premiums perspective, the distribution is Property & Engineering with 49%, Credit & Surety at 26%, and Affinity with 25%.

Property & Engineering generates 76% of the Underwriting Income, Affinity 12%, and Surety 12%.

Portfolio Structure by Line of Business – % of Accounts

NO. OF ACCOUNTS	2021	2020
PROPERTY & ENGINEERING	90%	91%
SURETY & CREDIT	8%	7%
AFFINITY	2%	2%

The traditional lines of business of Property & Engineering and Energy continue their year-on-year proportional growth comprising approximately 90% of the offers received, generating 76% of the portfolio's technical result.

While these statistics illustrate a growth factor greater than our mature Affinity and Credit & Surety business, we achieved sound returns on earned retained premium of 25.4% because of that ongoing diversified growth.

Thanks to the profitability obtained after the pandemic, the Affinity market's operating efficiencies continue improving our bottom-line results.

During this period of uncertainty, it has been crucial to maintaining our underwriting practices with complete statistical analysis, experience, and future business trends. On the other hand, Active Re continues positioning itself as a strategic partner in this challenging time.

Thus, we continue capitalising on our Affinity strengths by offering cedants new and innovative types of cover that have differentiated our brand in many markets. This has allowed us to access reciprocal business opportunities that may have been inaccessible to these clients.

Geographical Spread

2021 was crucial to expand our business to the treaty side worldwide by consolidating the 2019 y 2020 marketing efforts and translating them into materialised business in all regions, resulting in having accepted business from 112 countries.

Thanks to the growth in treaties outside that region, our global portfolio, which initially originated in Latin America, has expanded even more during this period in Europe, MENA, and APAC, with 69% of our acceptances from MENA and APAC, followed by Latin America and Europe.

MENA – APAC

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

Our underwriting team concentrates on facultative risks in Commercial, Corporate, and Industrial Property across Europe, MENA, and APAC.

The exceptional growth in treaty business during this period has positioned Active Re as a comprehensive provider per type of business.

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 vital refinement work due to the number of offers arriving from different business sources, 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 a unique lack of reinsurance capacity.

Group Life follows the Latin American Affinity portfolio, showing the most growth.

In 2021, we incurred massively in Property & Engineering treaties, carefully selecting those per-country opportunities to diversify our exposure across the region geographically.

We continued to focus on Mexico, the largest market in Latin America, to further the growth of the Treaty and Property & Engineering facultative portfolio. We have also successfully started entering Chile, Bolivia, Central America, and the Dominican Republic markets with both Treaty and Facultative business.

Surety Bonds continues its trend with important growth expectations for 2022. Additionally, the 2021 consolidation with the Lions Gate partnership in Latin America is positioning Active Re, after the COVID-19 pandemic stage, as an attractive provider for a very restricted Line of business due to the worldwide reduction in deployed capacity.

No losses have been notified or incurred because of the challenging COVID-19 environment, which continues to prove our in-house discipline and expertise.

These results allow us to successfully renew the Surety Bonds Retro Capacity with a 140% oversubscription to the program with existing and new A+ S&P-rated retrocessional partners.

We aim to continue diversifying our existing and core product based on Affinity lines, contributing 38% of the company's earned retained premium for 2021.

Considering development per line and type of business across the region, Mexico continues leading the whole portfolio with 55%, followed by Honduras with 11%, Panamá with 8%, and Colombia with 5% of the earned premiums. The remaining regions in Latin America collectively contribute 21%.

Europe

Compared to Latin America, MENA, APAC, and Europe remain relatively small for Active Re.

However, new business came from Facultative Property & Engineering and Facultative and Treaty Surety & Credit due to challenging placement conditions which produced increased pricing activity.

Portfolio Structure by Region – % of Accounts

NO. OF ACCOUNTS	2021	2020
MENA – APAC	70%	62%
LATIN AMERICA	23%	35%
EUROPE	7%	3%

Earned Retained Premiums Structure by Region - % of Accounts

NO. OF ACCOUNTS	2021	2020
LATIN AMERICA	46%	35%
MENA – APAC	33%	44%
EUROPE	21%	21%

GWP Structure by Type of Contract

2021	GROSS EARNED PREMIUM	RETAINED PREMIUMS	UNDERWRITING INCOME
FACULTATIVE	47%	35%	22%
MGAS	27%	19%	41%
TREATY	26%	46%	37%

GWP Structure by Line of Business

2021	GROSS EARNED PREMIUM	RETAINED PREMIUMS	UNDERWRITING INCOME
PROPERTY & ENGINEERING	50%	49%	76%
AFFINITY	38%	25%	12%
SURETY & CREDIT	12%	26%	12%

ECONOMIC REPORT 2021

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As president of MIC Insurance, it is a real pleasure for me to have the opportunity to collaborate on the Economic Report of our friends of Active RE, with whom we have a long-standing relationship, which is very satisfactory for both parties. As a company that participates in their reinsurance activity, I can only value their rigour and professionalism and excellent risk management protocols, so in line with our philosophy of good insurance practice and the search for excellence for the end client.

As an insurance company specialised in surety products and products for the construction sector, MIC Insurance has years of experience in the European market, with an upward trajectory, reaching a total of 110 million euros in premiums at the end of our last fiscal year. In addition, in 2020, the company moved its head office due to Brexit. Now its head office is in France, as it is the country where we have the largest volume of business. From our office in Paris, the company is growing, and we can consider that 2021 has been an unbeatable year with excellent business prospects.

As far as Surety Insurance is concerned, a line of business in which, in Spain, we have been the number one company in the ranking for several consecutive years, I believe that its unstoppable growth shows us the great potential that this line of business has in all European countries. Even though it could have been initially considered that the paralysis of economic activity brought about by COVID-19 would foreseeably have a negative effect on the surety business, the measures adopted and implemented by European governments to support the economy have been essential to achieving a revitalisation of activity in those sectors most dependent on public investment, which has had a very positive effect on surety insurance.

operational performance

& Financial Position

Innovation & Digital Transformation

Innovation has been a constant feature of Active Re's work and the focus of Senior Management, enabling us to meet the market challenges and the volatile global environment on all fronts.

Active Re's team has more than 99.5% connectivity enabling us to use work and collaboration tools anytime, anywhere. It also allows us to communicate constantly with our customers and partners. Thus, we continue developing, growing, and maintaining our portfolio.

Additionally, we created automated processes, such as reserve calculations, provisions, audits, and analytical reports, for the technical and operational part to support the monitoring of corporate strategy, thus maximising our employees' time.

Similarly, in an era of increasing global cyber-attacks, identity theft, infiltration attacks and other dangers, innovation has enabled us to implement security measures in our IT environment, allowing us to focus on production, reflected in our financial results for 2021.

Financial Summary

Active Re achieved outstanding performance in 2021, with an expansion of equity, impressive technical results, and favourable performance indicators relative to our peers and the reinsurance market.

Net Premium Written grew by 13% to US$ 164.7 million, with a 107% budget execution.

Active Re reported a growth in net retained premium of 34% to US$ 68.3 million, with increased retention from 35% to 41% by 2021. This growth was supported by the dynamism presented in automatic contracts (244%), while by line of business, growth was led by Credit and Surety (251%) and Property & Engineering (49%).

Active Re continued in 2021 with consistent premium adequacy and sound underwriting practices, with a technical result growth of 74% to US$ 25.4 million, representing 37% (29% in 2020) of net retained premiums. By type of contract, underwriting agencies reported 80% profitability, automatic contracts 29% and facultative 23%. By line of business, Property & Engineering showed 57%, profitability, Credit & Surety 16%, and Affinity 18%.

Active Re reported at year-end 2021 total retained claims of US$ 31.7 million (US$ 29.1 million in 2020), representing a loss ratio of 46.3% (57% in 2020). This decrease is the result of the company's sound underwriting practices. In addition, during the first quarter of 2021, claims from automatic contracts resulting from the COVID-19 pandemic affected the company's results. However, the profitability generated by the diversified risk portfolio was sufficient to support diminishing the impact on results.

Active Re strengthens and efficiently manages its equity (CAGR 60%) through profit reinvestments, new capital infusions and a conservative dividend distribution policy.

According to the AM BEST capital adequacy model, by year-end 2021, Active Re was reported to have the "strongest" capitalisation levels, supported by the expansion of its equity by 33% to US$ 68.9 million. In addition, it's capacity with top-tier retro markets, with a positive leverage level of 0.99 and regulatory solvency of 703%.

The results presented compare favourably with the global average reinsurance industry. The total cost of technical operations (Combined Ratio) closed at 76.5% (83.8% in 2020) (administrative costs and expenses of 30.2% and loss ratio of 46.3%), while the reinsurance industry reported an average of 97.6%.

Meanwhile, return on equity (ROE) continues to more than cover shareholders' expected cost of capital at 28.7% (21% in 2020), compared positively with the reinsurance industry, which by 2021 reported an average ROE of 11%.

Active Re effectively manages its Assets and Liabilities, supported by a conservative investment policy with 87% in cash and fixed deposits and 13% in fixed and variable income investments, in line with the short-term nature of the risk portfolio.

The continuous improvements to the processes and technical system, as well as the innovation and strengthening of the professional team, have been positively reflected, among others, in the management of premium collection, reducing the balance by 17% to US$ 104 million.

Total investments and cash in banks increased by 18% to US$ 79.8 million, favoured by the growth in business volume and the timely management of the premium collection. As a result, Active Re closed 2021 with favourable liquidity indicators with Cash and Cash Equivalents over Total Liabilities of 38% and Investments and Cash over Claims Reserves of 216%.

2021 AND THE MENA REGION

Joe Asmar
Executive Director –
Group Head of Facultative
Chedid Re

Chedid Re

It is a great honour to contribute to the Active Re Annual Report for 2021.

On behalf of Chedid Re, I can say that we are proud to cooperate with Active Re over the past couple of years and we look forward to strengthening our collaborations and benefitting from our mutual business interests. In particular, we highly appreciated Active Re's support following the 'Beirut Blast' and the company's agreement to follow other leading reinsurers in meeting their commitments.

The MENA Insurance & Reinsurance markets began to recover during 2021, supported by the easing of COVID-19 restrictions, increased geopolitical stability and higher oil prices. Markets have focused on maintaining business continuity, customer support and employee wellbeing by embracing emerging technologies, flexible work models, greater automation and being more proactive in strengthening stakeholders' trust. Evidence shows companies across the MENA region are transforming the way their organisations work through sophisticated digital transformation programs. We are seeing more and more insurers develop applications in the "Cloud" as a faster alternative to on-premise deployments, as well as investing in technologies such as telematics monitoring and cognitive applications. What began as the adaptation of the paperless environment has moved full speed ahead as insurers embed digital, change the organisation, and use evolving technologies to drive market opportunities and deliver competitive advantage.

In the renewal rounds throughout 2021, reinsurance negotiations in the MENA region have been lengthy and complex as carriers cautiously worked to quantify and manage rising levels of uncertainty. The coronavirus pandemic added to the existing industry challenges, led by the difficulty in quantifying losses and economic volatility. These factors resulted in more market uncertainty for Q2 and Q3.

The MENA Insurance & Reinsurance Industry has seen widespread increases in rates and tightening of terms and conditions, mostly due to limited local capacity and greater dependence on the international market. International Reinsurers have also been very selective in deploying their capacity in the MENA region with a very disciplined underwriting approach. For instance, catastrophe renewals experienced very low percentage of excess reinsurance mainly due to strict Reinsurer guidelines to deploy their capacity. This reduction makes clear that Reinsurers increased caution to deploy their capacity.

Additionally, Reinsurers have been applying more exclusions, in particular those linked to pandemic-related claims, business interruption cover and cyber exposure. They have been also very strict on premium collection by imposing warranties with specific deadlines in order to improve liquidity, solvency and control bad debt reserves.

An overview of developments in relation to the different business lines during 2021 can be summarised as follows:

- *Motor insurance pricing has declined, driven by competition among insurers due to its simplicity and the cash flow it provides. Performance has been favourable due to a decrease in claims, in the main related to COVID-19 lockdowns and social restrictions.*
- *Medical insurance performance improved overall due to lockdowns but began to increase again from June due to deferred treatments. The market was stable overall with Insurers making greater efforts to retain existing business.*
- *Property insurance has seen two main trends in the market. For all large risks there has been an improvement in terms of including rate increases, higher deductibles and more restrictive conditions. As for small to medium accounts that can be satisfied with the local reinsurance market or facilities by international reinsurers, we have continued to see flat rates and, in some cases, reductions.*
- *Engineering insurance prices and deductibles continue to increase, mainly driven by losses in the region and internationally, along with key regional and international reinsurers exiting the market or reducing their capacity.*

- *The Airline industry continued to negatively influence the aviation insurance sector due to the ongoing pandemic and the decline in passenger numbers despite an improvement from 2020. However, premium rates have continued to grow with rates increases mainly related to the hardening of the market from previous international losses and reduction in capacity.*
- *The Marine insurance market has shown improvement despite a short restriction in global trade. There has been increases in rates and more restrained underwriting by insurers, even in comparison to Lloyds and other reinsurers. This is mainly due to previous poor results and a more restrictive regional capacity.*
- *The Energy & Power segment in both the insurance and reinsurance markets were stable with slightly higher prices against the backdrop of another modest loss. Output levels remained constant despite rising oil prices while surging interest among customers for coverage of renewable energy products continued to be evident. There is more focus on quality risk engineering information and strong underwriting disciplines.*
- *Casualty & Financial Lines insurance cover rates continue to increase and considerably on certain lines of business such as Banker Blanket Bond, Director & Officers and Professional Indemnity project-related while capacity is decreasing. There is more pressure to restrict coverage and work to improve wordings.*
- *Cyber insurance remains stable despite international rate increases, which are mainly due to a rise in the frequency and severity of claims. Demand is increasing but is still not reaching the projected potential.*

Given the uncertainties prevailing in the markets, the MENA insurance industry has been seeking high-quality reinsurance protection. We are seeing a larger number of mergers and acquisitions. Many are reaching out proactively to potential opportunities for growth, distribution, product mix, modernisation, and economy of scale, as well as geographical diversification.

On the other hand, Insurance regulators in the MENA region have responded dynamically to COVID-19 by offering extensions to regulatory requirements' deadlines. Regulators are working to comply with the IFRS 17 standard on accounting for insurance contracts.

Looking to the future, reinsurance business momentum in the MENA region remains positive in light of strong long-term fundamentals – young populations, robust GDP growth and significant potential in the insurance market with low retention levels in comparison to other regions.

Chedid Re

Corporate Governance, Compliance & Risk Management

Corporate Governance Framework

By holding the highest Corporate Governance Standards, Active Re ensures that the best interests of all our investors, clients, directors, and colleagues are considered. We carry out effective controls and balances that highlight our resilience to achieve long-term corporate success and economic growth and to reduce unnecessary risks. Furthermore, we guarantee the applicability of laws and regulations, maintaining confidence that ethical standards in our business are expressed in all our activities.

Code of Ethics, Corporate Values & Principles.

To fulfil the company's mission, Active Re has adopted a Code of Ethics that contains internal guidelines clearly and accurately defined in an environment of trust and goodwill that should arise in all aspects of life, personally and professionally.

To apply our expertise, we seek to perform innovative, high-quality, sustainable solutions based on our Corporate Values and Principles.

CORPORATE VALUES

Respect
Integrity & Security
Confidentiality
Commitment
Passion
Discipline
Results

CORPORATE PRINCIPLES

Corporate Integrity
Accountability
Transparency
Ethical Behaviour
Compliance with Laws & Regulations

Board of Directors

Through continuous dialogue with our stakeholders and clients, Active Re's Board of Directors maintains the development of sustainability and working capital efficiency, with a strong awareness of the risks and opportunities in the markets and lines of business that Active Re serves.

The Board of Directors is comprised of:

JUAN ANTONIO NIÑO PULGAR
EXECUTIVE CHAIRMAN

RAMÓN MARTÍNEZ CARRERA
SECRETARY

MARGARITA NIÑO DE DE LA ROCHA
TREASURER

CARLOS GARCÍA DE PAREDES
INDEPENDENT DIRECTOR

KYRK CYRUS
INDEPENDENT DIRECTOR

Alternate Directors:

LUIS ANTONIO IBÁÑEZ
Until 31st October 2022

CHRISTIAN VERGARA

ROBERT BLAIR ALI

JUAN ANTONIO NIÑO REATEGUI

The Board of Directors Committees

Executive Committee

Juan Antonio Niño Pulgar	Executive Chairman	jan@acreinsurance.com
Ramón Martínez Carrera	Chief Executive Officer - CEO	r.martinez@acreinsurance.com
Christian Vergara Oliva	Chief Financial Officer - CFO	cvergara@acreinsurance.com
Juan José Leal	Deputy Chief Financial Officer	jleal@acreinsurance.com
Nelly Bremner	Chief Administrative Officer - CAO	nelly@acreinsurance.com
Margarita Niño de De La Rocha	VP Corporate Affairs	mnino@acreinsurance.com
Dafne Gutiérrez Cisneros	Chief Information Officer - CIO	dgutierrez@acreinsurance.com
Eira Vega Hand	Chief Governance Officer - CGO	evega@acreinsurance.com

The Executive Committee is integrated by Active Re's Senior Management. It is with the members of this committee that the values, guidelines and objectives promoted by the company's Directors and Shareholders are transmitted and spread to the rest of the organisation. In addition, the Executive Committee meets regularly for decision-making for the company's proper operation and creates value for existing and potential business.

Value is created and developed by the committee members' actions, who are outstanding professionals with proven strengths and experience in their respective expertise. Furthermore, we are proud of the gender diversity in this committee, where 50% of its members are women.

Marketing & Business Development Committee (M&BD)

The M&BD Committee's main objective is to monitor and receive status information from each organisation's marketing and business development strategies. The Committee manages:

- Proposals of new business lines with their feasibility analysis
- Proposals of new markets and joining forces with new strategic partners
- Strategies under development, with the analysis of the regulatory factor or operational improvements in case they present any deviation
- Monitoring, follow-up and control of the results and their relation to the defined strategy budget

Investment & Finance Committee (I&F)

This Committee's fundamental role is the analysis and knowledge, with its consequent competencies and attributions, of all matters related to the development of financial efficiency in investments, such as capital and liquidity management, tax fillings and, in general, the company's financial performance. In addition, the I&F Committee oversees the exercises of established financial functions, thus supporting the Board of Directors in fulfilling its responsibilities of supervising the financial information process, the integrity of the Financial Statements, the internal control system, and the auditing process.

Enterprise Risk Management & Underwriting Committee (ERM&UW)

Active Re has a permanent committee to address global risks in support of the Board of Directors. ERM & UW Committee is an entity that reviews and discusses the severity of the risk and analyses the impact that it may have on the quality and performance of the different lines of business and the regions where we offer them.

Operational Risk is mainly associated with the possibility of incurring losses due to deficiencies or inadequacies by personnel, technology, management information, or unattended processes. Although operational risks are the most prevalent and time-consuming risks, the ERM & UW Committee must also address with precision and in detail those that exert intense and continuous pressure, such as loss of profit, reputational risk, compliance risk and strategic risk.

Compliance Committee

The Compliance Committee is a permanent committee of Active Re's Board of Directors. In addition, the company's Senior Management also participates in aligning regulations, legal requirements, and the reinsurance business's compliance risk appetite.

The Compliance Committee monitors the performance of the regulatory requirements of the Financial Services Commission and the Government of Barbados. In addition, it provides guidelines for implementing best practices in the mitigation and prevention of money laundering, financing of terrorism and financing of the proliferation of weapons of mass destruction frequently used in the markets in which we operate.

Our People

The ones who create value

Active Re strives to maintain the highest ethical and social responsibility in all our actions and activities towards the market we serve. We, therefore, attempt to provide a safe, positive, and progressive environmental posture to all our customers and strategic partners, which we achieve through the sustained development of our human resources.

Throughout these 15 years of continuous success, we understand that maintaining skilled, competent talent will result in a high-performing staff. Moreover, we believe that the company's flexible working culture and having our services available globally to respond promptly to the needs of our clients are key drivers of our success.

Thus, despite the global pandemic, as of December 2019, we have increased the number of our personnel by more than 30%.

Furthermore, we promote inclusion and equal opportunity by guaranteeing freedom and fundamental human rights as a strategic key to Active Re's positive impact. Thus, one of our proudest assets is the distinguished multigenerational group of people who contribute to finding new ways to improve how we achieve results.

To reach our commercial team, according to their specialisation and region, please visit our website here.

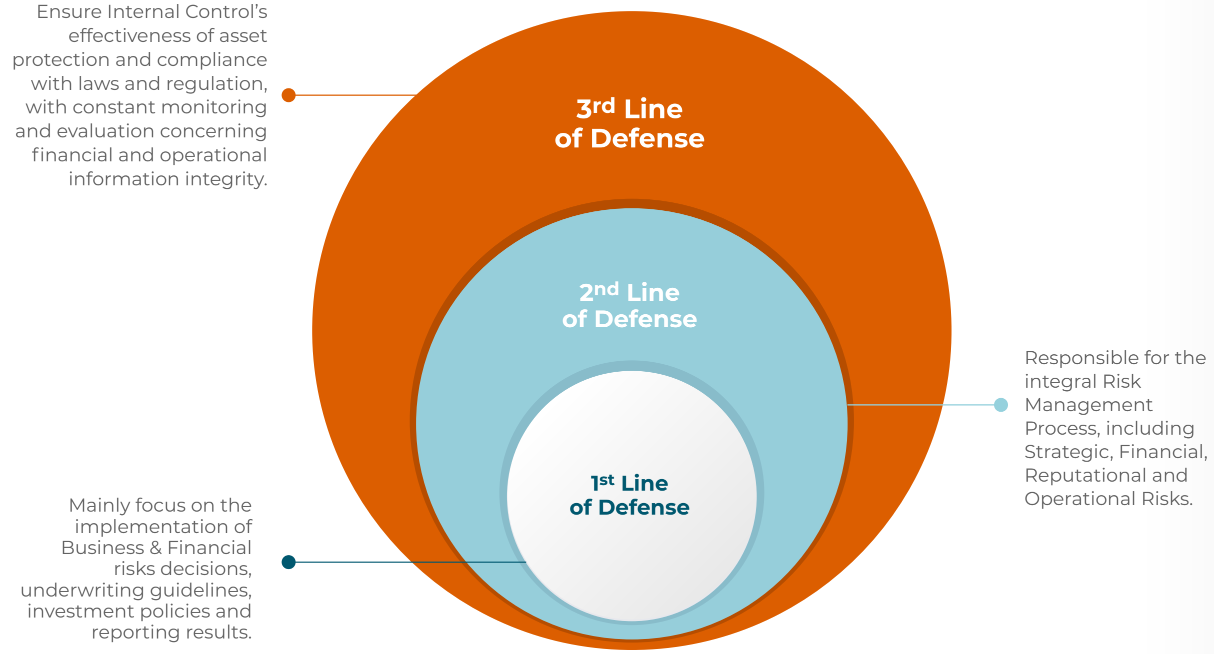
Compliance Framework

Active Re's performance supports regional and global efforts to combat money laundering, financing of terrorism, and the financing of the proliferation of weapons of mass destruction. We strive to remain committed and share best practices with our colleagues, costumer, strategic partners, and services providers.
Being a financial institution, we aim to be in faithful compliance with the laws and regulations established by the Financial Services Commission (FSC) from Barbados' Guidelines, which are in line with the Financial Action Task Force (FATF) and the Caribbean Financial Action Task Force (CFATF). Consequently, we strive to put in place robust controls to detect and deter the flow of illicit funds through our company to identify and know our customers (including ultimate beneficial owners), monitor and report any suspicious transactions and conduct regular account reviews.

The Compliance Department oversees institutionalising a compliance culture and establishing and implementing the Compliance Manual, which indicates the effective application of laws, formulates, and executes procedures. The Manual designs adequate, effective, and quality controls for the prevention of money laundering, financing of terrorism and the financing of the proliferation of weapons of mass destruction.

Enterprise Risk Management Framework

As a Risk Service Provider, we encourage decision-makers always to approach their goals in a proactive control environment, based on and aligned with the "Three Lines of Defense" model.



The main objectives of Risk Management include at least:

- First, promote a culture of risk awareness through a continuous reinforcement assessment.
- Followed by best practices to objectively measure and evaluate operational risks, complying with the standards established by the Financial Services Commission of Barbados.
- Lastly, monitor risk exposures and ensure they remain within the Board of Directors' guidelines.

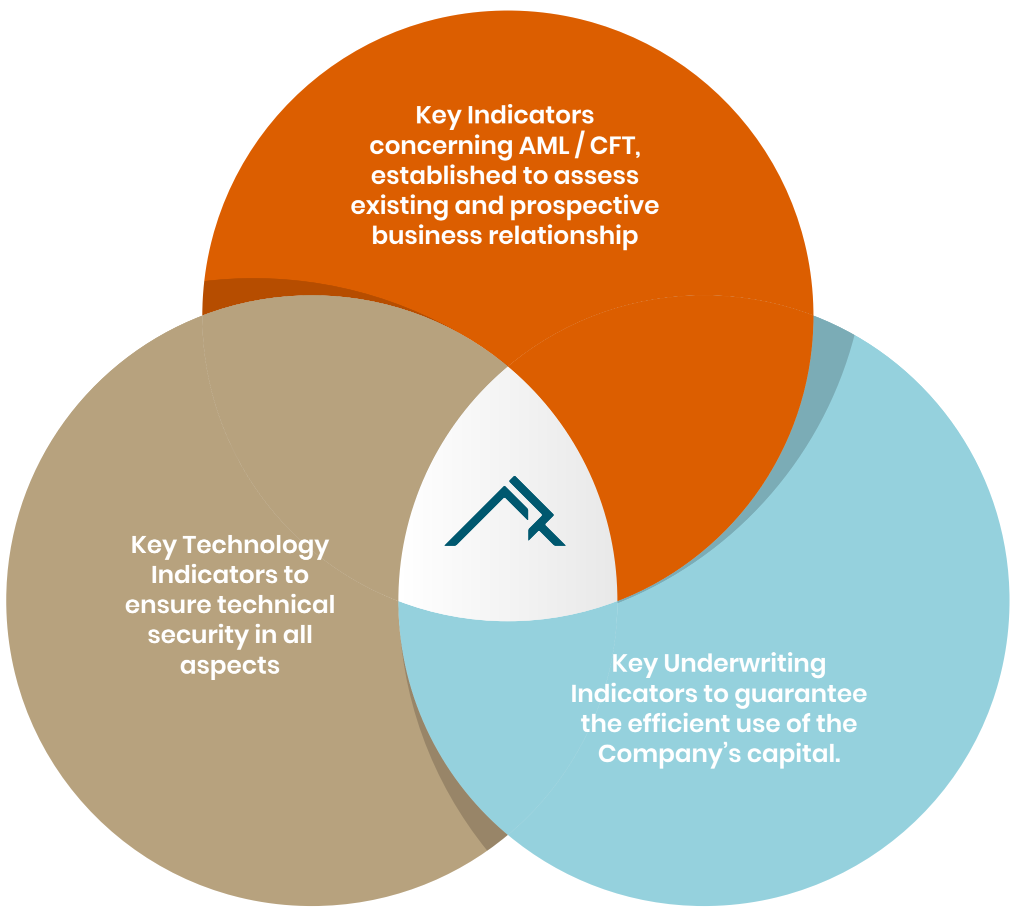
> “
> *Insanity is doing the same thing over and over again and expecting different results.*
>
> *Albert Einstein*

Risks Management Matrix

Risks exist in the reinsurance services offered., therefore, during the execution of all processes associated with the company's operation, Active Re's risk matrix has been implemented to continuously control and analyse each risk's tolerance and possible severity and the immediate implementation of its mitigation mechanisms.

Active Re trusts that the sanity, consistency, and precision in which the controls for risk mitigation are implemented will result in efficiency and stability for the business in the short, medium, and long term.

General Risks Indicators
covering all our operation process, aligned with our Risk appetite and tolerance.



Technological Management

Recent and continuous advances in Information Technology (IT) have become the key players in the company's development. In Active Re, we know innovation and technological security are essential to achieving competitive and sustainable advantages over time. That is why we have a hybrid infrastructure with a contingency that allows us to keep the systems running without interruptions for the company's benefit.

The Information Technology Department is a leader in innovation. We have a team committed to updating state-of-the-art technology, thus achieving the automation of most of the company's internal processes by creating a workflow that includes authorisations, signatures and automatic forms integrated into our CORE. These processes have allowed us to focus on the business's critical issues and act promptly on its growth.

Due to the continuous attacks suffered in global cyberspace, we have made significant advances concerning security. We monitor our systems to keep them secure, robust, and reliable. Information security plays a crucial role in meeting the company's needs and that of our customers. We have acquired new tools to control our brand and certify that our customers are not victims of identity theft.

With the help of our software suppliers and an internal and external consensus with expert security companies, we have also achieved a 98% reduction in spam and malicious attacks. In addition, we have trained all our personnel to identify possible attacks and identity theft.

Day by day, we are known to be at the forefront of technology. Today are proud to have a robust and international bilingual CORE system. It offers many facilities and benefits to our users so that their work is increasingly efficient and complete, providing a better and faster response to the needs of our customers, as well as business management.

With staff in different countries and regions worldwide, we are working 24/7 to respond to every need, requirement, and inquiry, augmenting our local and cloud infrastructure to guarantee a fast, effective and satisfactory response.

As part of our organisational culture at Active Re, we give importance to the conservation of the environment, so we carry out procedures in a responsible manner regarding our technological waste to minimise our planet's pollution and deterioration

"Technology advances for your needs, today's innovation is for tomorrow's success."

appendix I

Financial Statements for the Year Ended December 31, 2021

Financial Statements

ACTIVE CAPITAL REINSURANCE, LTD.

For the Year Ended December 31, 2021

Active Capital Reinsurance, Ltd.

Contents

December 31, 2021

Deloitte.

Deloitte & Touche
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Independent auditors' report

To the Shareholder of Active Capital Reinsurance, Ltd.

Qualified 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, 2021, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, 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 qualified opinion

Due to errors identified, we were unable to verify the accuracy and completeness of the premiums receivable amounts which remained uncollected as of the date of our report. We were unable to determine whether any adjustments might have been necessary in respect of recorded premiums receivable and the associated underwriting elements making up the statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows.

Additionally, we were not provided with sufficient and appropriate audit evidence to perform testing around the accuracy and completeness of the recorded commissions prepaid and commissions payable. We were unable to determine whether any adjustments might have been necessary in respect of these items.

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 qualified 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, 2021.

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.

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

Deloitte.

Independent auditors' report (continued)

To the Shareholder of Active Capital Reinsurance, Ltd.

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 24, 2022

Active Capital Reinsurance, Ltd.

Statement of financial position

As of December 31, 2021

(Expressed in United States dollars)

	2021 $	2020 $
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5 & 17)	44,150,861	35,659,950
Other cash deposits (Note 5)	8,900,000	12,400,000
Premiums receivable (Note 6)	104,391,490	125,904,939
Uncollectible Premium Receivable Reserve (Note 6)	(1,082,780)	-
Receivable from related parties (Note 7 & 17)	6,158,830	4,035,299
Prepayments and other receivables (Note 8)	44,288,824	30,155,227
Deferred retrocession premiums (Note 9)	17,354,684	19,738,535
Investments (Note 10 & 17)	-	2,022,470
	224,161,909	229,916,420
Non-Current Assets		
Property, plant and equipment (Note 11)	863,583	695,006
Investments (Note 10 & 17)	10,348,085	5,260,000
Other cash deposits (Note 5)	16,415,497	9,915,497
Total Assets	251,789,074	245,786,923
LIABILITIES		
Current Liabilities		
Claims liabilities (Note 4 & 12)	36,867,861	34,977,529
Experience rebate provision (Note 12)	-	166,889
Accounts payable and other liabilities (Note 13 & 17)	21,962,808	17,066,909
Unearned premiums and unearned commission income (Note 14)	27,286,549	49,389,367
Retrocession premium payable (Note 15 & 17)	96,807,008	92,308,775
Total Liabilities	182,924,226	193,909,469
SHAREHOLDER'S EQUITY		
Share capital (Note 16)	45,000,000	40,000,000
Retained earnings	23,864,848	11,877,454
Total Shareholder's Equity	68,864,848	51,877,454
Total Liabilities and Shareholder's Equity	251,789,074	245,786,923

Approved for issuance on behalf of the Board of Directors of Active Capital Reinsurance, Ltd. on June 3, 2022

Director

The accompanying notes form an integral part of these financial statements

Active Capital Reinsurance, Ltd.

Statement of comprehensive income

For the year ended December 31, 2021

(Expressed in United States dollars)

	2021 $	2020 $
Income		
Net Reinsurance premiums	164,713,022	145,897,901
Net ceded premiums	(96,374,896)	(94,904,099)
Commission income (Note 18)	18,152,679	15,796,594
Net Premium and Commission Income	86,490,805	66,790,396
Underwriting Expenses		
Claims incurred and paid	73,338,967	50,554,925
Reinsurance claims recovered	(41,681,211)	(21,492,212)
Withholding taxes on Premiums	746,306	515,011
Commission expenses (Note 18)	28,706,306	22,590,018
Net Underwriting Expenses	61,110,368	52,167,742
Net Underwriting Income	25,380,437	14,622,654
Operating Expenses		
Professional fees	4,406,525	3,440,914
Depreciation expense (Note 11)	272,076	290,681
Uncollectible Premium Receivable Expense	1,082,780	-
General and administrative expenses (Notes 7 & 19)	3,473,654	2,646,311
	9,235,035	6,377,906
Other Income		
Referral fees	-	269,694
Interest	1,249,499	1,152,104
	1,249,499	1,421,798
Net income and total comprehensive income before income tax	17,394,901	9,666,546
Income tax (Note 20)	68,400	-
Net income and total comprehensive income after income tax	17,326,501	9,666,546

The accompanying notes form an integral part of these financial statements

Active Capital Reinsurance, Ltd.

Statement of cash flows

For the year ended December 31, 2021

(Expressed in United States dollars)

	2021 $	2020 $
Operating Activities		
Net income for the year	17,326,501	9,666,546
Items not affecting cash:		
Depreciation	272,076	290,680
	17,598,577	9,957,226
Changes in working capital:		
(Decrease) Increase in premiums and claims recoveries receivable	22,596,229	(84,424,116)
Increase in prepayments and other receivables	(14,133,597)	(16,098,092)
(Decrease) Increase in Deferred retrocession premiums	2,383,851	(11,961,141)
Increase in claims liabilities	1,890,332	22,779,345
Increase in retrocession liabilities	4,498,233	63,988,000
(Decrease) Increase in unearned premium and commission income	(22,102,818)	24,851,871
Decrease in good experience rebate provision	(166,889)	(300,533)
Increase in accounts payable and other liabilities	4,895,899	8,263,636
Increase in other cash deposits	(3,000,000)	(6,300,000)
Net Cash from Operating Activities	14,459,817	10,756,196
Investing Activities		
Purchase of fixed assets	(440,653)	(91,869)
Sales of securities	2,024,431	1,000,000
Acquisition of securities	(5,090,046)	(5,280,508)
Net Cash used in Investing Activities	(3,506,268)	(4,372,377)
Financing Activities		
Advances to / from related parties	(2,123,531)	987,216
Share capital issued	5,000,000	8,500,000
Dividends paid	(5,330,975)	(6,587,089)
Change in Market Value	(8,132)	-
Net Cash used in Financing Activities	(2,462,638)	2,900,127
Increase in Cash and Cash Equivalents	8,490,911	9,283,946
Cash and Cash Equivalents at Beginning of Year	35,659,950	26,376,004
Cash and Cash Equivalents at End of the Year	44,150,861	35,659,950

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, 2021

(Expressed in United States dollars)

	Share capital $	Retained earnings $	Total $
Balance at January 1, 2020	31,500,000	8,797,997	40,297,997
Net income for the year	-	9,666,546	9,666,546
Share capital issued (Note 13)	8,500,000	-	8,500,000
Dividends declared and paid	-	(6,587,089)	(6,587,089)
Balance at December 31, 2020	40,000,000	11,877,454	51,877,454
Net income for the year	-	17,326,501	17,326,501
Share capital issued (Note 13)	5,000,000	-	5,000,000
Dividends declared	-	(5,330,975)	(5,330,975)
Change in Market Value	-	(8,132)	(8,132)
Balance at December 31, 2021	45,000,000	23,864,848	68,864,848

The accompanying notes form an integral part of these financial statements

Active Capital Reinsurance, Ltd.
Notes to the Financial Statements
For the year ended December 31, 2021
(Expressed in United States dollars)

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. During 2021, company´s commercial growth is related to the growth of treaties and MGA´s business.

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, and 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 company is MARJANA Holdings, Inc.

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.

Active Capital Reinsurance, Ltd.
Notes to the Financial Statements
For the year ended December 31, 2021
(Expressed in United States dollars)

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.

d. Experience rebate provision

Certain reinsurance contracts underwritten by the Company in prior years include experience rebate clauses, where the Company may, 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 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 generally 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.

In the case of the proportional treaties and affinity business, revenue cannot be reliably determined at the moment the business is accepted. However, periodic account statement presentations are established among the conditions of the agreement. The underwritten risks from the reporting period is revealed in these presentations. The revenue reported is recorded in the accounting system then. This revenue recognition method is based on Section 2.30 and 2.31, Recognition of Assets, Liabilities, Income and Expenses, from IFRS for SME´s. In this section, Reliability of Measurement the standard states: "When a reasonable estimate cannot be made, the item is not recognized in the financial statements. An item that fails to meet the recognition criteria may qualify for recognition at a later date as a result of subsequent circumstances or events." The Company bases its estimates on historical results, taking into consideration the type of transaction and the specifics of each arrangement.

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 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.

(ii) Investments

On initial recognition, investments are recognized as noted below. The Company recognizes its US portfolio of equity and fixed income investments at fair value from market information provided by the broker.

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, retrocession premium 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 Land Based	5
Furniture and Fixtures	10
Motor Vehicle Ocean Based	30

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 a 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 were impossible to determine in 2020. During 2021 preventions made by the company for the pandemic, resulted in a transition through the crisis with no critical impact to the operation.

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.

Active Capital Reinsurance, Ltd.
Notes to the Financial Statements
For the year ended December 31, 2021
(Expressed in United States dollars)

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.

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

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 (Committee of Sponsoring 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).

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

Claims Liabilities (continued)

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.

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

	2021 $	2020 $
Case Reserves	15,747,437	19,099,025
Gross IBNR	29,179,525	27,620,997
Recoveries under retrocessions	(8,059,101)	(11,742,493)
	36,867,861	34,977,529

5. Cash and Cash Equivalents / Other Cash Deposits

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

	2021 $	2020 $
Cash and Cash equivalents - Up to 3 Months	44,150,861	35,659,950
Other Cash deposits - Greater than 3 months but less than 1 year	8,900,000	12,400,000
Other Cash deposits - Greater than 1 year	16,415,497	9,915,497

6. Premiums Receivable

In FY 2021 the Company established an Accounts Receivable Collection Policy. This policy was established based on the Company´s portfolio structure and collection periods.

	2021 $	2020 $
Premiums receivable	104,391,490	125,904,939
Provision for uncollectible premium	(1,082,780)	-
Net premiums receivable	103,308,710	125,904,939

Included in this policy is a provision for uncollectible premiums as shown above. The amount of the reserve comes from applying a percentage rate to the premium receivable balance, considering the retrocessionaire participation. This rate also considers the company´s portfolio profile, process, and controls over of the premiums collection periods.

Active Capital Reinsurance, Ltd.
Notes to the Financial Statements
For the year ended December 31, 2021
(Expressed in United States dollars)

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:

	2020 $	Advances $	Payments received $	2021 $
Due from a Director	434,712	1,968,786	146,233	2,257,265
Advances to the shareholder	3,600,587	-	-	3,600,587
Related Parties	-	819,097	518,119	300,978
	4,035,299	2,787,833	664,352	6,158,830

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. During FY 2021 USD 664,352 were received in payments from Directors and Related Parties.

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:

	2021 $	2020 $
Fees and other benefits (included withing Professional fees in the Statement of Comprehensive Income	2,499,660	1,306,100
Life insurance (included within General & Administrative expenses within the Statement of Comprehensive Income)	21,348	10,792
	2,521,008	1,316,892

8. Prepayments and Other Receivables

	2021 $	2020 $
Prepayments	1,403,273	1,488,499
Claims Recoveries	32,938,994	19,514,846
Commissions Prepaid	2,835,988	3,409,412
Other Receivables	7,110,569	5,742,470
	44,288,824	30,155,227

9. Deferred Retrocession Premiums

	2021 $	2020 $
Deferred retrocession premiums	17,354,684	19,738,535

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

(Expressed in United States dollars)

10. Investments

	2021 $	2020 $
January 1	7,282,470	3,001,962
Purchased during the year	5,025,622	5,280,508
Sales during the year	(2,024,431)	(1,000,000)
Changes in Value	64,424	20,508
December 31	10,348,085	7,282,470

On April 30, 2015, the Company purchased a bond of $2,000,000 issued by Grupo Financiero Ficohsa S.A. The bond matured on April 30, 2020 and had an interest rate of 7.50%. This bond was extended. 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 and in December, USD 1,000,000 in shares of Sultecor Investments (mining company) were purchased. In March 2020, the investment in Instacash BNP Paribas was written off. On March 1, 2021, Fixed Investment and Equity were purchased in the amount of USD 5,025,622 with UBS Bank.

11. Plant, Property and Equipment

	Office and Electronic Equipment $	Motor Vehicles (land based) $	Furniture and Fixtures $	Total $
Cost				
Balance December 31, 2020	108,320	415,502	912,080	1,435,902
Additions	43,152	175,000	222,500	440,652
Disposals	(54,524)	(220,486)	(121,427)	(396,437)
At December 31, 2021	96,948	370,016	1,013,153	1,480,117
Accumulated Depreciation				
Balance December 31, 2020	(78,053)	(333,902)	(328,941)	(740,896)
Charge for the Year	35,064	174,668	85,370	124,362
At December 31 2021	(42,989)	(159,234)	(414,311)	(616,534)
Net Book Value				
At December 31, 2021	53,959	210,782	598,842	863,583
At December 31, 2020	30,267	81,600	583,139	695,006

12. Claims Liabilities and Experience Rebate Provision

	2021 $	2020 $
Claims Liabilities	36,867,861	34,977,529
Experience rebate provision	-	166,889
	36,867,861	35,144,418

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 from Affinity, Surety and Property & Engineering. 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.

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:

	2021 $	2020 $
Commissions payable (1)	6,857,947	6,154,327
Other Liabilites (2)	15,104,861	10,912,582
	21,962,808	17,066,909

(1) Commission Payable refers to the reserve made for the payable variable remuneration to Professional Service Consultants for referred business throughout the fiscal year.
(2) Other liabilities include the reserve constituted for the cost of retrocession of the risk's surplus exceeding the company retention levels, to the retrocession market. Also, the payments that are going through the source identification process by the Company´s operation department.

(Expressed in United States dollars)

14. Unearned Premiums and Unearned Commission Income

	2021 $	2020 $
Unearned Premiums	27,715,043	48,797,653
Unearned Commissions	(428,493)	591,714
	27,286,550	49,389,367

The Unearned Premiums represents the amount deposited by a reinsurer with its reassured representing the unearned premiums at the close of a year, adopting earning procedure according to the way of risk distribution in time. The unearned commissions derive from the unearned premiums applying the same calculation principles.

15. Retrocession Premium Payable

	2021 $	2020 $
Retrocession	96,807,008	92,308,775

The retrocession premium payable account refers to ceded premiums from policies which grace period for payment has not expired. These premiums are paid in accordance 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. The USD 5,000,000.00 issued in shares during 2021 are fully paid.

Share capital comprises:

	2021 $	2020 $
Issued and fully paid:		
45,000,000 (2020: 40,000,000) ordinary shares	45,000,000	40,000,000

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. In December 2020, through a shareholder contribution of USD 2,000,000 the share capital was raised to USD 40,000,000. The USD 5,000,000.00 issued during FY 2021 to raise the share capital to USD 45,000,000.00 were approved by the Executive Committee and the Board of Directors.

17. Financial Instruments

	2021 $	2020 $
Financial assets:		
Financial assets measured at amortized cost		
Cash and cash equivalents	44,150,861	35,659,950
Other cash deposits	25,315,497	22,315,497
Premiums receivable	103,308,710	125,904,939
Claims Recoveries	32,938,994	19,514,846
Receivable from related parties	6,158,830	4,035,299
Other receivables	7,110,569	5,742,470
Investments	10,348,085	7,282,470
Total	229,331,546	220,455,471
Financial liabilities:		
Financial liabilities measured at amortized cost		
Accounts payable and other liabilities	21,962,080	17,066,909
Retrocession premium payable	96,807,008	92,308,775
Total	118,769,816	109,375,684

18. 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.

	2021 $	2020 $
Commissions expense	28,706,306	22,590,018
Commissions income	(18,152,679)	(15,796,594)
Net commission expense	10,553,627	6,793,424

(Expressed in United States dollars)

19. General and Administrative Expenses

	2021 $	2020 $
Administrative expenses	1,327,996	1,080,465
Outsource	-	260,664
Transportation	42,806	60,349
Food and lodging	103,198	114,732
Miscellaneous	14,771	91,464
Seminars	22,752	259
Other expenses	1,089,014	414,784
Insurance	57,378	41,365
Dues and subscriptions	140,532	39,115
Customer relations	6,005	12,167
Bank charges	58,825	41,428
Telephone and communications	14,900	11,023
Maintenance	128,317	5,244
Legal expenses	178,175	328,813
Donations	6,480	13,261
Fuel and lubricants	12,181	1,896
Office suplies	1,063	3,172
Marketing	230,495	-
Software	38,766	126,110
	3,473,654	2,646,311

20. Taxation

In Accordance with Barbados Income Tax Legislation, specifically the Insurance Act Cap 310, the grandfathering period for insurance companies which adopted it, expired on June 30, 2021. Based on this same Act, for insurance companies licensed as Class 2. Insurance companies under this license underwrites risks of third parties, their applicable tax rate is 2% of their net income. Starting in July 2021, the Company has included computations of Barbados Income Tax every month closing of the accounting period. We used for these computations the 2% rate allowed for our license. In December, the company added the Barbados Income Tax amount on the Statement of Comprehensive Income.

Regulatory Changes

Effective January 1, 2019, the Exempt Act was repealed and Insurance Act Cap. 310 amended, and The Company elected to be grandfathered until June 30, 2021. The tax rate applicable for this period was zero percent.

In June 30, 2021 the grandfathered rights and benefits ended. At this point the company was categorized as a license Class 2 company.

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.

20. Taxation (continued)

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 is applicable for the Company for the year ended December 31, 2021. Management believes that has complied with the requirement. Certain countries apply a withholding tax on money transfers which applies to the premiums earned from insured parties in those countries.

	2021 $	2020 $
Witholding taxes on premiums	746,306	515,011
Income Tax	68,400	-

21. Capital Management

The Company must maintain a minimum solvency requirement under the revised legislation detailed in note 20. The Company has exceeded the minimum solvency as of December 31, 2021.

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.

22. Subsequent Events

On February 24, 2022, an ordinary Board meeting was held. Among the resolutions of the Board in that meeting was to pay dividends equal to 50% of its accumulated retained earnings as of December 31, 2021. This amounted to USD 9,922,483.00. On February 25, 2022, and extraordinary meeting of the Board was held. In this meeting it was resolved to increase the paid-up capital to USD 48,000,000.00. This represented an increase of USD 3,000,000.00.

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