BARENTS RE

2019 ANNUAL REPORT

BARENTS RE REINSURANCE COMPANY, INC.

A NEW ERA FOR BARENTS RE

BARENTS RE

CONTENTS

BARENTS RE
AT A GLANCE

Barents Re is a leading independent reinsurance group. Established in 1996, Barents Re has a well-established presence in Europe, Latin America, the Middle East and Asia. This translates into more than 600 reinsurance connections in 70 countries.

The company provides a wide range of niche and specialty reinsurance products to property and casualty insurers. Our vision is for Barents Re to become an integral part of the insurance value chain. The expertise of our specialty underwriting teams and their knowledge of our markets and products enables us to offer innovative solutions to our clients.

Barents Re does not participate in every type of business because underwriting discipline is fundamental to its success. On the commercial side, Barents Re is especially strong in Bonds, Energy, Financial Lines, Construction & Engineering, Property, Marine Cargo, Life and Accident & Health. Barents Re is also a growing presence in the Consumer arena with participation in a number of Affinity programs. The Barents Re portfolio is exemplified by low severity risk.

Barents Re seeks to create value for shareholders by generating an underwriting profit. To achieve this, the company allocates capital in line with risk exposure and potential underwriting returns.

This is crucial to maintaining its strong financial position and supporting its business expansion. Barents Re's investment strategy is focused on high grade bonds tailored to underlying insurance liabilities, with an allocation to alternative investments.

Barents Re is committed to providing the highest level of service to its clients and brokers, which it believes is critical to its ability to build and maintain long-term relationships and ensure its continued success.

BARENTS RE

TIMELINE

1996

Barents Re starts operating

2010

Rated by A.M. Best for Financial Strength 'A-' (Excellent) Stable Outlook

European and Latin America expansion begins

2011

New offices in Miami, Paris and Beirut

Property line of business introduced

2012

A.M. Best upgrades Outlook to Positive: 'A-' (Excellent) for Barents Re Reinsurance Company, Inc.

Continued expansion in Europe, Latin America and Middle East

2013

New offices open in London and Madrid

Energy line of business introduced

Best Reinsurance Company of Central America awarded by Reactions

2014

Moscow office begins operations as regional hub for Russia, FSU and Eastern Europe

Reinsurer of the Year awarded by The European

World Finance 100 Award

TIMELINE

BARENTS RE

2015

A.M. Best upgrades Financial Strength rating to 'A' (Excellent) for Barents Re Reinsurance Company, Inc.

Granted licence to create Luxembourg based subsidiary company, Barents Reinsurance S.A.

Reinsurance Company of the Year, European Banking & Finance Awards

2016

A.M. Best affirms 'A' (Excellent) Financial Strength rating for Barents Re Reinsurance Company, Inc.

A.M. Best assigns 'A' (Excellent) Financial Strength rating to Barents Reinsurance S.A.
Outstanding Independent Reinsurance Group, Global Excellence Awards

2017

Marine Cargo line of business introduced

Reinsurance Company of the Year, Global Business Awards

A.M. Best affirms 'A' (Excellent) Financial Strength rating for Barents Re Reinsurance Company, Inc.

2018

Completion of redomestication to Cayman Islands

A.M. Best affirms 'A' (Excellent) Financial Strength rating for Barents Re Reinsurance Company, Inc. and Barents Reinsurance S.A.

Best Reinsurance Company, Global Banking & Finance Awards

2019

BARENTS RE IN DOUBLE AWARD WIN
Barents Re has been awarded Best Reinsurance Company Luxembourg and Best Reinsurance Bonds Offering of the Year at the Global Banking & Finance Awards 2019.

AM Best affirms 'A' (Excellent) Financial Strength rating for Barents Re Reinsurance Company Inc. and Barents Reinsurance S.A.

MESSAGE FROM THE CHAIRMAN

I am pleased to announce that Barents Re continued to deliver excellent financial results in 2019. We organically grew our business, generating a net profit of USD 17.9 million (2018: USD 15.5 million), which equates to a 14% net profit margin. In a similar vein, our total assets grew to USD 1.00 billion (2018: USD 825 million) and shareholder's equity rose to USD 493.3 million (2018: USD 471.3 million). The company's success was the culmination of a well planned and executed strategy where our footprint and strong customer relationships positioned us to benefit from improving market trends in 2019. These are excellent results, especially in light of the sluggish economic growth and political uncertainty in many of our markets, coupled with the pricing environment for many of our core products. Our strong balance sheet continues to enable Barents Re to offer superior financial security.

Strategy, Challenges and Market Environment

From our well established activity in Bonds, Energy and Property, to those more recently created such as Financial Lines. Marine Cargo and Life, we have a diversified portfolio able to withstand the vagaries of re/insurance cycles in the world's developed and emerging economies.

The successful execution of our strategy with its focus on specialty lines of business is key to our progress and success. Our entrepreneurial culture, underpinned by a team of very talented professionals, allows us to identify and quickly respond to opportunities. Underwriting is an essential part of our DNA. A further ingredient to our success is our ability to obtain high quality retrocession cover at competitive terms from trusted business partners, many of whom have been working with us for over a decade. These enduring relationships are testament to the high regard to which Barents Re is held in the re/insurance market.

I am very proud of the company we have built over the last two decades, that has become a leading specialty and niche reinsurer focused on profitability and not on market share.

I hope you find our Line of Business Overviews summarizing 2019 activity to be of interest. Looking ahead, we are always alive to opportunities to build on our portfolio, by bringing on board the requisite underwriting experience and market connections.

In Closing

I would like to take this opportunity to thank the Barents Re team for all their hard work throughout the year. And to our business partners and stakeholders for their continued support. I look forward to working with you all in the year ahead.

Gerardo Garcia
Chairman

LINE OF BUSINESS OVERVIEW | BONDS

Historically strong in Latin America and with significant growth globally over the past decade, particularly in Europe and Asia, Barents Re remains one of the pre-eminent Bonds reinsurers worldwide.

In 2019, we saw rate increases in a number of countries driven by the need to secure facultative Bonds reinsurance capacity from domestic and international reinsurers. Growth in Latin America was hindered by the postponement of a number of large infrastructure and construction projects across the region, due to economic and political conditions. This segment of our activity in Latin America will likely remain subdued for some time.

In Spain, there was an increase in Renewable Energy projects. This sector is experiencing substantial growth fueled by local regulation and the targets set by the European Union to be reached by 2030, when 30% of energy production should come from renewable resources. Our commitment to this sector have turned us into an important reinsurer for this type of Bonds.

We maintain our presence in the rest of Europe, especially in the Nordic and Eastern countries, collaborating in the development of infrastructure projects, such as highways and railway lines.

Our presence in Africa is increasing slowly, again through new infrastructure developments. It's important to highlight that we are being very cautious, focusing on countries with political stability, experienced construction companies and on projects financed by international banks or public bodies.

The combination of successful business development initiatives and retaining our reputation as one of the leading Bonds underwriters puts us in an excellent position to capitalize on new opportunities in 2020 and beyond.

LINE OF BUSINESS OVERVIEW | ENERGY

Barents Re energy underwriting team is based in London and is focused on providing re/insurance capacity for Energy risks worldwide, excluding those based in the USA. We avoid risks downstream of refining and related risks such as power, fertilizer and methanol. Our capacity is composite and responds to both upstream and downstream, separately or as a package.

Our trading environment for 2019 has been challenging for the downstream and upstream risks in different ways.

The downstream market is undergoing a recalibration following severe losses in the refining and petrochemical sector. This has led to strategic reductions in capacities offered by our competitors and some withdrawal from the class leading to a reduction in overall capacity available. This has allowed for rate increases ranging between 30% and 60% for clean business and higher for those with losses. Barents Re capacity remains intact as we have missed most of the losses in the sector which have fallen outside our appetite or scope. We are therefore well positioned to provide much needed capacity to our brokers and their clients and capitalize on the premium growth opportunity. The losses have thrown up the disparity in business interruption exposures and where business interruption is purchased, a new 'Business Interruption Volatility Clause' is now applied to all policies that provide for business interruption.

Clients are naturally seeking to mitigate rate increases and may opt to retain more risk: Coverages and limits may be pared back and retentions increased. Captives are also absorbing more of the commercial market placements. In addition, where revenues are weak, the business interruption sums insured are reduced. On balance however the downstream premium pool continues to increase whereas the overall capacity has decreased.

The upstream sector has not suffered losses in the same way and a precarious balance between profit and loss exists where policy rates are at historical lows and market capacity is at a historical high. The market however has reacted to the last US Hurricane season and set a floor on rate reductions and even sustaining modest increases at between 2.5% to 5%. Pressure on the upstream market overall premium has however been further exacerbated by lack of confidence in the oil price. This has led to reduced project activity, more modest drilling campaigns and lack of activity within the contractor fleets. Revenues are down and consequently the policy adjustments result in negative rather than positive premium flows.

As a composite provider of capacity and with the market gears spinning at very different speeds, Barents Re is strongly positioned to leverage its capacity deployment across the spectrum of energy re/insurance activity. The 'Subscription market' has long since collapsed in the downstream sector and the upstream market is beginning to default to differential terms. Electronic re/insurance placement is here to stay and will accelerate this process. Our Energy underwriting team is well qualified to navigate these challenging waters and continue to provide positive results.

BARENTS RE

LINE OF BUSINESS OVERVIEW | FINANCIAL LINES

2019 was a further year of retrenchment in the Financial Lines market with carriers employing more caution in the deployment of capacity, streamlining their appetite and narrowing their sector and product line focus. As carriers pared back their cover and capacity, significant rate increases ensued, notably in those sectors and territories warranting a long-overdue price correction.

Notwithstanding the corrective action taken by carriers, including some Financial Lines carriers exiting specific classes (notably Directors & Officers) or the sector entirely and the resultant reduction in localized capacity, the competitive environment remained healthy amongst all parties active in the re/insurance arena.

In the year ahead, we expect a sustained focus on underwriting discipline and diligent risk selection at the expense of top line growth. Furthermore, we envisage rate increases to continue in 2020, driven by the available capacity permitted by a more judicious underwriting community.

The Barents Re Financial Lines team has built long-standing relationships with brokers and insureds who value our experience, local market knowledge and strong service culture. With our significant capacity and deep sector knowledge, we are ideally placed to take advantage of Financial Lines opportunities as they arise in our specialist areas in 2020 .

BARENTS RE

LINE OF BUSINESS OVERVIEW | LIFE, ACCIDENT AND HEALTH

2019 was a year of stable progress for the Life reinsurance sector with no major events or market developments having an undue impact on the performance of carriers. The broader Life insurance market experienced a similar year with single digit growth in the mature markets, such as North America and Europe, but with higher rates of growth in regions with historically lower levels of insurance penetration, notably Asia and Latin America.

With a market size estimated at between USD75 - USD80 billion and with established players remaining predominant in Life reinsurance, the essence of Barents Re's Life strategy is to offer products where there are gaps in coverage for smaller deals, shares of treaties or entities in regions with good growth prospects. Such deals are of lesser interest to the established players, providing an opportunity for Barents Re to step in and fill the coverage void encountered by clients.

We are pleased with our continued progress in Latin America. In Asia it is taking longer to build a portfolio than anticipated. We think an additional year or so marketing to build Barents Re's "brand" is necessary.

In partnership with clients, our product development work over the past year has borne fruit with greater diversity of cover available for mortality, morbidity, disability and longevity risks. Although the saturated markets of the USA and Canada are not of interest, we continue to seek opportunities in Europe to work with like-minded insurers on niche reinsurance business.

For all parties active in the Life reinsurance sector, there are distinguishing traits which will mark out those who will be ultimately successful in this space, regardless of size. A culture of innovation, embracing technology and ensuring regulatory compliance are at the core of the business will all be fundamental to success. We have adopted all these characteristics to complement our diligent and disciplined underwriting expertise.

With a solid year in 2019 and robust plans in place for the year ahead, Barents Re is well placed to achieve further success in the future.

LINE OF BUSINESS OVERVIEW | MARINE

2019 was a year of continued turbulence in Marine, as all markets attempted to deal with issues that have plagued the sector for some considerable time. After a string of unprofitable years, this upheaval came as no surprise to those who have been advocating a more disciplined approach, with a focus on proper risk assessment combined with more technical underwriting

The losses from 2018 were still being felt in the market in 2019(amongst them, fires onboard the Maersk Honam, Yantian Express and the Grimaldi Grande America), with final claims numbers still under discussion. These losses set the precedent for a focus on shipboard fires that continue to plague the maritime industry, with many of the concerned industry bodies trying to find a solution to this huge issue – various theories have been put forward as to causation, from mis declared cargo to incorrect loading of containers – however the issue is not restricted to solely container vessels as there were also fires on car carriers, which added an unexpected element of risk to the Auto industry sector, in addition to the usual concerns such as port accumulations and the questions over the inherent stability of car carriers.

Due to adverse results, mergers and acquisitions continue, along with several Lloyds syndicates placing their Marine lines into run off. It has been established that the top 10 companies (including syndicates), now write approximately 47% of the London Market business (based on 2018 income figures)

As a result of this, the market in general is a lot more focused on bottom line underwriting results, as opposed to previous years drive towards top line growth. We are seeing rate rises across the board, along with elements of risks, for example stock, moving back to a more traditional areas i.e. property market.

The dissolution of long held broker binders has released a raft of new Marine business into the open market, however the capacity for these risks is limited as on a standalone basis, a number of the risks have not performed well and have had a large element of stock that effectively outweighs the transit exposure and underwriters are now more conscious of the potential downside of these non-transit risks, after several large warehouse fires during the 2018 period.

Looking forward to 2020, we are cautiously optimistic the Marine market is now back on the right track.

LINE OF BUSINESS OVERVIEW | PROPERTY

2019 continued to increase pressure on the Property reinsurance market with more typhoons in Japan (Faxai and Hagibis) as well as hurricane Dorian impacting the Caribbean and U.S. The losses in 2019, in aggregate, were not of the same magnitude as the previous two years but once again impacted the market, causing billions of dollars of insured loss, resulting in loss impacted territories seeing positive rate movement.

The UK Prudential Regulatory Authority's (PRA) ongoing requirement for London based underwriters, especially those operating in Lloyd's Syndicates, to address poor performing classes with a clear plan for a return to profitability was a key moment, not just for 2019 but for the market's long-term future. Property was one such class of business which, as we at Barents Re had argued for some time, was in need of greater underwriting discipline in certain sections of the market.

Price increases, reduced lines sizes, increased minimum premiums, increased deductibles and the exiting of certain underperforming occupancies and trades became the mantra for many carriers and Lloyd's Syndicates. Policy terms and conditions were tightened and more emphasis put on those extensions which may have been providing unintended cover, such as cyber related losses.

The resultant effect was the partial or complete withdrawal by a number of carriers and Lloyd's Syndicates in many classes of business, notably in international Property. Whilst Property capacity in the London market shrank, capacity from overseas markets remained plentiful, meaning the effect of the PRA's mandate while positive, was not as extreme as some had first thought, due to the persistent oversupply of international capacity.

In terms of the Property market outlook for 2020, rate increases are expected to remain positive, particularly in D&F. Terms, conditions and deductibles are expected to tighten, with the aim of facilitating a return to profitability for the class. The coming year will also likely see a further reduction in appetite and capacity for occupancies that are considered too volatile or underpriced. it is likely we will look to grow in certain territories where there is the opportunity to do so.

At Barents Re, we will continue to enhance our book of business by maintaining focus on our core underwriting principles to develop a solid portfolio focused on high quality risk protection, favorable loss records and a diverse spread of risk.

GLOBAL NETWORK

CAYMAN ISLANDS
Valhalla House
634 South Sound Road
P.O. Box 10954
Grand Cayman KY1-1007
Cayman Islands
T: +1-345-640-1350

LONDON (**)
40 Lime Street, 2nd Floor North,
London, EC3M 7AW
United Kingdom
T +44 (0) 203 918 9800

LUXEMBOURG (***)
6 Rue du Fort Bourbon L-1249
Luxembourg
T +352 27 86 33 40

MADRID (**)
Paseo de la Castellana 60, 2da Planta
28046 Madrid
Spain
T +34 (9) 1123-9770

MILAN (**)
Via Cappuccini, 2 20122 Milano (MI)
Milan
T +39 (2) 7779 9337

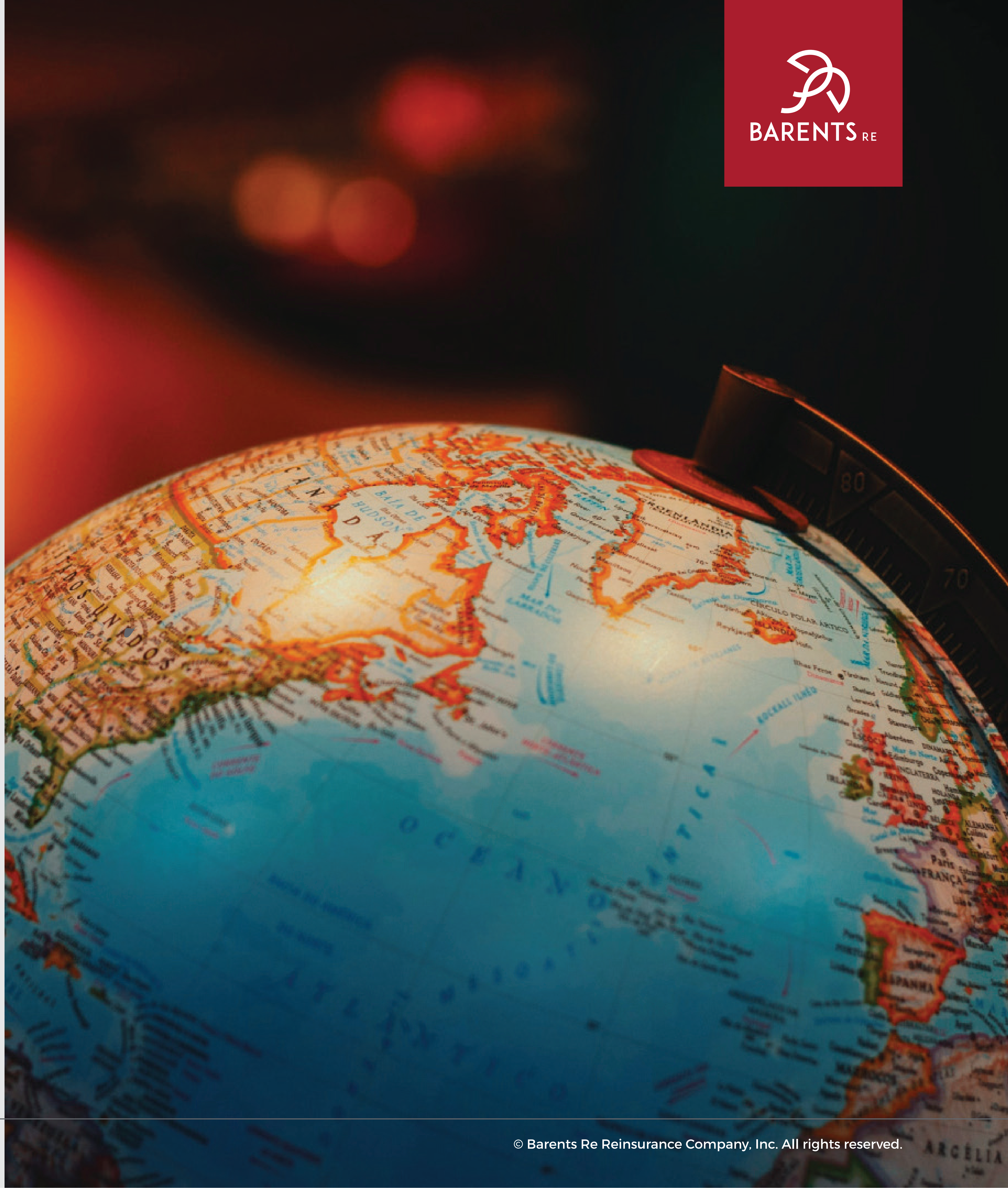
MOSCOW (*)
121151, Moscow
Mozhayskiy Val Str., 8B
Russia
T +7 (495) 287-3430

PARIS (*)(**)
80, Avenue d'Iena 75116 Paris
France
T +33 (1) 5367-7000

MIAMI (**)
1111 Brickell Avenue Suite 2600
Miami, FL 33131
United States of America
T +1 (786) 691-1671

BEIRUT (*)(**)
Martyrs' Square Beirut Central District
Lebanon
T +961 (1) 998-772/3/4

*Representative office/branch ** Barents Risk Management network *** Subsidiary



CAYMAN ISLANDS

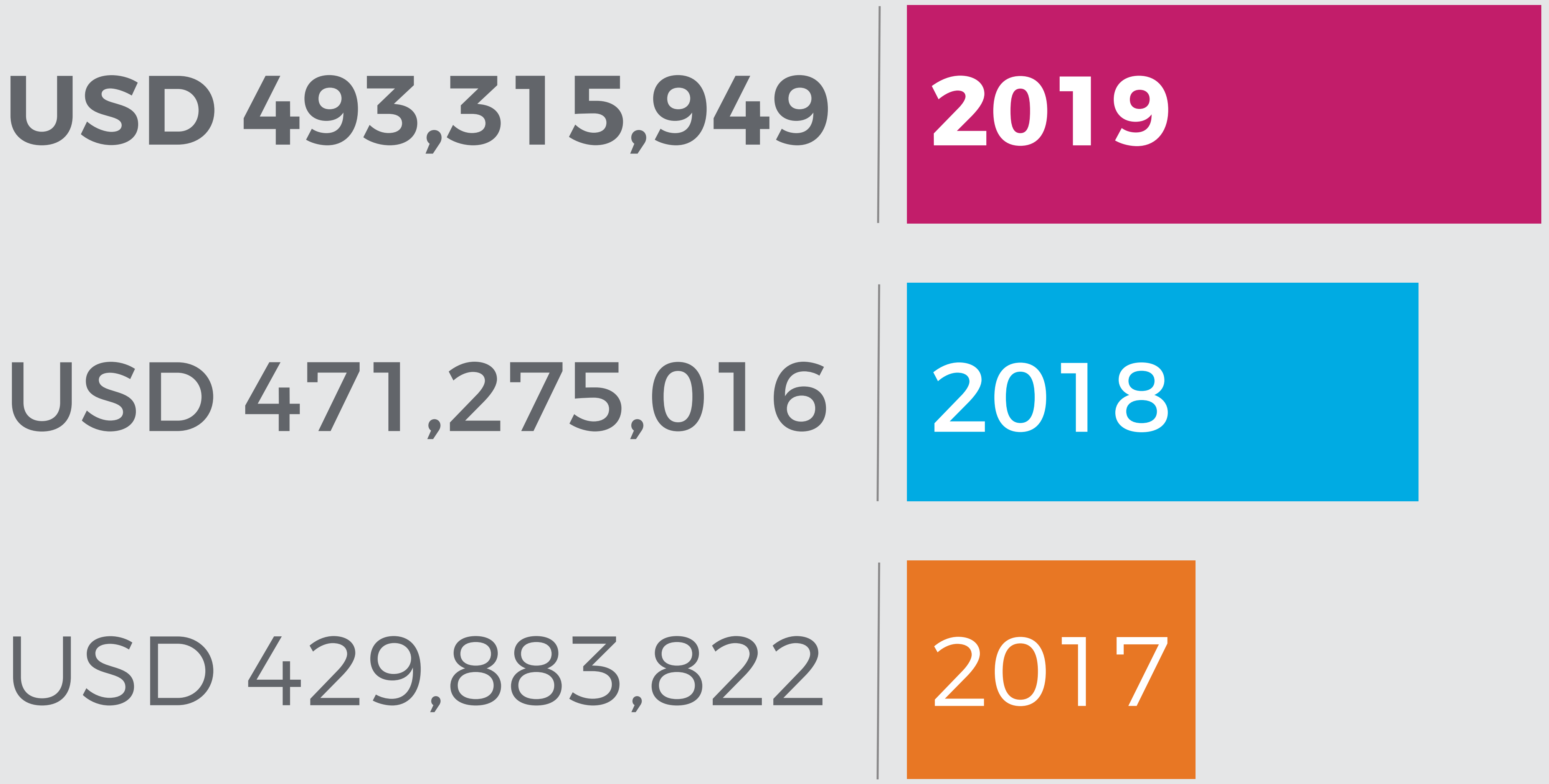
OFFERS A STRONG LEGISLATIVE FRAMEWORK, POLITICAL STABILITY AND A POSITIVE LONG-TERM CREDIT OUTLOOK.

Since June 8, 2018, the Cayman Islands Monetary Authority (CIMA) licensed Barents Re as a Class D Insurer, successfully completing the change of domicile from Panama to the Cayman Islands.

Incorporation date:	April 29th, 1996.
Authorized Capital:	Minimum capital license in cayman (100 MM) and the one most regulated.
License type:	A Class D Reinsurance License is the Highest.
Regulatory Authority:	Cayman Islands Monetary Authority (CIMA).
Office address:	Valhalla House, 634 South Sound Road, South Sound, Grand Cayman, Cayman Islands.

The Cayman Islands maintains a Country Risk Tier of 2 (Low) under A.M. Best, in comparison to Panama's Country Risk Tier of 4 (Moderate).

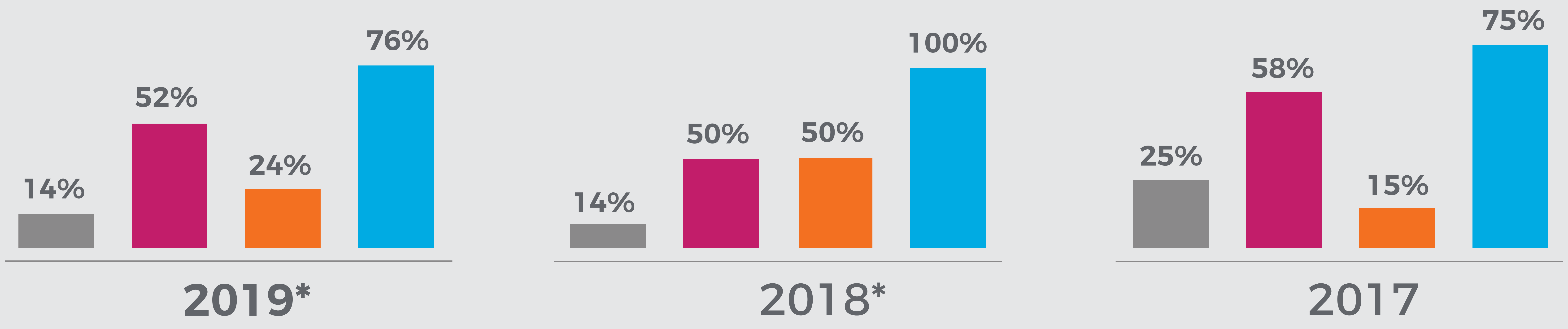
GROWTH IN SHAREHOLDERS’ EQUITY



KEY FINANCIAL RATIOS

FINANCIAL HIGHLIGHTS

NET PROFIT MARGIN
NET LOSS RATIO
EXPENSE RATIO
NET COMBINED RATIO



*Under IFRS Accrued Method

BARENTS RE

PREMIUM BY REGION

EUROPE **82.47%**
$191.5M

MENA **11.66%**
$27.1M

LATAM **5.87%**
$13.6M

$232.3M

2019 GROSS WRITTEN PREMIUM

BARENTS RE

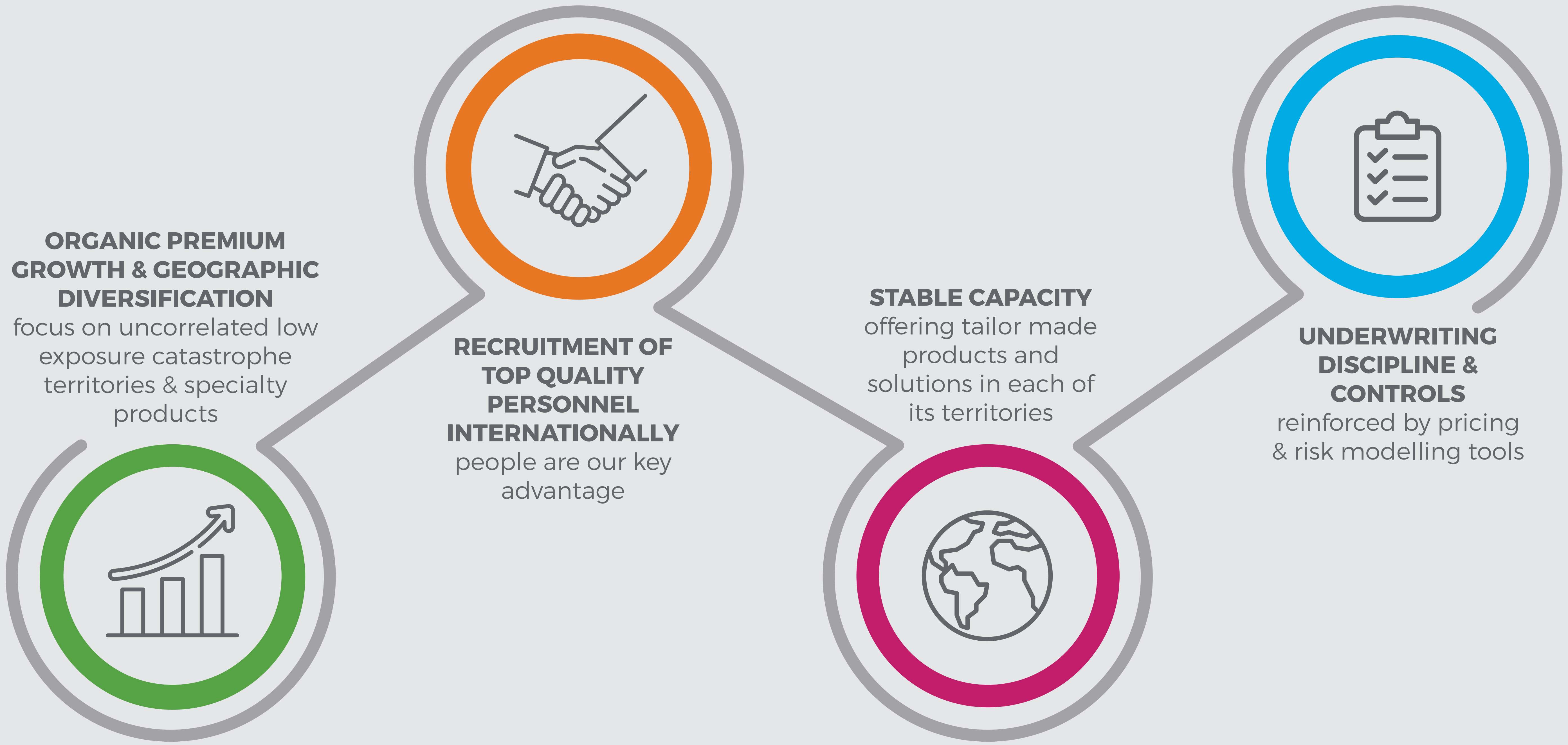
2019 A NEW ERA
FOR BARENTS RE AS A COMPANY

The company passed the
1 billion US dollar mark in total assets
for the first time in its history.

USD 1,000,826,269*

*As of Dec. 31st, 2019 Year End Financial Results.

GLOBAL STRATEGY



BOARD OF DIRECTORS

GERARDO GARCÍA
CHAIRMAN

Gerardo García has over 25 years' experience in the global insurance and banking sectors. Gerardo is the founder, Chairman and CEO of Barents Re Reinsurance Company, Inc., a role for which he has been awarded numerous leadership accolades on an international basis. Gerardo's prior experience includes investment banking, M&A and advisory roles to national governments on financial services regulations. Gerardo serves as a Board Director for a number of insurance and reinsurance companies alongside his role as Board Director for both Credit & Commerce Bank and for Canal Bank S.A., the latter which he founded in 2014.

KLAUS BULTMANN
DIRECTOR

Klaus Bultmann has more than 40 years' experience. Previously, he was a member of the board of Gerling Global Reinsurance and Frankona Re.

DIRK BORMANN
DIRECTOR

Dirk Bormann has wide experience in the construction sector and has served on the board of directors of Philipp Holzmann AG, Hochtief AG and Wayss & Freytag. He is Chief Executive Officer of the German Federal Association for Economic Development and Foreign Trade.

JOHN HARBOR
DIRECTOR

John Harbor has over 35 years' experience in the international insurance industry, having undertaken numerous senior management roles in accounting, audit and finance. More recently, John has held senior non-executive Director roles in insurance and wider industry sectors. John is a Fellow of the Institute of Chartered Accountants in England & Wales.

GARY CALLAGHAN
DIRECTOR

Gary Callaghan's career spans over 30 years in the reinsurance industry. Formerly Managing Director of Aon Europe, Gary has also held senior positions in Benfield and Willis. Gary was reinsurance buyer for a premier Lloyd's syndicate before joining Barents Re as Head of Retrocession, and was recently appointed as Managing Director of Barents Re Cayman Islands. Gary is also a non-executive Director for a London based broking house.

SUPPORTING COMMITTEES
INVESTMENT

Assists the Board of Directors in the determination and monitoring of the investments undertaken by the Company. Makes recommendations for medium and long-term initiatives and infrastructure projects.

Formed by the following persons:

OLDEMAR PALOMINO
Head of Investments

CESAR UJUETA
Head of Finance and Accounting

MARISA VALLARINO
General Manager

GERARDO GARCÍA
Director and Chairman

SUPPORTING COMMITTEES
RISK AND COMPLIANCE

Assists the Board of Directors to understand adequately the risks to which the Company is exposed, including the types and sources of risk and the potential impact on the business.

Formed by the following persons:

DIRK BORMANN
Director

FERNANDO DIAZ LOZANO
Compliance Officer

JOHN FITZPATRICK
Senior Advisor

SUPPORTING COMMITTEES
AUDIT

Monitors the Company's adherence to compliance processes and risk management practices and evaluates the internal controls employed to manage such. Recommends improvements to the Board of Directors to achieve a systematic and disciplined approach to all audit related matters.

Formed by the following persons:

JOHN HARBOR
Director

CESAR UJUETA
Head of Finance and Accounting

DIRK BORMANN
Director

SUPPORTING COMMITTEES
REINSURANCE

Assists the Board of Directors in the operation, monitoring and evaluation of policies and strategies in all reinsurance matters, including financing and other mechanisms for transferring risks and responsibilities.

Formed by the following persons:

GERARDO GARCIA
Director and Chairman

KLAUS BULTMANN
Director

GARY CALLAGHAN
Director

HIKARU UNO
Head of Bonds & Specialty Lines

SUPPORTING COMMITTEES
COMPENSATION

Assists the Board of Directors in the analysis and determination of compensation packages for the executives of the Company.

Formed by the following persons:

MARUKEL HIGUERO
Head of Legal

MARISA VALLARINO
General Manager

KLAUS BULTMANN
Director

CONSOLIDATED FINANCIAL STATEMENTS

View Consolidated Financial Statements

Consolidated Financial Statements for the year ended December 31, 2019 and Independent Auditors' Report of June 29, 2020.

BARENTS RE

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated Financial Statements for the year ended December 31, 2019 and Independent Auditors' Report of June 29, 2020

Barents Re Reinsurance Company, Inc. and Subsidiary

Independent Auditors’ Report and 2019 Consolidated Financial Statements

Content **Pages**

Deloitte.

Deloitte & Touche
One Capital Place
PO Box 1787
Grand Cayman, KY1-1109
CAYMAN ISLANDS

Tel: +1 (345) 949 7500
Fax: +1 (345) 949 8238
www.deloitte.com/ky

INDEPENDENT AUDITORS' REPORT

Board of Directors
Barents Re Reinsurance Company, Inc. and Subsidiary

Opinion

We have audited the consolidated financial statements of **Barents Re Reinsurance Company, Inc. and Subsidiary** (the "Company") which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended (all expressed in United States dollars), and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Barents Re Reinsurance Company, Inc. and Subsidiary at December 31, 2019, and their financial performance and cash flows for the year ended, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Matters of Emphasis

As disclosed in Note 3.14, in order to improve the comparability of the consolidated financial statements, reclassifications were made to the previously reported balances for the year ended December 31, 2018. These reclassifications have no effect on the 2018 net profit or on previously reported equity and, accordingly, we do not express a modified opinion related to this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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.

- Obtain sufficient and adequate audit evidence related to the financial information of the entities or business activities that make up the Company to express an opinion on the consolidated financial statements. We are responsible for the management, supervision and execution of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with the 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.

Deloitte & Touche

June 29, 2020

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated statement of financial position
At December 31, 2019
(In United States of America dollars)

	Notes	2019	2018
Assets			
Cash and bank deposits	7	56,773,436	36,404,313
Deposits in ceding companies	9	31,143,536	34,168,934
Securities available for sale	6, 10	460,949,184	453,649,391
Premiums receivable, net	8	37,420,645	23,307,275
Investment in associate	6, 13	6,484,644	6,482,552
Notes and accounts receivable - related parties	6	5,633,563	8,644,500
Accounts receivable - retrocessions	18	49,427,595	47,074,933
Accounts receivable	12	10,998,704	11,345,058
Other accounts receivable		18,027,173	8,718,528
Unrealized retroceded premium	16	50,006,821	28,015,550
IBNR of retroshare	17	131,970,821	58,903,274
Retroshare of claims outstanding	17	122,585,588	95,947,777
Unearned retroceded commission		3,420,581	2,624,854
Deferred acquisition costs	17	9,199,665	5,059,922
Property, furniture, equipment and improvements, net	11, 15	498,422	3,565,011
Right-of-use asset	14	2,530,637	-
Other assets	11, 15	3,755,254	2,006,399
Total assets		1,000,826,269	825,918,271
Liabilities and equity			
Liabilities			
Claims outstanding reserve	17	166,421,215	122,881,718
Unrealized premium reserve	16	101,149,081	52,223,346
Commissions payable		6,324,893	5,534,563
IBNR reserves	17	170,758,316	104,270,216
Loans payable	19	2,505,123	8,114,792
Lease liability	14	2,466,356	-
Reinsurers accounts payable		26,300,262	30,088,109
Deposits received from reinsurance companies	20	25,774,110	28,707,594
Accounts payable and accrued expenses	21	5,810,964	2,822,917
Total liabilities		507,510,320	354,643,255
Equity			
Common shares	24	311,858,180	311,858,180
Net changes in securities available for sale		7,960,914	3,101,827
Change in foreign currency translation		(2,403,885)	(1,701,085)
Legal reserve		155,827	155,827
Retained earnings		155,206,558	139,612,046
Equity attributable to owners of the Company		472,777,594	453,026,795
Non-controlling interest	23	20,538,355	18,248,221
Total equity		493,315,949	471,275,016
Total liabilities and equity		1,000,826,269	825,918,271

The accompanying notes are an integral part of these consolidated financial statements.

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated statement of profit or loss
For the year ended December 31, 2019
(In United States of America dollars)

	Notes	2019	2018
Net income from premiums:			
Gross written premiums		232,315,396	211,701,508
Change in unrealized premium	16	(49,772,194)	(11,424,073)
Gross earned premium		182,543,202	200,277,435
Retroceded premiums		(76,812,250)	(99,841,438)
Change in unearned retro premium (URP)	16	22,681,463	(6,106,791)
Total retro cost		(54,130,787)	(105,948,229)
Change in technical reserve	16	-	18,453,450
Change in claims outstanding	17	(44,945,935)	(28,122,405)
Change in retro outstanding	17	31,063,584	49,257,082
Change in IBNR	17	(67,443,073)	(38,769,103)
Change in retrocession of IBNR	17	70,850,292	39,966,267
Change in unearned retrocession commission		398,114	2,624,854
Change in acquisition costs		4,249,412	(74,760)
Change in doubtful receivables	8	(2,533,348)	(461,301)
Gross claims paid		(108,734,423)	(82,286,469)
Retroshare of claims paid		38,707,802	3,737,699
Net earned premium		50,024,840	58,654,520
Other incomes (expenses):			
Interests income	6	1,227,312	570,209
Interests paid		(632,651)	(39,600)
Commissions received		1,443,475	3,717,244
Commissions paid		(25,288,802)	(44,858,074)
Risk analysis cost		(80,909)	(116,439)
Gain in securities available for sale	10	7,635,596	8,230,765
Reinsurance commisions and profit participation		980,283	1,376,690
Other income		929,829	492,894
Total income, net		36,238,973	28,028,209
General and administrative expenses:			
Salaries and other employee benefits	6	6,062,041	4,299,014
Professional fees		4,609,640	3,534,684
Depreciation and amortization	11	253,068	223,980
Taxes		394,179	251,068
Travel expenses		462,020	318,705
Rentals		901,198	958,736
Telecommunications		122,997	94,156
Maintenance and repairs		40,971	50,041
Electrical energy		107,093	93,131
Insurances		282,381	138,324
Bank charges		24,315	52,928
Legal and notarial expenses		26,086	402,371
Dues and subscriptions		46,432	32,673
Others	22	3,605,511	1,223,140
Total general and administrative expenses		16,937,932	11,672,951
Profit before income tax		19,301,041	16,355,258
Income tax	25	1,416,395	871,987
Net profit		17,884,646	15,483,271
Net profit attributable to:			
Owners of the Company		15,594,512	13,716,945
Non-controlling interests	23	2,290,134	1,766,326
Net profit		17,884,646	15,483,271

The accompanying notes are an integral part of these consolidated financial statements.

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated statement of comprehensive income
For the year ended December 31, 2019
(In United States of America dollars)

	Notes	2019	2018
Net profit		17,884,646	15,483,271
Other comprehensive income:			
Realized gain transferred to income	10	(7,635,596)	(8,230,765)
Net changes in securities available for sale	10	12,494,683	8,434,127
Total other comprehensive income		4,859,087	203,362
Total net comprehensive income of the year		22,743,733	15,686,633
Comprehensive income attributable to:			
Owners of the Company		20,453,599	13,920,307
Non-controlling interests	23	2,290,134	1,766,326
Total comprehensive income for the year		22,743,733	15,686,633

The accompanying notes are an integral part of these consolidated financial statements.

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated statement of changes in equity
For the year ended December 31, 2019
(In United States of America dollars)

		Attributable to owners of the Company							
	Notes	**Common shares**	**Net changes in securities available for sale**	**Foreign currency translation**	**Legal reserve**	**Retained earnings**	**Total**	**Non- controlling interest**	**Total equity**
Balance as of January 1, 2018		305,780,295	2,898,465	-	155,827	137,983,888	446,818,475	16,481,895	463,300,370
Other comprehensive income comprised of:									
Net profit	23	-	-	-	-	13,716,945	13,716,945	1,766,326	15,483,271
Realized gain transferred to income	10	-	(8,230,765)	-	-	-	(8,230,765)	-	(8,230,765)
Net changes in fair value of securities available for sale	10		8,434,127			-	8,434,127	-	8,434,127
Total net comprehensive income for the year		-	203,362	-	-	13,716,945	13,920,307	1,766,326	15,686,633
Transactions attributable to shareholders:									
Profits capitalization		7,253,267	-	-	-	(7,253,267)	-	-	-
Dividends paid		-	-		-	(4,670,821)	(4,670,821)	-	(4,670,821)
Complementary tax		-	-	-	-	(164,699)	(164,699)	-	(164,699)
Change in foreign currency translation				(1,701,085)			(1,701,085)	-	(1,701,085)
Transfer of shares in associate		(1,175,382)	-	-	-	-	(1,175,382)	-	(1,175,382)
		6,077,885	-	(1,701,085)	-	(12,088,787)	(7,711,987)	-	(7,711,987)
Balance at December 31, 2018		311,858,180	3,101,827	(1,701,085)	155,827	139,612,046	453,026,795	18,248,221	471,275,016
Other comprehensive income comprised of:									
Net profit	23					15,594,512	15,594,512	2,290,134	17,884,646
Realized gain transferred to income	10	-	(7,635,596)	-	-	-	(7,635,596)	-	(7,635,596)
Net changes in fair value of securities available for sale	10	-	12,494,683	-	-	-	12,494,683	-	12,494,683
Total net comprehensive income for the year		-	4,859,087	-	-	15,594,512	20,453,599	2,290,134	22,743,733
Transactions attributable to shareholders:									
Change in foreign currency translation		-	-	(702,800)	-	-	(702,800)	-	(702,800)
Balance at December 31, 2019		311,858,180	7,960,914	(2,403,885)	155,827	155,206,558	472,777,594	20,538,355	493,315,949

The accompanying notes are an integral part of these consolidated financial statements.

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated statement of cash flows
For the year ended December 31, 2019
(In United States of America dollars)

	Notes	2019	2018
Cash flows from operating activities:			
Net income		17,884,646	15,483,271
Adjustment for:			
Gain on sale of securities available for sale	10	(7,635,596)	(8,230,765)
Reserve for premiums receivable	8	2,533,348	461,301
Provision outstanding claims reserve	17	44,945,935	28,122,405
Retrocession outstanding claims	17	(31,063,584)	(49,257,082)
Provision of unrealized premium (UPR)	16	49,772,194	11,424,073
Retrocession of unrealized premium (UPR) reserve	16	(22,681,463)	6,106,791
Provision of IBNR	17	67,443,073	38,769,103
Retrocession of IBNR reserve	17	(70,850,292)	(39,966,267)
Unearned retroceded commission		(795,727)	(2,624,854)
Deffered adquisition cost		(4,139,743)	(5,572,856)
Commisions payables		790,330	5,473,484
Depreciation and amortization	11	253,068	223,980
Disposal and adjustments of property, furniture, equipment and improvements		3,305,505	263,984
Income interest		(1,227,312)	(570,209)
Income tax		1,416,395	871,987
Interest expenses		632,651	39,600
Depreciation from right of use asset	14	337,505	-
Net changes in operating assets and liabilities:			
Increase in deposits with maturities greater than 90 days		(2,062)	(8,999,967)
Decrease (increase) in accounts receivable retrocessions		(2,352,662)	(5,891,192)
Increase in other accounts receivable		(9,308,645)	(6,190,737)
Decrease in thechnical premium reserve	16	-	(18,453,450)
(Increase) decrease in other assets		(2,760,815)	4,354,544
(Increase) decrease in premiums receivable		(16,646,718)	2,824,287
Decrease (increase) in deposits in ceding companies		3,025,398	(3,764,288)
Decrease (increase) in deposits in other reinsurance companies		(2,933,484)	28,707,594
(Decrease) increase in reinsurers account payable		(3,787,847)	183,298
Increase in accounts payable and accrued expenses		2,988,047	4,691,481
Decrease (increase) in accounts receivable		346,354	(11,345,058)
Interests earned		594,661	530,609
Income tax expense	25	(1,416,395)	(871,987)
Net cash provided by (used in) operating activities		18,666,765	(13,206,920)
Cash flows from investing activities:			
Acquisition of securities available for sale	10	(369,420,904)	(671,114,205)
Sale of securities available for sale	10	374,615,794	684,952,310
Acquisition of investment in associate	13	(2,092)	(2,268,900)
Transferred of shares in associates		-	352,571
Acquisition of furniture and office equipment	11	(491,984)	(25,467)
Net cash provided by investing activities		4,700,814	11,896,309
Cash flows from financing activities			
Notes and accounts receivable related parties		3,010,937	5,616,535
Proceeds from new loans	19	-	7,500,000
Payments to loans	19	(5,609,669)	(105,960)
Payments on lease liability		(401,786)	-
Dividend paid	24	-	(4,670,821)
Dividend tax		-	(164,699)
Net cash (used in) provided by financing activities		(3,000,518)	8,175,055
Net increase in cash		20,367,061	6,864,444
Cash at the beginning of the year	7	25,247,473	18,383,029
Cash at end of the year	7	45,614,534	25,247,473
Non- monetary transactions:			
Right of use asset	14	2,530,637	-
Lease liability	14	2,466,356	-
Profits capitalization	24	-	7,253,267

The accompanying notes are an integral part of these consolidated financial statements.

1. General information

Barents Re Reinsurance Company, Inc. (the "Company") was initially incorporated in accordance with the laws of the Republic of Panama in 1996 and started operations as a Reinsurance Company, duly authorized by the Superintendency of Insurance and Reinsurance of Panama.

In March 2018, by Resolution of the shareholders of the Company it was resolved to redomicile the Company by way of continuation to The Cayman Islands. Consequently, on June 8, 2018, the Company completed the process of registration by way of continuation of the Company from the jurisdiction of Panama to The Cayman Islands obtaining a Class D (Reinsurance) License, granted and supervised by The Cayman Islands Monetary Authority (CIMA).

A Class D License authorizes the Company to carry out reinsurance business and is the highest regulated reinsurance license issued in accordance with Cayman Islands Laws. A Class D Licensee is required to maintain a Minimum Capital Requirement ("MCR") of USD $50,000,000, as well as sufficient economic substance within The Cayman Islands. The reinsurance operations in The Cayman Islands are regulated by the Cayman Islands Insurance Law of 2010, its amendments and other supplementary and accessory regulations. The main office of the Company is located at Valhalla House, 634 South Sound Road, South Sound, Grand Cayman, Cayman Islands.

Standard Capital Shareholdings, Inc. (B.V.I.) is the owner of all the issued and outstanding shares of the Company.

The Company is the owner of all the issued and outstanding shares of Barents Re Reinsurance Company, Inc. (Belize).

Barents Re Reinsurance Company, Inc. (Belize) was incorporated in accordance with the laws of the Republic of Belize in January 2000 and began operations on March 2006. It possesses an International Reinsurance License granted and supervised by the Office of the Supervisor of Insurance & Private Pension of Belize (OSIPP).

On August 11, 2016, the shareholders of the Company acquired 51% of the issued and outstanding shares of Barents Reinsurance S.A. (Luxembourg), a company duly incorporated and existing in accordance with the laws of the Principality of Luxembourg, possesses a Reinsurance License, granted and supervised by the Commissariat Aux Assurances of Luxembourg (Insurance Commissioner of Luxembourg) and operates under Solvency II.

2. Basis of presentation and adoption of International Financial Reporting Standards (IFRSs)

2.1 Modifications to the IFRSs and the application of new standards that are mandatory for the present year

In the current year, the Group has implemented the amendments to IFRSs issued by the International Accounting Standards Board (IASB), that are mandatory for the accounting period beginning on or after January 1, 2019.

IFRS 16 - Leases

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee's accounting by eliminating the distinction between operating and finance leases. Instead, it recognizes a right of use asset and a lease liability at the beginning of all leases, except for short-term and low value leases. In contrast to the lessee's accounting, the requirements for the lessor's accounting have remained virtually unchanged. Details of these new requirements are described in Note 14. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The Group has adopted IFRS 16, which has an initial application date of January 1, 2019. As a result, the Group has changed its accounting policies for lease contracts as detailed in the following paragraphs.

The Group implemented the standard as of its initial application in accordance with paragraph C5(b) of IFRS 16. For this reason, the information presented as at December 31, 2018 does not reflect the requirements of IFRS 16 and, therefore, is not comparable to the information presented for 2019.

i. Impact of the new definition of a lease

The Group has used the practical resource available in the transition to IFRS 16 so as not to reassess whether the contract is or has a lease. Therefore, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered into or modified before January 1, 2019.

The change in the definition of a lease relates primarily to the control concept. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset during a period of time in exchange a consideration.

The Group applies the definition of a lease set out in IFRS 16 to all leases entered into or amended as of January 1, 2019 (whether it is the lessor or the lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group carried out an implementation project. The project has demonstrated that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

ii. Impact on lessee's accounting

IFRS 16 changes the way that the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance-sheet.

By applying IFRS 16 to all leases, the Group:

a) Recognizes right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
b) Recognizes depreciation of leased assets by right of use and interest on leased liabilities in the consolidated statement of profit or loss; and
c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. grace periods) are recognized as part of the measurement of the right-to-use asset, whereas under IAS 17, they resulted as a liability amortized as a reduction of lease expense on a straight-line basis.

For short-term leases (12 months or less) and leases of low value assets (establishing low value policies), the Group has elected to recognize a straight-line lease expense as permitted by IFRS 16. This expense is presented within other expenses in the consolidated statement of profit or loss.

iii. Impact on lessor's accounting

IFRS 16 does not materially change how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance or operating leases and accounts for the two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, particularly with respect to how a lessor manages risks arising from its residual interest in leased assets.

iv. Initial financial impact from the adoption of IFRS 16

The Group applied the standard using the so-called modified retrospective approach, where an asset and liability were recognized for the same amount as of January 1, 2019, without restatement of the comparative information. For this reason, the information presented as at December 31, 2018 does not reflect the requirements of IFRS 16 and, therefore, is not comparable to the information presented for 2019 in this regard.

In the adoption process, lease liabilities were measured at the present value of the remaining payments, discounted at an incremental funding rate as of January 1, 2019. The rate used for implementation was based on the Group's curve (rate), country risk, and risk-free rate. The average rate determined by the Group was 4.25%.

As a result of the adoption process, the Group recognized as of January 1, 2019, as right-of-use assets and lease liabilities, both for US$2,868,142, which did not present differences that affected the balance of retained earnings as of January 1, 2019.

The adoption of IFRS 16 did not generate impacts on net cash flows.

<u>Amendments to IFRIC 23 – Uncertainty over Income Tax Treatments</u>

The interpretation is to be applied to the determination of the tax accounting position when there is uncertainty over the income tax treatments.

The interpretation requires that the entity:

a. Determine if the uncertain tax positions are valued separately or a Group; and
b. Consider if it is probable that the relevant authorities will accept a used uncertain tax treatment, or proposed to be used, b an entity in its income tax returns:
    - If so, the entity must determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax returns.
    - If not, the entity must reflect the effect of the uncertainty in the determination of its accounting tax position.

The Group carried out an evaluation of the new accounting standard. As a result of this review, the Group determined that it had no impact on the consolidated financial statements as at December 31, 2019.

2.2 New standards and new interpretations and / or revised, but not yet effective

New standards, interpretations and amendments to accounting standards have been published, but are not mandatory for the year ended on December 31st, 2019 and have not been adopted in advanced. The main changes in these standards are presented below:

IFRS 17 – Insurance contracts

- The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and replaces IFRS 4 - Insurance contracts.

- The standard outlines a General Model, which is modified for insurance contracts with discrete participation characteristics, described as the variable fee approach. The General Model is simplified if certain criteria are met, by measuring the liability for remaining coverage using the premium allocation approach.

- The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and will explicitly measure the cost of that uncertainty; takes into account market interest rates and the impact of policyholders' options and guarantees.

- Profit from the sale of insurance policies is deferred in a separate liability component on day 1 and added in groups of insurance contracts; then it is systematically reported through profit or loss during the period in which the insurers provide coverage after making adjustments derived from changes in the assumptions related to future coverage.

- The standard is effective for annual periods beginning on or after January 1, 2023 with early application allowed; it is applied retrospectively unless it is impracticable, in which case the modified retrospective approach or the fair value approach is applied.

Management is in the process of assessing the impact of these amendments in the Group's consolidated financial statements.

IFRS 9 - Financial Instruments

Classification and Measurement

In July of 2014, the IASB completed the amendment and issued the IFRS 9 – Financial Instruments (2014 revised edition) that replaces the IAS 39 – Financial Instruments: Recognition and Measurement, after its expiration date.

In comparison with its IFRS 9 in its 2013 revised edition, the 2014 edition includes modifications that are limited to the requirements of classification and measurement by adding a measurement category "at a reasonable value with changes in other integral result", for certain simple debt instruments. It also adds requirements of deterioration inherent to the accounting of credit losses expected of an entity with financial assets and commitments to extend the credit.

The finalized IFRS 9 (2014 revised edition) contains requirements to: a) Classification and Measurements of financial assets and liabilities, b) Deterioration methodology, and c) General Accounting Coverage.

Phase 1: Classification and Measurement of Financial Assets and Liabilities

In respect of the classification and measurement of the compliance with the IFRS, all recognized financial assets that are included in the IAS 39 will be subsequently measured at an amortized cost or reasonable value, Specifically:

- A debt instrument that: (i) is maintained within the business model whose objective is to obtain contractual cash flows, (ii) has contractual cash flows that only constitute capital payments and shares over the amount of outstanding capital that must be measured at amortized cost (net of any impairment loss), unless the asset is designated at fair value through profit or loss, in compliance with this option;

- A debt instrument that: (i) is maintained within a business model whose objective is met by obtaining contractual cash flows and selling financial assets and (ii) possessing contractual terms for the financial asset producing, on specific dates, cash flows that only constitute capital and interest payments on the principal amount outstanding, and which must be measured at fair value with changes in other comprehensive income, unless the asset is designated at fair value with changes in the results, in compliance with this option;

- All other debt instruments must be measured at fair value through profit or loss; and

- All equity investments will be measured in the statement of financial position at fair value, with gains and losses recognized in the statement of profit or loss and other comprehensive income, unless the equity investment is maintained to negotiate, in which case, an irrevocable decision can be made in the initial recognition to measure the investment with a dividend income that is recognized in profit or loss

IFRS 9 also contains requirements for the classification and measurement of financial liabilities and requirements for derecognition. An important change in IAS 39 is linked to the presentation of changes in the fair value of a financial liability designated at fair value with changes in the results, which are attributed to changes in the credit risk of that liability. In accordance with IFRS 9, these changes are present in other comprehensive income, unless the presentation of the effect of the change in the credit risk of the financial liability in other comprehensive income creates or produces a large accounting inconsistency in the gain or loss. In accordance with IAS 39, the total amount of the change in the designated fair value is presented as profit or loss.

Phase 2: Deterioration Methodology

The impairment model in accordance with IFRS 9 reflects expected credit losses, as opposed to credit losses incurred under IAS 39. In the event of impairment in IFRS 9, it is no longer necessary for a credit event to occur before credit losses are recognized. Instead, an entity always accounts for both expected credit losses and their changes. The amount of expected credit losses must be updated on each date of the report to reflect changes in credit risk since initial recognition.

Phase 3: Coverage Accounting

The general hedge accounting requirements of IFRS 9 maintain the three types of hedge accounting mechanisms included in IAS 39. However, the types of transactions ideal for hedge accounting are now much more flexible, especially when expanding the types of instruments that are classified as hedging instruments and the types of risk components of non-financial elements ideal for hedge accounting. In addition, the effectiveness test has been reviewed and replaced by the principle of “economic relationship”. A retrospective evaluation is no longer required to measure the effectiveness of coverage. Many more disclosure requirements about the entity's risk management activities have been added.

Deferral of IFRS 9 adoption

The Company has applied the temporary exception, as permitted by IFRS 4 – Insurance Contracts, that allows the Company to apply IAS 39 - Financial Instruments: Recognition and Measurement rather than IFRS 9, until 2023. Due to the close interlinking of underwriting liabilities and investments of insurance companies, it is essential to have an aligned measurement of these line items in the consolidated statement of financial position in order to prevent consolidated statement of financial position distortions. The IASB therefore published an amendment standard to IFRS 4, Insurance Contracts, that gives the possibility of postponing the first-time application of IFRS 9 until 2023, but requires evidence based on the financial statements as at December 31, 2015 that most of the Group's activity is in insurance. Insurance business is considered "predominant" if at the time of measurement more than 90% of total liabilities were related to insurance business. Besides liabilities that fall within the scope of IFRS 4, these also include liabilities from investment contracts measured at fair value and other liabilities resulting from insurance business. At Barents Re Reinsurance Company, Inc. and Subsidiary, liabilities related to insurance business accounted for a share of 95% of total liabilities as at December 31, 2017, date in which IFRS were completely adopted. Meanwhile, no changes have been made to our business activities that would need a reassessment.

As of December 31, 2019, all government and corporate bonds currently classified as securities available for sale are financial assets with contractual cash flows that meet SPPI criteria of IFRS 9. The fair value and change in fair value of these financial assets are disclosed in Note 10. The carrying amount of these financial assets by credit risk grade is disclosed in Note 4.3.

3. Significant accounting policies

The significant accounting principles and practices applied in the recording of transactions and preparation of the accompanying consolidated financial statements are as follows:

3.1 Basis of preparation

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the Accounting Standards Board. The consolidated financial statements have been prepared on a historical cost basis, except for the securities available for sale which are presented at their fair value.

3.2 Regulatory matters

The Company applies accounting practices specific to the reinsurance industry which emphasize the liquidity and solvency of the Company to fulfill its obligations. Under these practices, the Company records the gained or incurred income or expenses of the year, the commissions earned on ceded reinsurance, the fees paid to brokers on premiums.

Reserve for claims outstanding

Losses are recognized in the profit or loss statement based on an estimate of the liabilities once they are reported and are expected to be settled.

Losses arising from the reinsurance business and loss expenses paid during the year together with the movement in the provision for claims in process. The claims in process are made up of the accumulation of the final costs to settle all the reported and incurred losses at the date of the consolidated statement of financial position.

Retroshare of claims outstanding
This assets provision accumulated the retroshare portion of the outstanding claims based on estimate of the liabilities once they are reported and are expected to be settled.

Reserve for unrealized premium
The unrealized premium reserve in progress is calculated using the daily pro rata method, in which the subscribed premium is considered proportional to the validity indicated on the invoice, so the amount of the liability is calculated taking into account the proportion of the risk not incurred on each invoice to the valuation date.

Unrealized retroceded premium
This assets provision accumulated the retroshare portion of unrealized premium is calculated taking into account the proportion of the risk not incurred on each invoice to the valuation date.

Reserve for claims incurred but not reported (IBNR)
The reserve for claims incurred but not reported (IBNR), is calculated according to actuarial formulas recognized worldwide: for incidents incurred, using triangulations to estimate future development, applying the global statistical method.

The Company considers that the gross provisions for claims in process are reasonably presented based on the information that is available, the final liability could vary as a result of subsequent information and could result in significant adjustments to the amounts provided.

IBNR of retroshare
This asset provision accumulated the retroshare portion of claims incurred but not reported, is calculated according to actuarial formulas.

Unearned retroceded commission
This unearned retroceded commission comprises all direct and indirect commissions arising from the writing of reinsurance contracts, are amortized and recorded in the consolidated statement of profit or loss.

Deferred acquisition costs
Acquisition costs comprise all direct and indirect costs arising from the writing of reinsurance contracts. Deferred acquisition costs (DAC) comprise other variable costs directly connected with acquisition or renewal of reinsurance contracts.

Deferred acquisition costs represent a proportion of commission and other acquisition costs, which are incurred during a financial year and are deferred to the extent that they are recoverable out of future revenue margins. DAC is amortised over the premium payment period in proportion to the premium revenue recognised.

3.3 Principle of consolidation

The consolidated financial statements comprises the financial statements of Barents Re Reinsurance Company, Inc. and subsidiaries controlled by the Company. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if the facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee has power over it when voting rights are sufficient to give the practical ability to direct their relevant activities unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Income and each component of other comprehensive income are attributed to the controlling and non-controlling interests. Comprehensive income is attributed to the controlling and non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All balances and transactions between the Company and its subsidiaries have been eliminated on consolidation.

In preparing the consolidated financial statements, management is responsible for combining the consolidated financial statements of the parent company line by line, adding the items representing assets, liabilities, equity, income and expenses of similar content. In order for the consolidated financial statements to present financial information of the Group, as if it were a single economic entity, the process is as follows:

- The carrying amount of the parent's investment in each of the subsidiaries, together with the portion of the equity belonging to the parent company in each of the subsidiaries, are eliminated;
- Non-controlling participants are identified in the results of the consolidated subsidiaries, which refer to the reporting period; and
- Non-controlling interests in the net assets of the consolidated subsidiaries are identified separately from those of the parent company.

3.4 Balances and transactions in foreign currency

Functional and presentation currency

The items included in the consolidated financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in dollars (US$), the functional and presentation currency of the Company.

Balances and transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions are recognized in profit or loss. Gains and losses from the translation at year end of assets and liabilities denominated in foreign currencies are recognized as a separate component of equity.

Financial assets

Financial assets are classified into the following specific categories: securities available for sale, premiums receivable, other assets and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Premiums receivable

Premiums receivable generally have collectable terms of 90 days, and they are recognized at the amount of the respective insurance contracts, and are measured at cost. The book value of premiums receivable is reviewed for impairment when events and circumstances indicate that they will not be recoverable, with an impairment loss recognized in the profit or loss.

The Company records as accounts receivable uncollected premiums at maturity of the agreed form of payment. These premiums receivable are held for a period of 90 days, whether or not they have accrued redemption values except when it comes to premiums receivable with related parties.

Securities available for sale

These consist of securities purchased with the intention of holding them for a period of indefinite duration, and which can be sold in response to the needs for liquidity or changes in interest rates or prices of equity instruments. After initial recognition, investments available for sale are measured at fair value. For those cases where fair value estimates are not reliable, investments are held at cost or amortized cost.

Gains or losses arising from changes in the fair value of securities available for sale are recognized directly in equity until the financial assets are sold or impairment is determined. At this time, the cumulative gain or loss, previously recognized in equity is recognized in profit or loss. Dividends on equity instruments available for sale are recognized in the consolidated statement of profit or loss when the entity's right to receive payment is established.

The fair value of an investment in securities is generally determined based on quoted market price at the date of the consolidated statement of financial position. If the quoted market price is not available, the fair value of the instrument is estimated using pricing models or technical calculations of discounted cash flows.

Ceding deposits

The ceding deposits are presented at cost and consist of deposits generated by reinsurance contracts with insurance companies that arise from the normal course of business.

Accounts receivable - retrocessions

Accounts receivable retrocessions are presented at cost and are generated by premium commitments assumed during the current period corresponding to the coverage of the retrocessionaires.

Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

3.5 Impairment of financial assets

Premiums receivable

Premiums receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

At the end of each reported period, the premium receivable balance is reviewed to determine if there is an objective evidence of non-recoverable. If so, the loss impairment is recognized immediately in the consolidated statement of profit or loss. The impairment loss is accounted for as 100% credit risk. In measuring the impairment loss the Administration calculates the credit risk exposure taking into account the accounts receivable net of reinsurer participation, acquisition costs, unearned premiums and related taxes.

Assets classified as available for sale

At the date of the consolidated statement of financial position, the Company assesses whether there is objective evidence that a financial asset or group of financial assets are impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the financial asset is decreased below its cost is taken into account in determining whether the assets are impaired. If such evidence exists for financial assets available for sale, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on financial assets previously recognized in the profit or loss, are removed from equity and recognized in the consolidated profit or loss. Impairment losses recognized in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss but the amount is recognized in the equity account. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the loss impairment be reversed through the consolidated statement of profit or loss.

3.6 Impairment of non-financial assets

On the date of each consolidated statement of financial position, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss in value. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss in value, if any. Where the asset does not generate cash flows that are themselves independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is subjected to an impairment test once a year.

If it is estimated that the recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Immediately an impairment loss is recognized in the results of operations.

3.7 Fair value measurement and valuation process

The Company measures fair value using hierarchy levels that reflect the meaning of the input used to make the measurements. The Company has established a documented process and policy to determine the fair value in which the responsibilities and segregation of functions between the different responsible areas that intervene in this process are defined and approved by the Board of Directors.

IFRS 13 sets a hierarchy of the valuation techniques based on whether the information included in those valuation techniques are observable or unobservable. The observable information reflects market data from independent sources; the unobservable input reflects the Company’s market assumptions. These two types of information have set the following fair value hierarchy:

- Level 1- Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - Inputs are unobservable inputs for the asset or liability.

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique and inputs used).

Financial assets	Fair value 2019	Fair value 2018	Fair value hierarchy	Valuation techniques (s) and key inputs	Significant unobservable inputs no observables significativos	Relationship of unobservable inputs to fair value
Securities available for sale						
Government and corporate bonds	457,749,184	450,449,391	Level 1	Quoted prices in active markets	N/A	N/A
Corporate bonds	3,200,000	3,200,000	Level 2	Price of transactions in an organized market, interest rate curves, risk-free rate.	N/A	N/A

Fair value of the Company's financial assets and liabilities that are not measured at fair value (but fair value disclosures are required)

The Company believes that the carrying values of the financial assets and financial liabilities recognized at amortized cost in the consolidated financial statements approximate their fair value.

	2019 Carrying value	2019 Fair value	2018 Carrying value	2018 Fair value
Assets				
Cash and deposits in banks	56,773,436	56,773,436	36,404,313	36,404,313
Deposits in ceding companies	31,143,536	31,143,536	34,168,934	34,168,934
Investment available for sale	3,200,000	3,200,000	3,200,000	3,200,000
Premiums receivable	37,420,645	37,420,645	23,307,275	23,307,275
Accounts receivable - retrocessions	49,427,595	49,427,595	47,074,933	47,074,933
	177,965,212	177,965,212	144,155,455	144,155,455
Liabilities				
Loan payable	2,505,123	2,103,686	8,114,792	7,597,533

	Total	Fair value hierarchy Level 1	Level 2	Level 3
2019				
Financial assets:				
Cash and deposits in banks	56,773,436	-	56,773,436	-
Deposits in ceding companies	31,143,536	-	-	31,143,536
Premiums receivable	37,420,645	-	-	37,420,645
Accounts receivable - retrocessions	49,427,595	-	-	49,427,595
	174,765,212	-	56,773,436	117,991,776
Financial liabilities:				
Loan payable	7,597,533	-	-	7,597,533

	Total	Fair value hierarchy Level 1	Level 2	Level 3
2018				
Financial assets:				
Cash and deposits in banks	36,404,313	-	36,404,313	-
Deposits in ceding companies	34,168,934	-	-	34,168,934
Premiums receivable	23,307,275	-	-	23,307,275
Accounts receivable - retrocessions	47,074,933	-	-	47,074,933
	140,955,455	-	36,404,313	104,551,142
Financial liabilities:				
Loan payable	7,597,533	-	-	7,597,533

In the case of demand deposits and time deposits the carrying value approximates fair value due to their short-term nature. In the case of premiums receivable, book value is the best estimate of fair value due to the nature of the business relationship with the customer.

3.8 Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

Debt and equity instruments are classified as financial liabilities or as equity in accordance to the contractual arrangements.

Equity instruments

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

Barents Re Reinsurance Company, Inc. has an internal capitalization and dividend policy aimed at providing the units in a rational and objective manner to maintain the necessary capital to cover the risks assumed.

Financial liabilities

Financial liabilities are classified as financial liabilities with changes in profit or loss and other financial liabilities.

De-recognition of financial liabilities

The Company writes off financial liabilities when, and only when, the obligations of the Company are settled, canceled or expired.

3.9 Premium income

Income is presented at fair value of the consideration received or receivable, taking into account the amount of any commercial discounts, bonuses or rebates granted by the entity.

Income from subscribed premiums and related production costs (commissions paid, ceded reinsurance, and commissions earned from reinsurance) are recognized when the reinsurance contracts come into force and the amount of the premiums is received.

3.10 Reinsurance contracts

In the normal course of business, the Company signs reinsurance agreements with insurance and reinsurance companies.

Retrocession or reinsurance ceded is arranged with the primary purpose of obtaining a recovery of direct losses that could be generated by events or disasters. However, reinsurance contracts do not relieve the Company from its contractual obligations to policyholders or beneficiaries.

The amounts expected to be recovered from reinsurers are recognized in accordance with the clauses in the contracts signed by both parties. To ensure consistency of this policy, the reinsurance company evaluates, on a periodic basis, the financial condition of its retrocession, risk concentration, as well as changes in economic and regulatory environment.

Gains and losses on reinsurance contracts are recognized in the consolidated statement of profit or loss immediately at the time of occurring and are not amortized. Premiums and claims are presented on a gross basis for both ceded and assumed premiums.

3.11 Property, furniture, equipment and improvements

The property, furniture, equipment and improvements are stated at cost of acquisition, net of accumulated depreciation and amortization. Significant improvements are capitalized, while minor repairs and maintenance that do not extend the life or improve the asset are charged to expenses as incurred.

The depreciation and amortization are charged to current operations on a straight-line method, based on the estimated useful life of the assets:

Furniture and office equipment	3 - 10 years
Computer equipment	3 - 7 years
Building and improvements	30 years

Assets subject to amortization are reviewed for impairment as long as changes in the circumstances indicate that the carrying value is not recoverable. The carrying value of the assets is immediately reduced to the recoverable amount, which is the higher of fair value less cost and used value.

Any item of property, furniture, equipment and improvement is written off at the time of its eventual disposal or when no future economic benefit arising from the continued use of the asset is expected.

Any gain or loss arising on the disposal or retirement of an item of furniture, equipment and improvement are determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognized in the consolidated statement of profit or loss.

3.12 Legal reserve

The legal reserve of reinsurers is established based on 1/4% of the increase in premiums signed each year compared to previous years.

3.13 Cash

For the purposes of presenting the consolidated statement of cash flows, cash includes balances with banks and interest-bearing deposits with original maturities of three months or less from the date the deposit was placed.

3.14 Reclassifications

In order to improve the comparability of the consolidated financial statements, reclassifications were made to the previously reported balances for the year ended December 31, 2018. These reclassifications have no effect net profit for the year or on previously reported equity.

Consolidated statement of financial position	2018 as previously reported	Reclassifications	2018 as reclassified
Assets			
Premiums receivable, net	14,445,177	8,862,098	23,307,275
Accounts receivable - retrocessions	25,440,915	21,634,018	47,074,933
IBNR of retroshare	-	58,903,274	58,903,274
Retroshare of claims outstanding	-	95,947,777	95,947,777
Deferred acquisition costs	8,197,710	(3,137,788)	5,059,922
Unearned retroceded commission	-	2,624,854	2,624,854
Total assets		184,834,233	
Liabilities			
Claims outstanding reserve	30,229,069	92,652,649	122,881,718
Commissions payable	678,566	4,855,997	5,534,563
IBNR reserves	42,071,814	62,198,402	104,270,216
Reinsurers account payable	-	30,088,109	30,088,109
Accounts payable and accrued expenses	7,783,841	(4,960,924)	2,822,917
Total liabilities		184,834,233	
Net effect		-	

Consolidated statement of profit or loss	2018 as previously reported	Reclassifications	2018 as reclassified
Income from premiums and cost			
Change in unrealized premium	(18,248,075)	6,824,002	(11,424,073)
Change in unearnd retro premium (URP)	717,211	(6,824,002)	(6,106,791)
Change in claims outstanding	19,316,186	(47,438,591)	(28,122,405)
Change in retro outstanding	-	49,257,082	49,257,082
Change in IBNR	(7,132,236)	(31,636,867)	(38,769,103)
Change in retrocession of IBNR	10,147,891	29,818,376	39,966,267
Change in unearned retrocession commission	-	2,624,854	2,624,854
Change in acquisition costs	2,580,086	(2,654,846)	(74,760)
Gross claims paid	(78,548,770)	(3,737,699)	(82,286,469)
Retroshare of claims paid	-	3,737,699	3,737,699
Other incomes (expenses)			
Commissions paid	(40,659,635)	(4,198,439)	(44,858,074)
Reinsurance commisions and profit participation	-	1,376,690	1,376,690
Other income	7,617,954	(7,125,060)	492,894
General and administrative expenses			
Professional fees	(13,511,485)	9,976,801	(3,534,684)
Taxes	(96,525)	(154,543)	(251,068)
Customer services	(2,320)	2,320	-
Others	(1,375,363)	152,223	(1,223,140)
Net effect		-	

Certain other elements of corresponding figures have been changed to conform to current year presentation.

4. Financial risk management

4.1 Financial risk management objectives

The Company's activities are exposed to a variety of financial risks and such activities include the analysis, assessment, acceptance and management of a certain degree of risk or a combination of risks. Risk is a fundamental component in the financial business, and operational risks are unavoidable risks incurred whilst carrying on the business. Therefore, the Management's objective is to achieve an adequate balance between the risks and return and minimize possible adverse effects on the financial execution of the Company.

The activities of the Company are primarily related to the use of financial instruments and, as such, the consolidated statement of financial position consists mainly of financial instruments. Being exposed to the following risks when using them:

- Insurance risk
- Credit risk
- Liquidity risk
- Market risk
- Operational risk

The Company is responsible for establishing and supervising the risk management policies on financial instruments. To that effect, it has appointed committees to take care of periodic administration and supervision of the risks to which the entity is exposed and which report to the Board of Directors.

Until June 8th, 2018, the Company was subject to the regulations of the Superintendency of Insurance and Reinsurance of the Republic of Panama. As of June 8th, 2018, the Company is subject to the regulations of the Cayman Islands Monetary Authority. Additionally, the Company is subject to the regulations of the Office of the Supervisor of Insurance of the Republic of Belize, in the areas concerning the concentration of risks, liquidity and capitalization, among others.

The main risks identified by the Company are credit, liquidity, market and operational risks which are described as follows:

4.2 Insurance risk

The risk covered under a contract, in any of its various forms, is the possibility that the insured event occurs and therefore the uncertainty is realized in the amount of the claim. By the nature of the insurance contract, this risk is random and therefore unpredictable nowithstanding the statistical methodologies applied by the Company in their financial forecasting.

Regarding a portfolio of contracts where the theory of large numbers and probabilities for pricing and dispose provisions are applied, the main risk the Company faces is that the claims and/or payments of benefits covered by the policies exceed the carrying amount of insurance liabilities. This could happen as the frequency and/or severity of claims and benefits are greater than estimated. The factors that are considered to make the assessment of insurance risks are:

- Frequency and severity of claims
- Sources of uncertainty in the calculation of future claims

The Company has contracted reinsurance coverage that protects against loss frequency and severity. Contracts of reinsurance coverage include excess of loss, stop loss and catastrophe. The aim of these contracts is to minimize net insurance losses so that they do not affect the total net assets and liquidity of the Company in any year. Apart from the total reinsurance program of the Company, additional reinsurance protection can be purchased by facultative contract when the risk assessment so warrants.

The Company has developed an insurance underwriting strategy to diversify the types of insurance risks accepted. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, and geographic location. The underwriting strategy attempts to ensure that underwriting risks are well diversified in terms of type and amount of risk. Subscription limits function to execute the selection criteria of appropriate risk.

Sensitivity to insurance risk
The Company´s sensitivity to risk can be clearly seen on the Company's retention for each Retrocession Program on all Lines of Business. We establish our own self retention (Priority) based on each line of business´s Underwriting Guidelines and risks are back-to-back with our retrocession arrangements, so as to mitigate yet any gaps in coverage. Our net retentions, after retrocession, are measured (and lowered) and are relative to our individual lines of business and our risk tolerance for each. We have "Cash Loss Clauses" in our Quota Share treaty purchases, and "Simultaneous Settlements Clauses" in our Excess of loss treaty purchases to manage cash flow for large claims.

Overall, the direct impact on the cash flow derived from an insurance event is balanced according to the company's ERM practices. The Company has a conservative approach to risk retention, buying down via reinsurance where the market is still prepared to trade at a risk transfer price acceptable to us. Actuarial and

Aggregate Reports (where applicable) are prepared to monitor closely the exposure and possible impacting scenarios.

Credit risk

The Company utilizes a minimum security quality threshold of A.M. Best ‘A-’ and/or S&P ‘A-’ rating. Exceptions require sign-off by the CEO and are advised to the Board of Directors. Self-imposed maximum capacity any one reinsurer/group is 20%. Quarterly security reviews are prepared to keep record of the security quality and applying possible future changes when applicable and necessary. Our retrocession panel is diversified, in terms of number of counter parties (50+) and their geographical domicile.

Internally, the Company monitors and reviews Counter Party Security and ageing of our Treaty Retro reinsurance Recoverables on a quarterly basis. The amount of balances due to us for retro claims from our brokers/agents/reinsurers beyond 90 days ageing is $nil. To date, we have no reinsurers that have defaulted.

Liquidity risk

Loss Reserves are set according to actuarial reports based on yearly loss development including claims paid. Provision for claims and retro protection are acquired to minimize potential impact of a major liquidity situation. Premium and loss developments are quarterly prepared and monitored according to annual projection and closely followed; if necessary, projections are updated to accomodate any given situation.

Market risk

The Company´s reinsurance placements are not affected directly by fluctuations on interest rates, as the majority of our business is done in USD and we are not involved on pure financial, credit, loan businesses.

On the other hand, since the vast majority of the Company's premium receivables and retrocession payables are denominated in USD, this minimizes foreign exchange currency risk on its consolidated statement of financial position. Most of the portfolio is either in USD or EUR and possible devaluation is considered to be well absorbed within the overall business results.

The Company's underwriting philosophy excludes long-term contracts. Concurrently, the Company's assets are mostly invested in short duration investment grade securities. As such, market and interest rate risks are minimized given short durations of assets and liabilities.

Concentrations

The Company believes the concentration risk on insurance contracts is low, as it participates in pools of risks which the broker divides between several different counterparties, countries and industries.

4.3 Credit risk

Is the risk of a financial loss for the Company, which occurs when a counterpart of a financial instrument fails to comply with its contractual obligations, and arises mainly from investment in securities.

For risk management purposes, the Company considers all elements of credit risk exposure: issuer risk, country risk, and sector or industry risk. Credit risk arising from holding securities is considered as a component of credit risk exposure.

The Company continuously monitors the financial condition of the issuers of securities involving a credit risk to the entity. It is responsible for developing changes to the credit policies and presenting the same to the Board of Directors which has the responsibility for the final approval.

The Company has established certain procedures to manage credit risk, as summarized below:

Preparation of credit policies:

Credit policies are issued or revised per recommendation of any member of the Company's Management and Board of Directors, considering the following factors:

- Changes in market conditions.
- Risk factors.
- Changes in laws and regulations.
- Changes in financial conditions and credit availability.
- Other factors relevant at the time.

Every change in policies or preparation of new policies must be approved by the Board of Directors, which in turn issues a memorandum of instructions for its subsequent disclosure and implementation.

Similarly, the entity has limited its exposure in various places through the country risk policy, where countries have been defined to have exposure based on Management's strategic plan; in turn, exposure limits for investment have been implemented in these countries, based on the credit rating of each of them.

Maximum limits per counterparty:

Regarding the exposures by counterparties, there are limits based on risk rating of the counterparty, as a proportion of the capital of the Company.

Policy compliance review:

The Company is responsible for the quality and performance of loans in their portfolios, as well as for control and monitoring of their risks.

The table below analyzes the Company's portfolio of securities available for sale which are exposed to credit risk, and its corresponding assessment based on its rating:

	2019	**2018**
Investment grade	457,749,184	450,449,391
Non rated investment	3,200,000	3,200,000
	460,949,184	453,649,391

In the previous table, the factors of greatest risk exposure of the investment portfolio have been detailed.

To manage financial risk exposures of the investment portfolio, the entity uses external investment ratings as detailed below:

Investment rating	**International qualifications**
Investment grade	AAA, AA, AA+, AA-, A+, A-, BBB+, BBB, BBB-
Standard monitoring	BB+, BB, BB-, B+, B, B-
Special monitoring	CCC to C
Non rated	-

Management monitors the credit risk concentration by sector and geographical location. The credit risk concentration analysis of the consolidated financial statements at December 31 is as follows:

	Premiums receivable		Securities available for sale	
	2019	**2018**	**2019**	**2018**
Concentration by sector:				
Corporate	37,420,645	23,307,275	93,375,730	93,734,443
Government	-	-	367,573,454	359,914,948
Carrying amount	37,420,645	23,307,275	460,949,184	453,649,391
Geographic concentration:				
South America and Caribbean	37,420,645	23,307,275	3,200,000	3,200,000
United States of America	-	-	457,749,184	450,449,391
Carrying amount	37,420,645	23,307,275	460,949,184	453,649,391

The geographical concentration for investments is measured based on the issuer’s location of the investment.

4.4 Liquidity or financing risk

Liquidity risk is defined as the risk that the entity may have difficulties to obtain the funds to meet timely its commitments or obligations.

Management has established minimum liquidity levels to meet its operating needs and commitments.

The Liquidity Risk caused by the mismatch of terms between assets and liabilities is measured by using the Liquidity Gap or Term Matching. In this analysis, simulations and stress tests are done based on the difficulties caused by the lack of liquidity, such as, unexpected withdrawals of funds contributed by creditors or clients, impairment in the quality of the loan portfolio, volatility of resources obtained, etc.

The analysis of the maturities of the determined financial assets and financial liabilities based on the remaining period at the date of the consolidated statement of financial position or up to the contractual maturity date is detailed below:

	No maturity	Up to 3 months	3 moths 1 year	Over a year	Total
2019					
Financial assets:					
Cash and deposits in bank	45,614,534	-	11,158,902	-	56,773,436
Deposits in ceding companies	31,143,536	-	-	-	31,143,536
Securities available for sale	-	-	460,949,184	-	460,949,184
Premiums receivable	-	-	37,420,645	-	37,420,645
Accounts receivable - retrocessions	-	-	49,427,595	-	49,427,595
Total financial assets	76,758,070	-	558,956,326	-	635,714,396
Financial liabilities:					
Loans payable	-	-	2,145,560	359,563	2,505,123

	No maturity	Up to 3 months	3 moths 1 year	Over a year	Total
2018					
Financial assets:					
Cash and deposits in bank	25,247,473	-	11,156,840	-	36,404,313
Deposits in ceding companies	34,168,934	-	-	-	34,168,934
Securities available for sale	-	-	453,649,391	-	453,649,391
Premiums receivable	-	-	23,307,275	-	23,307,275
Accounts receivable - retrocessions	-	-	47,074,933	-	47,074,933
Total financial assets	59,416,407	-	535,188,439	-	594,604,846
Financial liabilities:					
Loans payable	-	-	7,647,722	467,070	8,114,792

4.5 Market risk

Is the risk that the value of a financial asset may be reduced because of changes in interest rates, currency exchange rates, stock prices, and other financial variables, as well as the reaction of market participants to political and economic events, whether by latent losses or potential profits. Management's objective for market risk is to manage and monitor the risk exposures and at the same time to make sure that they are maintained within acceptable parameters optimizing the risk returns.

The risk management policies provide the compliance with limits for each financial instrument; limits regarding the maximum amount of loss that require the closing of positions that caused such losses; and the requirement that, unless approved by the Board of Directors, substantially all assets and liabilities are denominated in United States Dollars.

As part of the market risk, the entity is mainly exposed to interest rate risk.

Interest rate risk of cash flow and fair value - The cash flow and interest rate risks of fair value are the risks that the future cash flows and the value of financial instruments may fluctuate due to changes in market interest rates.

The table below summarizes the Company´s exposure to interest rate risks. The Company´s financial assets and financial liabilities are included in the table at its carrying amount, categorized by the earlier between the repricing and the maturity dates:

Barents Re Reinsurance Company, Inc. and Subsidiary

Notes to the consolidated financial statements
for the year ended December 31, 2019
(In United States of America dollars)

	Upt o 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No interest rate	Total
2019						
Financial assets:						
Cash and deposits in banks	-	11,158,902	-	-	45,614,534	56,773,436
Deposits in ceding companies	-	-	-	-	31,143,536	31,143,536
Securities available for sale	-	460,949,184	-	-	-	460,949,184
Premiums receivable	-	-	-	-	37,420,645	37,420,645
Accounts receivable - retrocessions	-	-	-	-	49,427,595	49,427,595
Total financial assets	-	472,108,086	-	-	163,606,310	635,714,396
Financial liabilities:						
Loan payable	-	2,145,560	359,563	-	-	2,505,123
Net	-	469,962,526	(359,563)	-	163,606,310	633,209,273

	Upt o 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No interest rate	Total
2018						
Financial assets:						
Cash and deposits in banks	-	11,156,840	-	-	25,247,473	36,404,313
Deposits in ceding companies	-	-	-	-	34,168,934	34,168,934
Securities available for sale	-	453,649,391	-	-	-	453,649,391
Premiums receivable	-	-	-	-	23,307,275	23,307,275
Accounts receivable - retrocessions	-	-	-	-	47,074,933	47,074,933
Total financial assets	-	464,806,231	-	-	129,798,615	594,604,846
Financial liabilities:						
Loan payable	-	7,647,722	467,070	-	-	8,114,792
Total financial liabilities	-	7,647,722	467,070	-	-	8,114,792
Net	-	457,158,509	(467,070)	-	129,798,615	586,490,054

4.6 Operational risk

Is the risk of potential losses, direct or indirect, related to the Company's operations including, human resources, technology, infrastructure and other external factors that are not related to credit, market or liquidity risks, such as those arising from legal and regulatory requirements and from the behavior of generally accepted corporate standards.

The Company's objective is to manage operational risk in order to avoid financial losses and damages to the Company's reputation.

4.7 Capital risk management

The main objectives of the Company when managing capital is to maintain its ability to continue as an ongoing business to generate returns to the shareholders and to maintain an optimal capital structure to reduce the costs of raising capital. To maintain an optimal capital structure, factors such as: amount of dividends payable, return of capital to shareholders or issuance of shares, are taken into consideration. The Company complied with the minimum capital established by the Superintendency of Insurance and Reinsurance of Panama until its redomestication date to the Cayman Islands, June 8th, 2018, which set a minimum of US$1,000,000 for reinsurance companies. As of June 8th, 2018, the minimum capital requirement established by the Cayman Islands Monetary Authority is assured, which is set at a minimum of US$50,000,000 for Class D reinsurance companies. Regarding regulations of the International Insurance Act of the Republic of Belize is set at a minimum of US$50,000 for reinsurance companies.

4.8 Currency risk

The Company is exposed to the effects of fluctuating changes in currency rates. The Company has exposure limits for currency rates, which are reviewed on a daily basis. Below are details of the currency positions:

	EURO	USD	MXN	Total
2019				
Assets				
Cash and deposits in bank	473,116	56,277,512	22,808	56,773,436
Deposits in ceding companies	31,143,536	-	-	31,143,536
Securities available for sale	-	460,949,184	-	460,949,184
Premiums receivable	-	37,420,645	-	37,420,645
Accounts receivable - retrocessions	49,427,595	-	-	49,427,595
Total financial assets	81,044,247	554,647,341	22,808	635,714,396
Liabilities				
Loan payable	-	2,505,123	-	2,505,123

	EURO	USD	MXN	Total
2018				
Assets				
Cash and deposits in bank	49,828	36,144,964	209,521	36,404,313
Deposits in ceding companies	34,168,934	-	-	34,168,934
Securities available for sale	-	453,649,391	-	453,649,391
Premiums receivable	-	23,307,275	-	23,307,275
Accounts receivable - retrocessions	47,074,933	-	-	-
Total financial assets	81,293,695	513,101,630	209,521	547,529,913
Liabilities				
Loan payable	-	8,114,792	-	8,114,792

5 Accounting estimates and critical judgments

The Company makes estimates and judgments that affect the reported amounts of the assets and liabilities within the following fiscal year. Estimates and judgments are continually evaluated based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. These estimates are subjective by nature, involve uncertainty and critical elements and therefore, cannot be determined with exactitude. The changes in the assumptions or criteria can significantly affect the estimations.

- *Demand and time deposits* - For these financial instruments, the carrying value approximates the fair value, due to its short-term nature.

- *Uncollectible premiums provision* - The Company estimates a provision for possible losses due to premiums and accounts that may be uncollectible. The Company performs an annual evaluation of the possibilities of recovery of the balances in concept of premiums and accounts receivable on individual bases. The estimated amount for possible losses for premiums receivable considered as uncollectible is realized net of the charges inherent to its subscription.

- *Securities available for sale* - For these securities, the fair value is based on market price quoted or quotes from brokers and dealers. If a reliable quoted market price is not available, the fair value of the instrument is estimated using pricing models or techniques of discounted cash flows.

- *Furniture, equipment and improvements* - the Company carries out periodic evaluations to determine the estimate of the useful life of the furniture, equipment and improvements.

- *IBNR Reserve* – This reserve is calculated according to actuarial formulas recognized worldwide: for incidents incurred, using triangulations to estimate future development, applying the global statistical method.

- *Outstanding claims reserve* - The company estimates its reserves based on the 100% of outstanding claims.

These estimates were made with the information available as at December 31, 2019 on annualized events and it is possible that future events may require modifying them (increase or decrease) in the future.

6 Balances and transactions with related parties

Balances and transactions with related parties included in the consolidated statement of financial position and consolidated statement of profit or loss are summarized below:

	2019	2018
Balances with related parties		
Assets		
Securities available for sale	3,200,000	3,200,000
Investment in associate	6,484,644	6,482,552
Notes receivable	5,308,530	4,120,000
Accounts receivable	325,033	4,524,500
Transactions with related parties		
Interest income	97,984	55,551
Key executive salaries	283,050	322,224

At December 31, 2019, the Company maintains US$5,308,530 (2018: US$4,120,000) relating to certificates of investment issued by the related company Standard Capital Shareholding Inc., (B.V.I), which accrued interest at an annual rate of 2.5% (2018: 2.5%) with a maturity of one year.

The Company is part of a group of related companies which have significant transactions among them.

Accounts receivable and payable with related companies do not have a scheduled repayment date, maturity date nor do they accrue interest.

7 Cash and bank deposits

Deposits in banks are detailed below:

	2019	2018
Demand deposits - domestic	1,360,601	5,083,987
Time deposits - domestic	11,158,902	11,156,840
Demand deposits - foreign	44,253,933	20,163,486
Total	56,773,436	36,404,313
Less:		
Time deposits at original maturity greater than 90 days	11,158,902	11,156,840
Cash and cash equivalents for consolidated cash flow purpose	45,614,534	25,247,473

At December 31st of 2019, term deposits yield an interest rate ranged from 1.75% to 4% at maturity in August 2020 (2018: ranged from 1.25% to 4%, at maturity in August 2019).

8 Premium receivable, net

Premiums receivable are summarized as follows:

	2019	**2018**
Barents R.M., Inc.	41,817,754	21,476,650
Others	2,225,213	5,919,599
	44,042,967	27,396,249
Less: uncollectible premium provision	(6,622,322)	(4,088,974)
Net premium receivable	37,420,645	23,307,275

The Company has no direct control over Barents R.M., Inc. which is therefore not considered a related party. The balance corresponds to the normal business activity of generating risk policies in the market.

<u>Aging of accounts receivable matured but not uncollectible</u>

	2019	**2018**
Current	33,823,437	19,382,372
30-60 days	10,089,099	4,984,356
61-90 days	103,539	3,029,521
More than 90 days	26,892	-
Total	44,042,967	27,396,249

<u>Provision movement for uncollectible premiums</u>

	2019	**2018**
Balance at beginning of the year	4,088,974	3,627,673
Provision increase	2,533,348	461,301
Balance at end of year	6,622,322	4,088,974

9 Deposits in ceding companies

As of December 31, 2019, the Company placed a deposit of US$31,143,536 (2018: US$34,168,934) under a reinsurance contract signed with a transfer company licensed in Europe, with a term of one year and without interest.

10 Securities available for sale

Securities available for sale are summarized as follows:

	2019	2018
Listed securities (at fair value):		
Governments bonds - foreign	367,573,454	359,914,948
Corporates	90,175,730	90,534,443
	457,749,184	450,449,391
Unlisted securities (at cost):		
Corporates	3,200,000	3,200,000
	460,949,184	453,649,391

The annual interest rate earned by securities available for sale ranged from 0.83% to 6.70% with one-year maturity (2018: 0.78% to 5.63% with maturities up to one year).

The movement of securities available for sale is summarized below:

	2019	2018
Balance at beginning of year	453,649,391	459,053,369
Additions	369,420,904	671,114,205
Sales	(374,615,794)	(684,952,310)
Change in fair vaue	12,494,683	8,434,127
Balance at year end	460,949,184	453,649,391

During 2019, the Company sold securities available for sale for a total of US$374,615,794 (2018: US$684,952,310), these sales generated a net profit of US$7,635,596 (2018: US$8,230,765).

11 Property, furniture, equipment and improvements

Property, furniture, equipment and improvements are summarized below:

2019	**Improvements**	**Building**	**Office equipment**	**Computer equipment**	**Balance**
Cost					
Balance at the beginning of the year	1,924,030	1,841,000	788,633	279,035	4,832,698
Additions	286,037	-	165,809	40,138	491,984
Adjustments	-	(1,841,000)	-	-	(1,841,000)
Disposals	(1,924,030)	-	(733,579)	-	(2,657,609)
Balance at end of the year	286,037	-	220,863	319,173	826,073
Accumulated depreciation and amortization					
Balance at the beginning of the year	331,965	276,226	445,334	214,162	1,267,687
Expense for the year	57,463	58,672	100,753	36,180	253,068
Adjustments	-	(334,898)	-	-	(334,898)
Disposals	(385,935)	-	(472,271)	-	(858,206)
Balance at end of the year	3,493	-	73,816	250,342	327,651
Net balance	282,544	-	147,047	68,831	498,422
2018					
Cost					
Balance at the beginning of the year	1,924,030	2,200,433	788,633	253,568	5,166,664
Additions	-	-	-	25,467	25,467
Disposals	-	(359,433)	-	-	(359,433)
Balance at end of the year	1,924,030	1,841,000	788,633	279,035	4,832,698
Accumulated depreciation and amortization					
Balance at the beginning of the year	272,914	308,480	369,977	187,785	1,139,156
Expense for the year	59,051	63,195	75,357	26,377	223,980
Disposals	-	(95,449)	-	-	(95,449)
Balance at end of the year	331,965	276,226	445,334	214,162	1,267,687
Net balance	1,592,065	1,564,774	343,299	64,873	3,565,011

On December of 2019, the Company reclassified the real estate P.H. Prime Time Tower, Floors 23A and 23B as other assets, given that they are not in use. However, the Company maintains a payment obligation with Capital International Bank for the following 3 years. The disposal of the improvements of the properties are accounted in the consolidated statement of profit or loss of the period.

At October 2019, the Company transferred the office equipment to Arden & Price, Inc., at book value.

These disposals generated a loss of $1,799,403, which was recognized in the consolidated statement of profit or loss (see Note 22).

12 Account receivable

Account receivable is summarized below:

	2019	2018
Barents R. M., Inc.	10,998,704	11,345,058

At July 2018, The Company maintains an account receivable at a one-year term, renewable with annual interest rate of 2.68%.

13 Investment in associate

Investment in associate are summarized below:

	2019	2018
Nacional de Seguros, S. A.	4,213,652	4,213,652
Fianza Avanza, S. A.	2,270,992	2,268,900
Total	6,484,644	6,482,552

Nacional de Seguros, S. A.

The Company maintains 1,298,459,285 shares in Nacional de Seguros, S.A., company incorporated under the laws of the Republic of Colombia, valued at US$4,213,652, that represents 49% of the outstanding shares at that date. The Company has no power or control over the operations of Nacional de Seguros, S.A.

A summary of the consolidated statement of financial position and the consolidated statement of profit or loss as of December 31, 2019 is detailed as follows:

Consolidated statement of financial position:

	2019	2018
Asset	60,084,967	43,386,283
Liability	49,885,944	33,638,536
Equity	10,199,023	9,747,747
Total liability and equity	60,084,967	43,386,283

Consolidated statement of profit or loss:

Income for premiums:	**2019**	**2018**
Total earned premium	939,757	718,232
Liquidated and recovered claims	560,475	371,752
Earned commissions	6,312,762	6,814,987
Net cost	(4,673,147)	(4,460,644)
General and administrative expenses	(2,850,095)	(2,853,970)
Technical result	289,752	590,357
Total other income, net	1,033,916	(5,856,150)
Income before income tax	1,323,668	(5,265,793)
Income tax	(38,907)	(87,597)
Deferred tax	(445,326)	(298,291)
Net income	839,435	(5,651,681)

Fianzas Avanza S.A., de C.V. (México)

On September 30, 2013, the Company acquired 29,400 shares in Grupo Sodafi, S.A. de C.V. a company organized and existing under the laws of the United Mexican States. On November 6, 2016; the Board of Shareholders resolved to change the legal name of the company from Grupo Sodafi, S.A. de C.V. to Fianzas Avanza S.A. de C.V. In compliance with the Laws of Insurances and Bonds, the shareholders approved a capital increase to 31,850 shares. During the year 2018, it was approved a capital increase to 47,266 shares. The Company has no power or control over the operations of Fianzas Avanza S.A. de C.V.

At the end of the year 2019, the contributions to the capital of Fianzas Avanza S.A. de C.V. were in the amount of US$2,270,992 (2018: US$2,268,900).

A summary of the consolidated statement of financial position and the consolidated statement of profit or loss as of December 31, 2019 is detailed as follows:

Consolidated statement of financial position:

	2019	**2018**
Asset	7,924,572	7,207,879
Liability	3,532,792	3,012,805
Equity	4,391,780	4,195,074
Total liability and equity	7,924,572	7,207,879

Consolidated statement of profits or losses:

Income for premiums:	**2019**	**2018**
Total earned premium	153,170	108,960
Earned commissions	529,277	27,528
Net cost	(4,107)	(3,245)
General and administrative expenses	(1,012,927)	(907,905)
Technical result	(334,587)	(774,662)
Total other income, net	361,580	224,687
Income before income tax	26,993	(549,975)
Deferred tax	(5,302)	449,357
Net income	21,691	(100,618)

14 Leasing

The Group leases a number of assets, including buildings, plants and computer equipment. The average lease term is 24 months.

The right-of-use assets are presented below:

December 31, 2019	**Buildings and lands**
Cost:	
Balance at beginning and the end of the year	2,868,142
Acumulated depreciation:	
Expense and balance at the end of the year	337,505
Net balance	2,530,637

(i) Amounts recognized in the consolidated statement of profit or loss

	2019
Depreciation expense on right of use assets (See Note 22)	337,505
Interest expense on lease liabilities	37,628
Expenses related to short-term leases	901,198
	2,177,529

(ii) Lease liabilities

Lease liabilities are discounted at a discount rate ranging from 4.25%, the balances being as follows:

	2019
Amounts due for settlement within twelve months	1,433,593
Amounts due for settlement after twelve months	1,032,763
	2,466,356

The Group does not face significant liquidity risk with respect to its lease liabilities. The lease liabilities are maintained in accordance with the entity's operation.

15 Other assets

Other assets are comprised as follow:

	2019	**2018**
Warehouse and offices	2,498,030	991,989
Prepaid expenses	147,181	434,063
Interest receivable	319,508	252,229
Prepaid tax	535,140	72,602
Construction in progress	-	62,705
Others	255,395	192,811
	3,755,254	2,006,399

In June of 2018, the Company ceded its rights in the purchase agreements of the offices located at P.H. Times Square Center, Costa del Este, to the companies Times Square 36 Inc., Times Square 37 Inc., Times Square 38 Inc., and Times Square PB Inc.

On December 31st of 2019, the Company reclassified the real estates P.H. Prime Time Tower, Floors 23A and 23B as other assets, given that they are not in use. However, the Company maintains a payment obligation with Capital International Bank for the following 3 years (See Note 11).

16 Technical premiums reserve and unrealized premium reserve

Premiums reserve are accrued on the basis of 35% on the net premium subscribed or retained, in the twelve months preceding the date of the consolidated statement of financial position in all coverages except the transport of goods and collective life. Adjustments to the reserve are recorded in the consolidated statement of profit or loss, at each reporting date of the consolidated financial statements.

The unrealized premium reserve was calculated using the daily pro rata method, in which the subscribed premium is considered proportional to the validity indicated on the invoice, so the amount of the liability is calculated taking into account the proportion of the risk not incurred on each invoice to the valuation date. At December 31, 2019, the unrealized premium reserve was US$101,149,081 (2018: US$52,223,346) and the total unrealized retroceded premium is US$50,006,821 (2018: US$28,015,550).

The movement in technical premiums, unrealized premium reserve and unrealized retroceded premium is presented below:

	2019	2018
Technical premiums reserve:		
Balance at beginning of year	-	18,453,450
Decrease	-	(18,453,450)
Balance at end of year	-	-

	2019	2018
Unrealized premium reserve:		
Balance at beginning of year	52,223,346	41,172,532
Change in foreign currency translation	(846,459)	(373,259)
Increase	49,772,194	11,424,073
Balance at end of year	101,149,081	52,223,346
Unrealized retroceded premium:		
Balance at beginning of year	28,015,550	34,420,648
Change in foreign currency translation	(690,192)	(298,307)
Increase (decrease)	22,681,463	(6,106,791)
Balance at end of year	50,006,821	28,015,550

17 Claims outstanding, IBNR reserve and Deferred acquisition costs

The claims outstanding and IBNR reserve are based on an actuarial valuation, that concluded that the total claims outstanding reserve for the Company is US$166,421,215 (2018: US$122,881,718) and retroshare of claims outstanding US$122,585,588 (2018: US$95,947,777). The total IBNR reserve is US$170,758,316 (2018: US$104,270,216), IBNR of retroshare is US$131,970,821 (2018: US$58,903,274). The total deferred acquisition costs is US$9,199,665 (2018: US$5,059,922).

Claims outstanding include losses arising from the reinsurance business and loss expenses paid during the year together with the movement in the provision for claims in process. The claims outstanding are made up of the accumulation of the final costs to settle all the reported and incurred losses at the date of the statement of financial position.

The reserve for claims incurred but not reported (IBNR), is calculated according to actuarial formulas recognized worldwide.

The Company considers that the gross provisions for claims in process are reasonably presented based on the available information. The final liability could vary as a result of subsequent information and could result in significant adjustments to the amounts provisioned.

This assets provision accumulated the retroshare portion of claims incurred but not reported, is calculated according to actuarial formulas.

The movement of claims outstanding reserve, retroshare of outstanding claims, IBNR reserve, IBNR of retroshare, and deferred acquisition costs is presented below:

	2019	2018
Provision reserve IBNR:		
Balance at the beginning of the year	104,270,216	65,770,115
Change in foreign currency translation	(954,973)	(269,002)
Increase	67,443,073	38,769,103
Balance at the end of the year	170,758,316	104,270,216
IBNR of retroshare:		
Balance at the beginning of the year	58,903,274	19,554,811
Change in foreign currency translation	2,217,255	(617,804)
Increase	70,850,292	39,966,267
Balance at the end of the year	131,970,821	58,903,274
Claims outstanding reserve:		
Balance at the beginning of the year	122,881,718	95,447,939
Change in foreign currency translation	(1,406,438)	(688,626)
Increase	44,945,935	28,122,405
Balance at the end of the year	166,421,215	122,881,718
Reserve for claims in process:		
Balance at the beginning of the year	95,947,777	48,318,527
Change in foreign currency translation	(4,425,773)	(1,627,832)
Increase	31,063,584	49,257,082
Balance at the end of the year	122,585,588	95,947,777
Deferred acquisition costs:		
Balance at the beginning of the year	5,059,922	4,569,376
Change in foreign currency translation	(109,669)	52,372
Increase	4,249,412	438,174
Balance at the end of the year	9,199,665	5,059,922

18 Accounts receivable - retrocessions

Accounts receivables - retrocessions are detailed below:

	2019	2018
Accounts receivable - retrocessions	49,427,595	47,074,933

Accounts receivable - retrocessions are generated by premium assumed during the current period corresponding to the coverage of the commitments on reinsurers.

19 Loans payable

The loans payable are detailed as follows:

	2019	2018
Capital International Bank Inc.		
Loan at a 10 years term with a minimum annual interest rate of 6.25%, with maturity in October 2023. The Company maintains a collateral trust agreement on real estate as a guarantee of this obligation.	505,123	614,792
Canal Bank, S. A.		
Loan at a one year term with a minimum annual interest rate of 4.25%, with maturity in august 2020. Guaranteed by time deposits.	2,000,000	7,500,000
Total	2,505,123	8,114,792
Short term	2,145,560	7,647,722
Long term	359,563	467,070
	2,505,123	8,114,792

In the year 2018, the loan agreement with Capital International Bank, Inc was refinanced, at a term of 5 years.

Below, a summary of the obligations assumed, payments and cancellations during the year:

	2019	2018
Balance at the beginning of the year	8,114,792	720,752
Proceeds from new loans	-	7,500,000
Payments to loans	5,609,669	105,960
Total	2,505,123	8,114,792

20 Deposits received from reinsurance companies

As of December 31st, 2019, the Company maintains deposits in other reinsurance companies as detailed as follows:

	2019	2018
Trina Solar (Spain) System, S.L.U.	169,225	172,661
Apicil Prevoyance	25,604,885	28,534,933
	25,774,110	28,707,594

21 Accounts payable and accrued expenses

The accumulated accounts and expenses payable are as follows:

	2019	2018
Accruals payable (a)	1,421,394	180,938
Deferred tax liability	1,025,479	442,557
Tax payable	807,557	498,094
Interest payable	354,897	-
Suppliers payable	55,998	40,191
Withholdings payable	20,089	30,758
Other accounts payable	2,125,550	1,630,379
	5,810,964	2,822,917

(a) During 2019, the Company accrued for Service Level Agreement (SLA) fees with BRM Beirut for the services received during the year but not invoiced yet, for amount US$1,421,394 (2018: 180,938).

22 Other expenses

The other expenses account is summarized below:

	2019	2018
Loss on disposal of fixed assets	1,799,403	263,984
Depreciation expense on right-of-use assets (See Note 14)	337,505	-
Employees benefits expense	138,046	90,537
Seminars	101,483	-
Licenses & software	84,239	20,583
Expenditure abroad	71,312	71,226
Gain and loss in currencies	59,053	112,095
Director´s compensation	49,704	51,135
Promotion and advertising	43,227	66,297
Office supplies	22,356	8,130
Cafeteria expenses	15,018	9,575
Donations	8,715	41,010
Transportation and couriers	2,408	7,914
Others	873,042	480,654
	3,605,511	1,223,140

23 Non - controlling interest

Non-controlling interest represents the participation of other shareholders in the following subsidiary:

	% of non - controlling interest		2019	2018
Barents Re Reinsurance S.A. (Luxemburgo)	**2019**	**2018**		
	49%	49%	20,551,457	18,248,221

Movement of non-controlling interest is detailed as follows:

	2019	2018
Issuance of shares	18,248,221	16,481,895
Profit participation	2,290,134	1,766,326
	20,538,355	18,248,221

The capital increase participation by way of increase and / or decrease in profit was proportional and therefore does not change the percentage of the participation in the capital.

24 Common shares

The capital is composed of 100,000 shares with no par value and amounts to US$311,858,180 (2018: US$311,858,180).

On June 7th, 2018, due to Barents Re Reinsurance Company, Inc., was redomiciled from the Republic of Panama to the Cayman Islands, the Company authorized that the retained earnings of the Company, being US$12,088,787, be disposed in the following manner: (i) declaration and payment of dividends for the amount of US$4,670,821, and (ii) capitalization for the amount of US$7,253,267.

25 Income tax

The redomiciled date to the Cayman Islands, June 8th, 2018, the Company was subject to the laws of the Republic of Panama. Income tax returns of the companies incorporated in the Republic of Panama are subject to revision by the local tax authorities for the last three years, including the year ended December 31, 2019, according to current fiscal regulations.

According to current Cayman Islands laws, the Company is not subject to taxes levied on profits, income, gains or appreciations.

The subsidiary company Barents Re Reinsurance Company, Ltd. (Belize) is not subject to pay income tax in their respective jurisdictions, due to the nature of its foreign operations. However, the income tax arising on operations that generate taxable income in other jurisdictions is classified within income tax expense.

For the year ended December 31, 2019, Barents Reinsurance S.A. (Luxembourg) generated income tax of US$1,416,395 (2018: US$871,987).

	2019	2018
Barents Reinsurance, S. A. (Luxemburg) taxable income	5,927,768	3,062,904
Current income tax	1,344,128	710,509
Prior year adjustments	(90,102)	(3,594)
	1,254,026	706,915
Wealth tax	162,369	165,072
Income tax	1,416,395	871,987

26 Subsequent events

On March 11th of 2020, the World Health Organization (WHO) declared the spread of CoVID-19 as pandemic. After this, the Group´s Administration, aware of the implications and the possible impact that CoVID-19 may bring in the future, in a scenario of uncertainty for the world economies, established a Crisis Management Committee where topics related to the economics sector converge, new banking regulations, legal aspects, occupational health and human talent.

The most significant challenge facing financial institutions is to maintain liquidity, solvency, profitability, and portfolio quality, coupled with the security of safeguarding human resources.

Among the main actions that the Company has undertaken are the following:

Business

In the first quarter of 2020, the Company has maintained a consistent profitability in comparison with the corresponding quarter of 2019, with a return of US$3.4 million in comparison with US$1.8 million, respectively.

The financial projections of the Company are revised with a 20% reduction in Gross Written Premium – remaining assumptions are left unchanged and slight reduction in investment returns (due to lowering of treasury yields). However, no interruptions are observed with regards to the underwriting of business, given that at the closing of the first quarter of 2019 there were US$50 million in written premiums, and at the closing of the first quarter of 2020 there were US$73 million.

Retrocessions

Retro renewals are predominately at 1st July and 1st January. One retro renewal is due at 1st April 2020 but in view of the circumstances the leader is granting a time extension to enable fair time to all. Head of Retrocession is awaiting the feedback from line underwriters to establish the extent of exposure to COVID-19, if any, to the various lines of business underwritten by Barents Re.

Investments

The investment assets of the Company mainly comprise of treasuries, funds (Cayman Islands) and short duration time deposits (Luxembourg); as well as cash holdings with no asset value impact resulting from CoVID-19; showing a high resiliency to the market downturn experienced due to the pandemic:

- **Cayman Islands**: Treasuries and funds with a net increase of 1.66%.
- **Luxembourg**: short duration time deposits (ING bank) and a small equity position in a single investment grade asset (AMAZON - 317 shares)

The investments that the Company maintains in its associated entities Nacional de Seguros S.A. (Colombia) and Fianzas Avanza S.A., de C.V. (México), according to reports from the first quarter of 2020, its day to day operations are maintained uninterrupted.

Debts

The Company has maintained the payment to its providers on a regular basis. For debts with financial entities (loans and mortgages), the Company maintains negotiations of extensions during the next four (4) months after.

Clients

Upon closing of the first quarter of 2020, the Company maintains a total of US$42 million in premiums receivable. However, to date the Company has received requests for extensions, and the Company's Administration maintains a strong follow up to the accounts receivable, avoiding extensions to more than the standard of 90 days.

Each country has issued its own restrictions as to the temporary suspension of activities. The businesses held by the Company are “paused” and we maintain new businesses in wait that the restrictive measures are released in each corresponding country.

Staff

- Work-From-Home measures for Company staff.
- Hygiene measures to avoid or minimize a possible contagion of CoVID-19 from our staff and clients.

In addition, despite the uncertainties that exists, the Administration does not expect that the consequences of CoVID-19 will have any effect on the Group´s going concern.

However, CoVID-19 has negatively affected the economic conditions of companies in most countries of the world, which has generated global uncertainty that may affect the operations of Barents Re. and its Subsidiaries, as well as those of its clients, counterparties and suppliers. The duration and severity of the CoVID-19 outbreak impacts are uncertain at this time and, therefore, the Group cannot predict the impact that it could have on its operations and financial situation, which could be material and adverse. The Group's Management will continue to monitor and modify the operating and financial strategies to mitigate the possible risks that could affect the business.

27 Approval of financial statements

The consolidated financial statements for the year ended December 31, 2019 were approved and issuance was authorized by the Board of Directors on June 29, 2020.

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DISCLAIMER

This document contains certain forward-looking statements which are subject to assumptions, risks and uncertainties; actual future results may differ materially from those expressed in or implied in such statements. Many of these assumptions, risks and uncertainties relate to factors that are beyond Barents Re's ability to control or estimate precisely. The forward-looking statements reflect the knowledge and information available at the date of preparation of the Annual Report, and will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast.