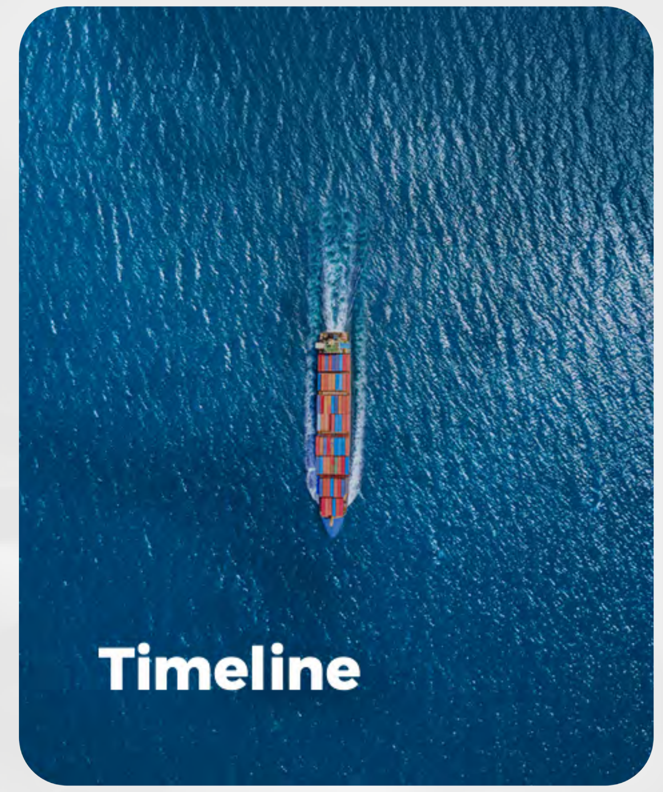
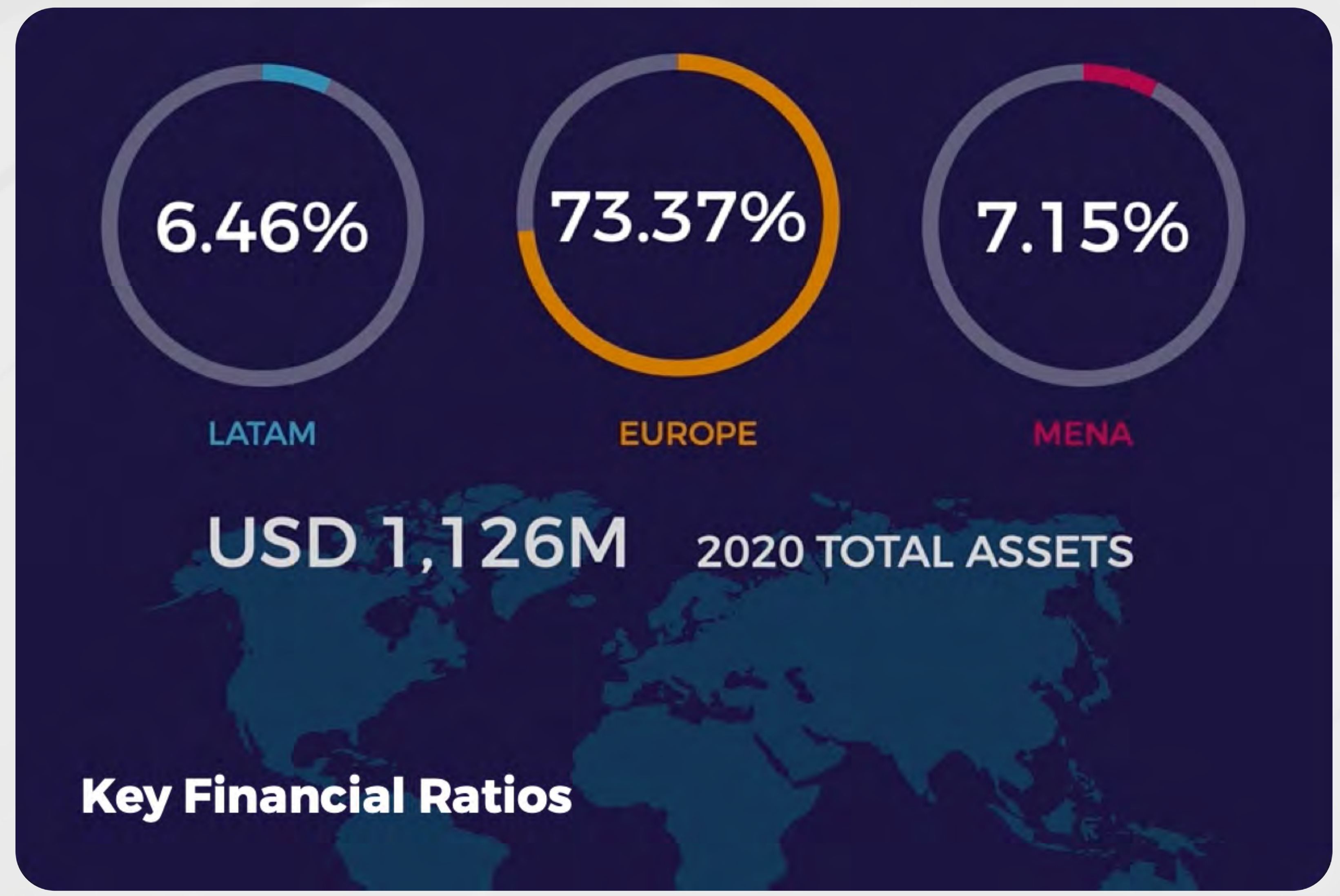
BARENTS RE

2020 ANNUAL REPORT

THE WORLD'S NICHE REINSURER





Global Network

BARENTS RE

Barents Re at a Glance

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.

More than **650** REINSURANCE CONNECTIONS

Presence in **75** COUNTRIES

Barents Re is a leading independent reinsurance group domiciled in the Cayman Islands. Established in 1996, Barents Re has a well-established presence in Europe, Latin America and the Middle East. This translates into more than 650 reinsurance connections in 75 countries. It is rated 'A' by AM Best.

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.

Continue to Timeline

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

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.

2020

- Best Independent Reinsurance Group: Barents Re has been named a 2020 Global Excellence Awards Winner in the Best Independent Reinsurance Group, Spain category, by UK publisher Acquisition International.
- AM Best affirms 'A' (Excellent) Rating: AM Best has affirmed the Financial Strength Rating of A (Excellent) and the Long-Term Issuer Credit Rating of "a" of Barents Re Reinsurance Company, Inc. (Barents Re) (Cayman Islands) and its affiliate

Continue to Message from the Chairman

BARENTS RE

Message from the Chairman

Gerardo García
Director – Chairman

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

The Most Influential Leaders in the Region
Vida y Éxito Magazine

Best Businessman of the Year in Spain
AEGA-CAT

CEO of the Year
The European Magazine

Top 10 CEO Worldwide
The European Magazine

I am pleased to announce that Barents Re continued to deliver excellent financial results in 2020. We organically grew our business, generating a net profit of USD 28.6 million (2019: USD 17.9 million), which equates to an 7.25% net profit margin* on gross written premiums of 386,2 million (2019: USD 232.3 million). In a similar vein, our total assets grew to USD 1,126 million (2019: USD 1,000 million) and shareholder's equity rose to USD 515.8 million (2019: USD 493.3 million). The company's success was the culmination of a well planned and executed strategy where our solid footprint, rigorous risk selection and strong customer relationships enabled us to benefit from improved market conditions in all our lines of business. We are confident that market rates, terms and conditions will remain adequate in 2021.

Our strong balance sheet continues to enable Barents Re to offer superior financial security, as evidenced by our 'A' rating from AM Best.

It's no exaggeration to say that 2020 was dominated by the Covid-19 pandemic, which is still having an impact on our health, our social lives, and our economies. While the re/insurance sector will be heavily impacted by this event, we anticipate the impact on Barents Re will be limited. The short tail property and specialty policies which we typically underwrite tend to respond to first party damage.

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

Our entrepreneurial culture, underpinned by a team of 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, with its focus on profitability and not on market share.

During the year we initiated our corporate citizenship plan, which considers environmental, social (ESG) factors. Similar action was taken on Diversity & Inclusion (D&I).

In closing, I would like to take this opportunity to thank the Barents Re team for all their perseverance and hard work throughout the year, in exceptional circumstances. They did an outstanding job. We are now a more focused, collaborative and engaged organization. And to our business partners and stakeholders for their continued support. I look forward to working with you all in the year ahead.

Gerardo García
Chairman

*Under IFRS

Continue to CEO

Mission & Vision Statement

David Indge

CEO

Barents Re Reinsurance, S.A.

Luxembourg

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.

Mission

The company provides a wide range of niche and specialty reinsurance products to property and casualty insurers. The expertise of our specialty underwriting teams and their knowledge of our markets and products enables us to offer innovative solutions to our clients.

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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.

Vision

Our vision is for Barents Re to become more widely recognised as an integral part of the insurance value chain.

David Indge
Career Background

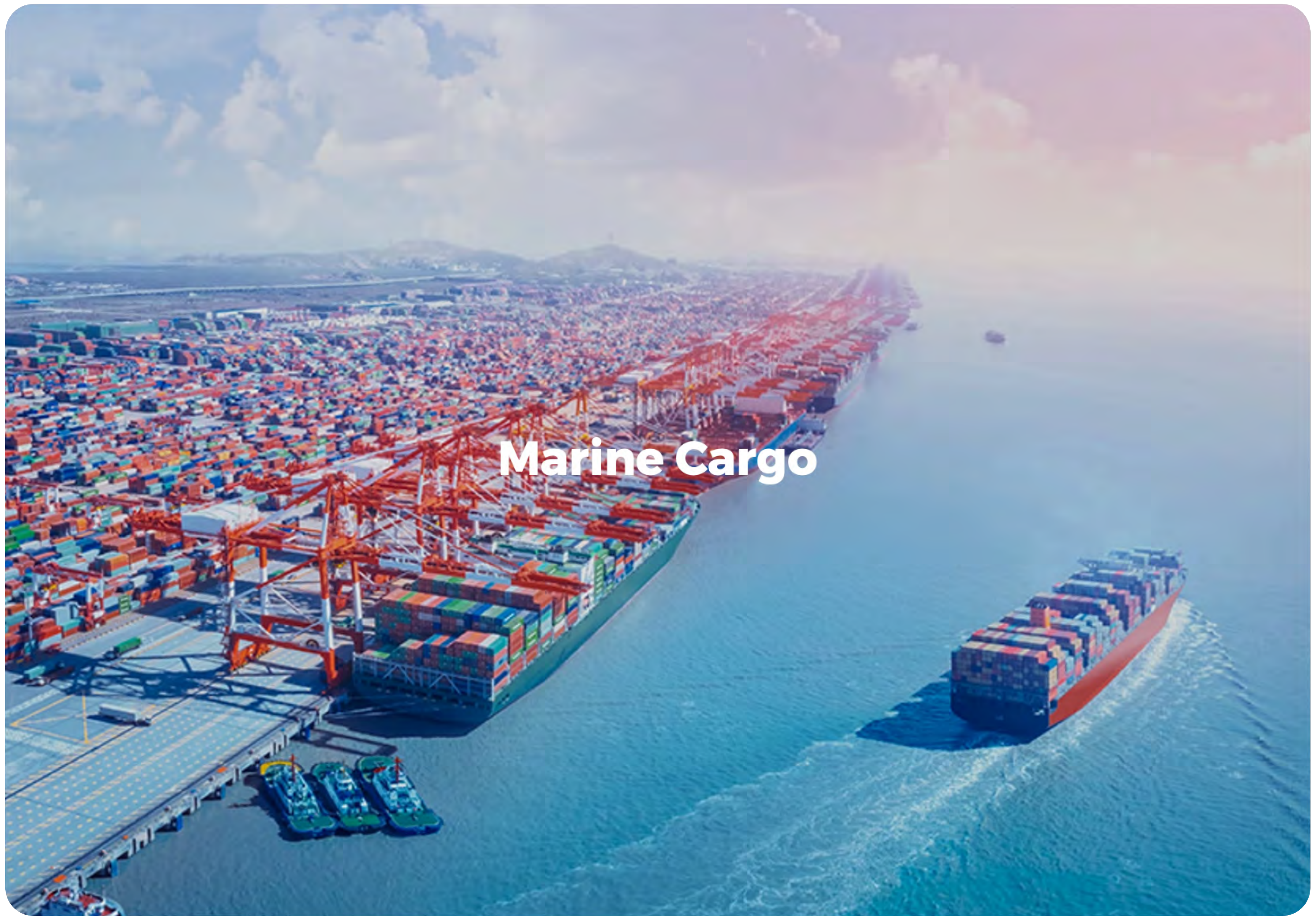
David Indge has more than 35 years of experience in the (re)insurance industry. The first twenty years of his career were spent as an underwriter for large international reinsurance companies in London. He then joined Lloyd's in a senior position to help establish the Performance Management Directorate. While at Lloyd's Mr. Indge chaired the business planning process, sat on various committees as well as managing the teams responsible for oversight of the Lloyd's market's underwriting activities. After this, he became the CUO for a Lloyd's business. He joined Barents Re Group in March 2021 as the new CEO for subsidiary Barents Reinsurance SA, based in Luxemboiurg

Mr. Indge's main duties include:

- Developing the Company's strategy
- Managing the Company on a day-to-day basis
- Ensuring the Company's internal controls are effective.
- Ensuring the Company's principal risks are being monitored and managed.
- Ensuring the Company complies with all legal, regulatory, corporate governance, social, ethical and environmental standards.
- Relations with regulators and rating agencies
- Communication with Barents Reinsurance SA's Board of Directors and the parent company

Continue to Line of Business

Line of Business Overviews



Bonds

Line of Business Overview

Our presence in Africa continues to grow progressively, again through new infrastructure developments. Our approach has not changed: being very cautious, focusing on countries with political stability and on projects financed by international banks or public bodies, venturing in these markets side by side with the most experienced construction companies.

Historically strong in Latin American markets and with significant growth globally over the past decade, Barents Re remains one of the pre-eminent facultative Surety Bond reinsurers worldwide.

Navigating through the hard times of the Covid -19 pandemic, which heavily affected the world economy, we focused on ongoing projects, avoiding a negative impact on our Surety Bonds portfolio. While most infrastructure projects suffered delays, we supported our clients with the needed extensions, alongside governments and other public bodies who have shown a collaborative approach. These efforts, in such extraordinary times, proved to be the successful way forward.

During 2020, the Spanish government placed a moratorium on Renewable Energy projects, with the aim of restructuring the industry. This is the goal for new regulations planned for 2021. We intend to remain an important player in this specialized sector and a recognized first mover.

Despite many projects being delayed by Beneficiaries, we maintained our strong presence in Latin America supporting the construction of relevant infrastructure projects, working closely with our contacts. Likewise, in Europe, especially in the Nordic and Eastern countries.

Our presence in Africa continues to grow progressively, again through new infrastructure developments. Our approach has not changed: being very cautious, focusing on countries with political stability and on projects financed by international banks or public bodies, venturing in these markets side by side with the most experienced construction companies.

Looking ahead, our experience and knowledge, along with business development initiatives and our reputation as one of the leading Surety Bonds underwriters, puts us in an excellent position to capitalize on new opportunities that the global economic recovery will bring in 2021. We are happy to report that our brand recognition in Surety Bonds business increases year after year.

Continue to Energy

BARENTS RE

Energy

Line of Business Overview

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 2020 was positive for downstream and upstream risks in different ways.

The downstream market was under serious capacity pressure following the losses experienced in recent years. This was an continuation and acceleration of the trend flagged last year. Rate increases ranged between 30% and 60% for clean business and higher for those with losses, with average rate rises of approx. 40%. 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 therefore continue to provide much needed capacity to our brokers and clients and capitalize on the premium growth opportunity. There have also been significant improvements in policy wordings for downstream, particularly in respect to business interruption cover on downstream business.

The downstream market was under serious capacity pressure following the losses experienced in recent years. This was an continuation and acceleration of the trend flagged last year. Rate increases ranged between 30% and 60% for clean business and higher for those with losses, with average rate rises of approx. 40%.

Less business interruption cover was generally purchased as profits are down and many clients have elected to insure their fixed costs only. Captives are also absorbing more of the commercial market placements. 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 was 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.

Continue to Financial Lines

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Financial Lines

Line of Business Overview

In the year ahead, we expect a sustained focus on underwriting discipline and diligent risk selection at the expense of the pursuit of out-and-out top line growth.

2020 was a 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 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 the pursuit of out-and-out top line growth. Furthermore, we envisage rate increases to continue in 2021, 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 2021.

Continue to Property

BARENTS RE

Property

Line of Business Overview

In terms of the Property market outlook for 2021, trading conditions are expected to remain positive, as plentiful re/insurance capacity is available. We will look to grow in territories and occupancies where there is the opportunity to do so.

The impact of the “Black Swan” event of 2020, being Covid-19 accelerated the Property market from a “firming” market to a “hard” market with rate increases being witnessed across the board of approximately 12.5% to 20% on clean business in London, much less so in Latin America and MENA along with some tightening of terms and conditions. Apart from the impact Covid-19 had on pricing and deductibles levels, it is also had an impact on the way renewals and new business were being written with specific exclusions for communicable disease a market requirement on most Property accounts.

The UK Prudential Regulatory Authority’s (PRA) ongoing requirement for London based underwriters, especially those operating as Lloyd’s syndicates, to address poor performing classes with a clear plan for a return to profitability was a key moment, not just for 2020 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, needed greater underwriting discipline in certain sections of the market. The theme across the Property market appeared to be profitability over new business growth, as the expensive capacity of yester-year became the new norm and thus further driving premium levels upwards.

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 several carriers and Lloyd’s syndicates in many classes of business, notably in international Property. However, throughout 2020, several new carriers, outside of Lloyd’s, brought capacity back into the London market, taking full advantage of the ‘hard’ market conditions, whilst inadvertently diluting them somewhat. Whilst Property capacity in the London market shrank overall, 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 2021, trading conditions are expected to remain positive, as plentiful re/insurance capacity is available. We will look to grow in territories and occupancies 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.

Continue to Life, Accident & Health

Life, Accident & Health

Line of Business Overview

For the Life re/insurance sector, 2020 was dominated by Covid -19 pandemic risk, the impact of which has still to be fully determined. The Life insurance market experienced yet another year of single digit growth in 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 a few established players having a predominant market share in Life reinsurance, the essence of Barents Re's Life strategy is to be present where there are gaps in capacity for smaller deals or shares of treaties for ceding companies in regions with good growth prospects. Such deals are of less interest to established players, providing an opportunity for Barents Re to step in and fill the coverage void encountered by clients.

With a market size estimated at between USD75 - USD80 billion and with a few established players having a predominant market share in Life reinsurance, the essence of Barents Re's Life strategy is to be present where there are gaps in capacity for smaller deals or shares of treaties for ceding companies in regions with good growth prospects.

We are particularly pleased with our progress in regions with two of the fastest rates of growth: Asia and Latin America. 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 some affinity programs. 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 are 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 are all fundamental to success. We have adopted these characteristics to complement our diligent and disciplined underwriting expertise.

With a solid year in 2020 and robust plans in place for the year ahead, Barents Re is well placed to achieve further success in the future.

Continue to Marine Cargo

BARENTS RE

Marine Cargo

Line of Business Overview

Looking forward to 2021, we expect to see re/ insurers moving back into the Marine Cargo area as results improve as pricing has become reflective of exposure rather than designed to satisfy budgetary requirements. This may take the form of syndicates opening their Marine Cargo books again, or more and larger MGA operations being established.

2020 saw the continuation of rate increases and coverage restriction as markets attempted to recover from a string of unprofitable years. This came as no surprise to the experienced players such as ourselves who have been arguing for more market rigor in technical underwriting.

The changes within the dynamics of Lloyd's continued, with many syndicates withdrawing from the Marine Cargo space and aligning capital with other sectors that they feel will generate a greater return. The company market is still proving itself more than able to match clients' requirements for coverage and capacity. Furthermore, there has been a marked shift in London market underwriting philosophy to higher technical standards and a diminished emphasis on top line growth.

Looking forward to 2021, we expect to see re/ insurers moving back into the Marine Cargo area as results improve as pricing has become reflective of exposure rather than designed to satisfy budgetary requirements. This may take the form of syndicates opening their Marine Cargo books again, or more and larger MGA operations being established.

We still see the possibility of large losses increasing as vessels continue to get larger and carry more cargo in a single sailing, with mis-description of cargo still a major issue. There are several working groups within both the insurance and shipping industries attempting to find a solution to this issue, but this is going to take time and money, so there is no immediate solution on the horizon.

The push for a carbon neutral shipping industry continues to drive a lot if innovation, with various alternate fuel types being tested for vessels of all sizes, however the sulphur fuel cap has seen a lot of vessel owners opting for scrubber systems, rather than retro fitting engines to burn the new, cleaner fuel.

Continue to Global Network

BARENTS RE

Global Network

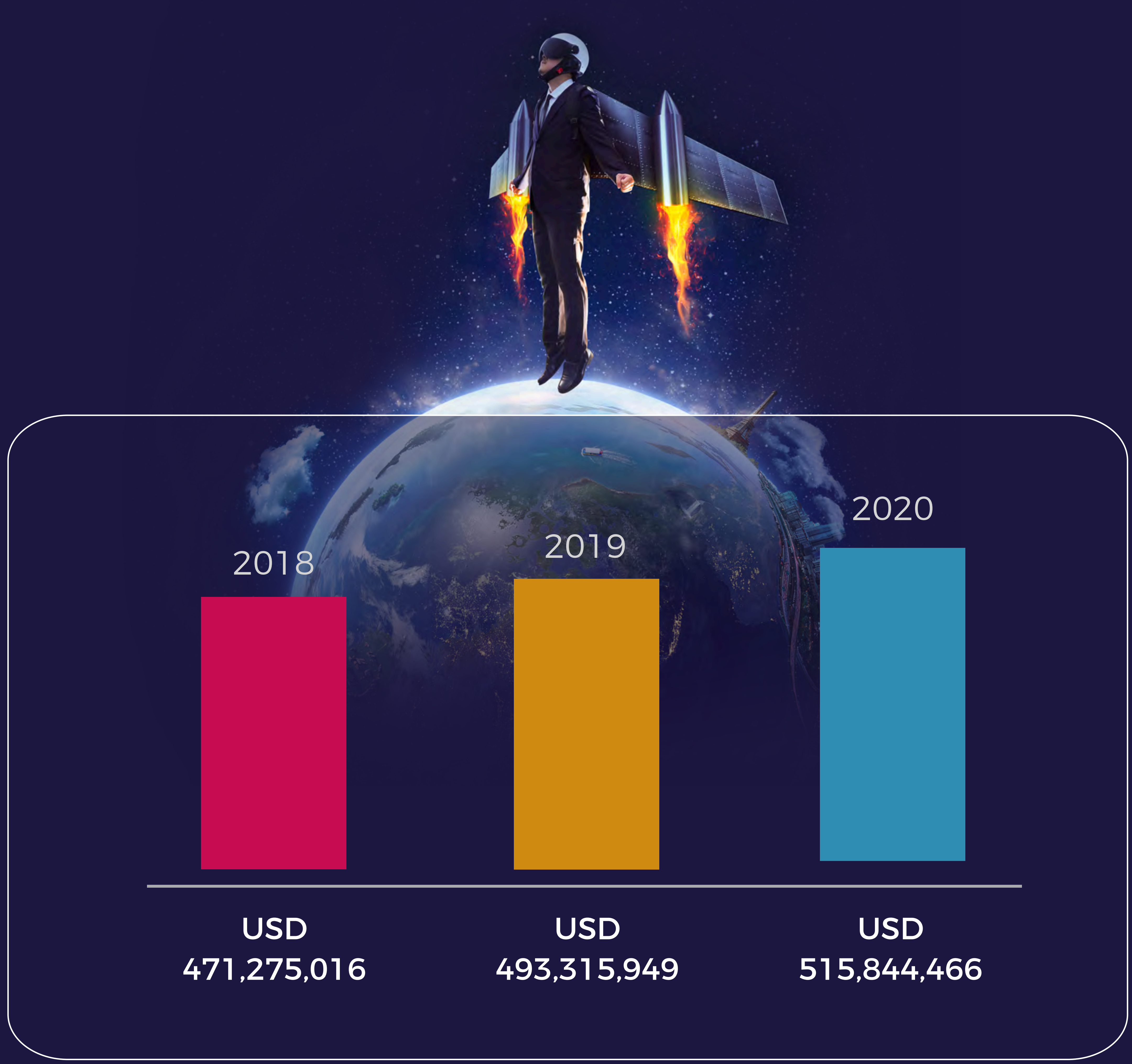
Barents Re has a well-established presence in Europe, the Middle East and Latin America. This translates into more than 650 reinsurance connections in 75 countries.

- Cayman Islands
- Moscow (*)
- London (**)
- Paris (*) (**)
- Luxembourg (***)
- Miami (**)
- Madrid (**)
- Beirut (*) (**)
- Milan (**)
- Panama (*)

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

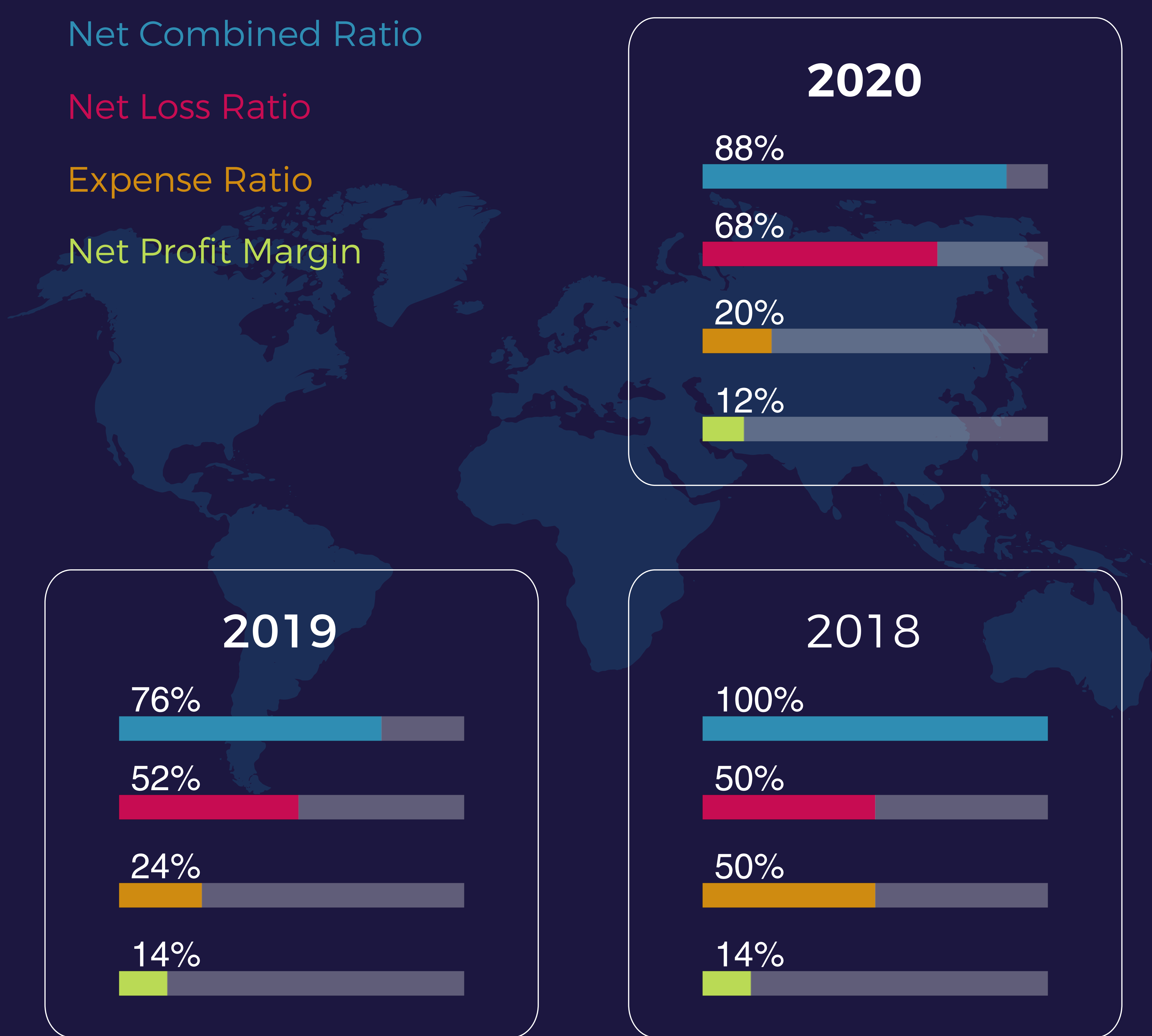
Continue to Key Financial Ratios

Growth in Shareholders' Equity



Continue to Financial Highlights

Financial Highlights



Continue to Premium by Region

BARENTS RE

Premium by Region

$386.27M

2020 GROSS WRITTEN PREMIUM

USD 1,126M 2020 TOTAL ASSETS

Continue to Global Strategy

Global Strategy

Organic Premium Growth & Geographic Diversification
focus on uncorrelated low exposure catastrophe territories & specialty products.

Recruitment of Top Quality Personnel Internationally
People are our key advantage.

Stable Capacity
offering tailor made products and solutions in each of its territories.

Underwriting Discipline & Controls
reinforced by pricing & risk modelling tools.

Continue to Board of Directors & Committees

Board of Directors

Gerardo Garcia

Chairman

View profile

Gary Callaghan

Director

View profile

John Harbor

Director

View profile

Dirk Bormann

Director

View profile

Klaus Bultmann

Director

View profile

Continue to Supporting Committees

BARENTS RE

Audit

Supporting Committees

Committee Mission:

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.

Members:

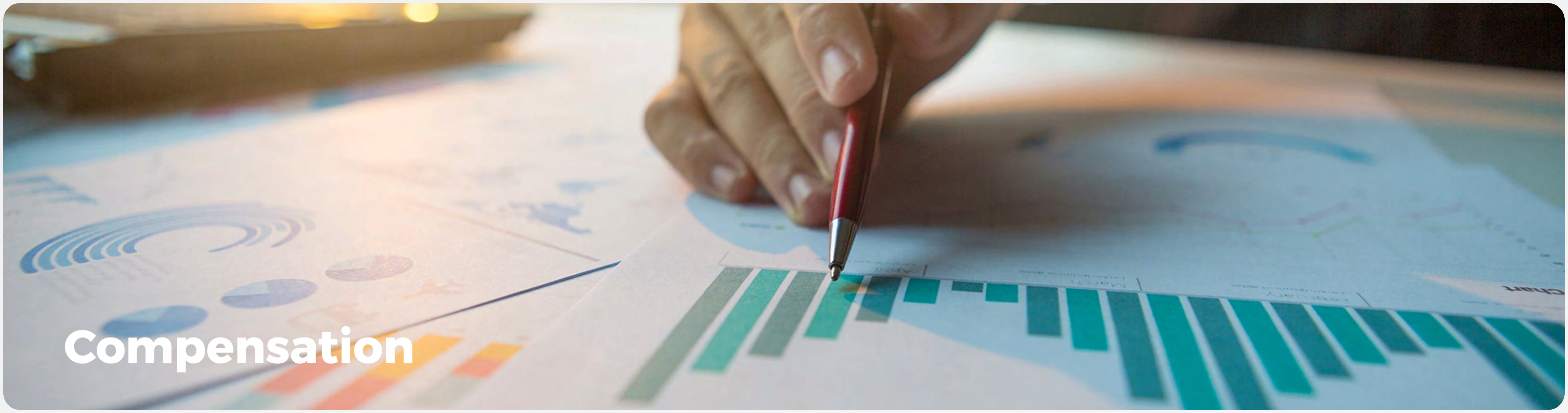
John Harbor
Director

Cesar Ujueta
Head of Finance and Accounting

Dirk Bormann
Director

Continue to Compensation

BARENTS RE



Compensation

Supporting Committees

Committee Mission:

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

Members:

Marisa Vallarino
General Manager

Klaus Bultmann
Director

Marukel Higuero
Head of Legal

Continue to Investments

Supporting Committees

Committee Mission:

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.

Members:

Gerardo Garcia
Director and Chairman

Marisa Vallarino
General Manager

Cesar Ujueta
Head of Finance and Accounting

Oldemar Palomino
Head of Treasury
Head of Investments

Continue to Reinsurance

BARENTS RE

Reinsurance

Supporting Committees

Committee Mission:

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.

Members:

Gerardo Garcia
Director and Chairman

Klaus Bultmann
Director

Gary Callaghan
Director

Hikaru Uno
Head of Bonds & Specialty Lines

Continue to Risk & Compliance

Supporting Committees

Committee Mission:

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.

Members:

Dirk Bormann
Director

Fernando Diaz Lozano
Compliance Officer

John Fitzpatrick
Senior Advisor

Continue to Consolidated Financial Statements

BARENTS RE

Consolidated Financial Statements

Consolidated Financial Statements for the year ended December 31, 2020 and Independent Auditors' Report of June 29, 2021.


Deloitte.

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated Financial Statements for the year ended December 31, 2020 and Independent Auditors' Report of June 29, 2021

Deloitte LATCO
Firma miembro de
Deloitte Touche Tohmatsu Limited

Deloitte.

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated Financial Statements for the year ended December 31, 2020 and Independent Auditors' Report of June 29, 2021

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Firma miembro de
Deloitte Touche Tohmatsu Limited

Barents Re Reinsurance Company, Inc. and Subsidiary

Independent Auditors' Report and 2020 Consolidated Financial Statements

Content **Pages**

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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, 2020, 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 then 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, 2020, 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.

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 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, 2021

Barents Re Reinsurance Company, Inc. and subsidiary

Consolidated statement of financial position
At December 31, 2020
(In United States of America dollars)

	Notes	2020	2019
Assets			
Cash and bank deposits	6,7	34,981,612	56,773,436
Premiums receivable, net	8	60,314,580	37,420,645
Deposits in ceding companies	9	48,919,338	31,143,536
Securities available for sale	6, 10	477,333,300	460,949,184
Investment in associate	6, 14	7,720,337	6,484,644
Trust agreement	6, 13	15,545,562	-
Notes and accounts receivable - related parties	6	27,160,360	5,633,563
Accounts receivable	12	84,149,141	78,453,472
Ceded share of technical provisions	19	350,473,823	307,983,811
Deferred acquisition costs	18	11,450,644	9,199,665
Property, furniture, equipment and improvements, net	11	759,103	498,422
Right-of-use asset	15	2,018,475	2,530,637
Other assets	16	5,281,634	3,755,254
Total assets		1,126,107,909	1,000,826,269
Liabilities and equity			
Liabilities			
Unearned premium reserve	17	127,906,920	101,149,081
Claims outstanding reserve	18	126,655,948	166,421,215
IBNR reserves	18	301,757,042	170,758,316
Commissions payable		5,541,920	6,324,893
Loans payable	20	388,205	2,505,123
Repurchase agreement	21	18,000,000	-
Lease liability	15	1,970,125	2,466,356
Reinsurers accounts payable		21,008,188	26,300,262
Deposits received from reinsurance companies	22	184,315	25,774,110
Accounts payable and accrued expenses	23	6,850,780	5,810,964
Total liabilities		610,263,443	507,510,320
Equity			
Common shares	27	404,988,405	311,858,180
Net changes in securities available for sale		97,814	7,960,914
Change in foreign currency translation		(774,114)	(2,403,885)
Legal reserve		169,771	155,827
Retained earnings		89,032,773	155,206,558
Equity attributable to owners of the Company		493,514,649	472,777,594
Non-controlling interest	26	22,329,817	20,538,355
Total equity		515,844,466	493,315,949
Total liabilities and equity		1,126,107,909	1,000,826,269

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, 2020
(In United States of America dollars)

	Notes	2020	2019
Gross written premiums		386,270,033	232,315,396
Retroceded premiums		(122,265,163)	(76,812,250)
Change in unearned premium	17	(15,605,488)	(49,772,194)
Change in unearned retro premium (URP)	17	86,017	22,681,463
Premium earned		248,485,399	128,412,415
Gross claims paid	18	(263,149,873)	(221,123,431)
Retroshare of claims paid	18	84,988,850	140,621,678
Claims paid, net		(178,161,023)	(80,501,753)
Commissions paid, net	24	(36,381,019)	(23,845,327)
Other technical costs	24	3,526,924	5,546,900
Net earned premium		37,470,281	29,612,235
Realized gain in securities available for sale	10	9,371,571	7,635,596
Interests income, net	6	1,196,183	594,661
Share of results of associates	14	1,235,693	-
Other income		390,882	929,829
General and administrative expenses:			
Salaries and other employee benefits	6	(7,125,513)	(6,200,087)
Professional fees		(4,668,860)	(4,609,640)
Provision expense for uncollectible premiums	8	(1,944,035)	(2,533,348)
Depreciation expense	11,15	(837,106)	(590,573)
Other expenses	25	(5,549,738)	(5,537,632)
Total general and administrative expenses		(20,125,252)	(19,471,280)
Profit before income tax		29,539,358	19,301,041
Income tax	28	(900,051)	(1,416,395)
Net profit		28,639,307	17,884,646
Net profit attributable to:			
Owners of the Company		26,847,845	15,594,512
Non-controlling interests	26	1,791,462	2,290,134
Net profit		28,639,307	17,884,646

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, 2020
(In United States of America dollars)

	Notes	2020	2019
Net profit		28,639,307	17,884,646
Other comprehensive income:			
Realized gain transferred to profit or loss	10	(9,371,571)	(7,635,596)
Net changes in securities available for sale	10	1,508,471	12,494,683
Total other comprehensive income		(7,863,100)	4,859,087
Total net comprehensive income of the year		20,776,207	22,743,733
Comprehensive income attributable to:			
Owners of the Company		18,984,745	20,453,599
Non-controlling interests	26	1,791,462	2,290,134
Total comprehensive income for the year		20,776,207	22,743,733

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, 2020
(In United States of America dollars)

	Notes	Attributable to owners of the Company: 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, 2019		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	26	-	-	-	-	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
Other comprehensive income comprised of:									
Net profit	26	-	-	-	-	26,847,845	26,847,845	1,791,462	28,639,307
Realized gain transferred to income	10	-	(9,371,571)	-	-	-	(9,371,571)	-	(9,371,571)
Net changes in fair value of securities available for sale	10	-	1,508,471	-	-	-	1,508,471	-	1,508,471
Total net comprehensive income for the year		-	(7,863,100)	-	-	26,847,845	18,984,745	1,791,462	20,776,207
Transactions attributable to shareholders:									
Profits capitalization	27	93,130,225	-	-	-	(93,130,225)	-	-	-
Exclusion of affiliate from consolidation		-	-	-	-	108,595	108,595	-	108,595
Legal reserve		-			13,944	-	13,944	-	13,944
Change in foreign currency translation		-	-	1,629,771	-	-	1,629,771	-	1,629,771
Balance at December 31, 2020		404,988,405	97,814	(774,114)	169,771	89,032,773	493,514,649	22,329,817	515,844,466

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, 2020
(In United States of America dollars)

	Notes	2020	2019
Cash flows from operating activities:			
Net income		28,639,307	17,884,646
Adjustment for:			
Share of results of associates	14	(1,235,693)	-
Gain on sale of securities available for sale	10	(9,371,571)	(7,635,596)
Reserve for premiums receivable	8	1,944,035	2,533,348
Provision outstanding claims reserve	18	(39,765,267)	44,945,935
Retrocession outstanding claims	18	39,168,887	(31,063,584)
Provision of unrealized premium (UPR)	17	26,757,839	49,772,194
Retrocession of unrealized premium (UPR) reserve	17	(10,441,269)	(22,681,463)
Provision of IBNR	18	130,998,726	67,443,073
Legal reserve		13,944	-
Retrocession of IBNR reserve	18	(70,794,623)	(70,850,292)
Unearned retroceded commission		(423,007)	(795,727)
Deferred adquisition cost		(2,250,979)	(4,139,743)
Commisions payables		(782,974)	790,330
Depreciation	11	160,034	253,068
Disposal and adjustments of property, furniture, equipment and improvements		-	3,305,505
Income interest		(1,689,820)	(1,227,312)
Income tax		900,051	1,416,395
Interest expenses		493,637	632,651
Depreciation from right of use asset	15	677,072	337,505
Net changes in operating assets and liabilities:			
Increase in deposits with maturities greater than 90 days		(1,291,597)	(2,062)
Increase in premiums receivable		(24,837,970)	(16,646,718)
(Increase) decrease in deposits in ceding companies		(17,775,802)	3,025,398
Increase in accounts receivable retrocessions		(12,986,923)	(2,352,662)
Decrease (increase) in other accounts receivable		11,971,961	(9,308,645)
(Increase) decrease in accounts receivable		(4,680,707)	346,354
Increase in other assets		(61,518)	(2,760,815)
Decrease in reinsurers account payable		(5,292,074)	(3,787,847)
Decrease in deposits received from reinsurance companies		(25,589,795)	(2,933,484)
Increase in accounts payable and accrued expenses		1,039,816	2,988,047
Interests earned		1,196,183	594,661
Income tax expense	28	(900,051)	(1,416,395)
Net cash provided by operating activities		13,789,852	18,666,765
Cash flows from investing activities:			
Acquisition of securities available for sale	10	(477,235,486)	(369,420,904)
Sale of securities available for sale	10	459,159,841	374,615,794
Acquisition of investment in associate	13	108,595	(2,092)
Acquisition of furniture and office equipment	11	(420,715)	(491,984)
Net cash (used in) provided by investing activities		(18,387,765)	4,700,814
Cash flows from financing activities			
Notes and accounts receivable related parties		(21,872,359)	3,010,937
Payments to loans	20	(2,116,918)	(5,609,669)
Repurchase agreements	21	18,000,000	-
Payments on lease liability		(496,231)	(401,786)
Net cash used in financing activities		(6,485,508)	(3,000,518)
Net (decrease) increase in cash		(11,083,421)	20,367,061
Cash at the beginning of the year	7	45,614,534	25,247,473
Cash at end of the year	7	34,531,113	45,614,534
Non- monetary transactions:			
Trust agreement	13	(15,545,562)	-
Redemption of securities available for sale	6	3,200,000	-
Decrease in deposits with maturities greater than 90 days	13	12,000,000	-
Notes and accounts receivable related parties		345,562	-
Right of use asset	15	2,018,475	2,530,637
Lease liability	15	1,970,125	2,466,356
Profits capitalization	27	93,130,225	-

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 US$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 978 South Church Street, Block 7D, Parcel #41, Georgetown, 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. Barents Re Reinsurance Company, Inc. (Belize) remained dormant for a number of years; for this reason, it requested the cancellation of its International Reinsurance License granted and supervised by the Office of the Supervisor of Insurance & Private Pension of Belize (OSIPP), which was cancelled in September 2020. Consequently, it closed business operations.

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

There were no IFRS or IFRIC interpretations, effective for the year beginning on January 1, 2020, which had a significant effect on the consolidated financial statements.

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, 2020 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, 2020, 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 asset provision accumulated the retro share portion of outstanding claims based on an 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.

Unrealised retroceded premium
This asset provision accumulated the retro share portion of unrealised 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 retro share
This asset provision accumulated the retro share portion of claims incurred but not reported and 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 comprise 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).

	Fair value					
Financial assets	**2020**	**2019**	**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	477,333,300	457,749,184	Level 1	Quoted prices in active markets	N/A	N/A
Corporate bonds	-	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.

	2020		2019	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Cash and deposits in banks	34,981,612	34,981,612	56,773,436	56,773,436
Deposits in ceding companies	48,919,338	47,628,603	31,143,536	30,204,186
Trust agreements	15,545,562	15,692,738	-	-
Premiums receivable	60,314,580	60,314,580	37,420,645	37,420,645
Accounts receivable - retrocessions	62,414,518	62,414,518	49,427,595	49,427,595
	222,175,610	221,032,051	174,765,212	173,825,862
Liabilities				
Loan payable	388,205	272,416	2,505,123	2,103,686
Repurchase agreement	18,000,000	18,000,000	-	-
	18,388,205	18,272,416	2,505,123	2,103,686

	Total	Fair value hierarchy		
		Level 1	Level 2	Level 3
2020				
Financial assets:				
Cash and deposits in banks	34,981,612	-	34,981,612	-
Deposits in ceding companies	47,628,603	-	-	47,628,603
Trust agreements	15,692,738	-	11,074,983	4,617,755
Premiums receivable	60,314,580	-	-	60,314,580
Accounts receivable - retrocessions	62,414,518	-	-	62,414,518
	221,032,051	-	46,056,595	174,975,456
Financial liabilities:				
Loan payable	272,416	-	-	272,416
Repurchase agreement	18,000,000	-	-	18,000,000
	18,272,416	-	-	18,272,416

	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	30,204,186	-	-	30,204,186
Premiums receivable	37,420,645	-	-	37,420,645
Accounts receivable - retrocessions	49,427,595	-	-	49,427,595
	173,825,862	-	56,773,436	117,052,426
Financial liabilities:				
Loan payable	2,103,686	-	-	2,103,686

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.

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.

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 premiums receivable 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:

	2020	**2019**
Investment grade	477,333,300	457,749,184
Non rated investment	-	3,200,000
	477,333,300	460,949,184

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**	
	2020	**2019**	**2020**	**2019**
Concentration by sector:				
Corporate	60,314,580	37,420,645	4,074,430	93,375,730
Government	-	-	473,258,870	367,573,454
Carrying amount	60,314,580	37,420,645	477,333,300	460,949,184
Geographic concentration:				
South America and Caribbean	60,314,580	37,420,645	-	3,200,000
United States of America	-	-	477,333,300	457,749,184
Carrying amount	60,314,580	37,420,645	477,333,300	460,949,184

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
2020					
Financial assets:					
Cash and deposits in bank	34,531,113	-	450,499	-	34,981,612
Deposits in ceding companies	48,919,338	-	-	-	48,919,338
Securities available for sale	-	-	477,333,300	-	477,333,300
Trust agreements	3,545,562	-	-	12,000,000	15,545,562
Premiums receivable	-	-	60,314,580	-	60,314,580
Accounts receivable - retrocessions	-	-	62,414,518	-	62,414,518
Total financial assets	86,996,013	-	600,512,897	12,000,000	699,508,910
Financial liabilities:					
Loans payable	-	-	145,560	242,645	388,205

	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

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:

2020	Upt o 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No interest rate	Total
Financial assets:						
Cash and deposits in banks	-	450,499	-	-	34,531,113	34,981,612
Deposits in ceding companies	-	-	-	-	48,919,338	48,919,338
Securities available for sale	-	477,333,300	-	-	-	477,333,300
Trust agreements	-	-	12,000,000	-	3,545,562	15,545,562
Premiums receivable	-	-	-	-	60,314,580	60,314,580
Accounts receivable - retrocessions	-	-	-	-	62,414,518	62,414,518
Total financial assets	-	477,783,799	12,000,000	-	209,725,111	699,508,910
Financial liabilities:						
Loan payable	-	145,560	242,645	-	-	388,205
Repurchase agreement	-	18,000,000	-	-	-	18,000,000
Total financial liabilities	-	18,145,560	242,645	-	-	18,388,205
Net	-	459,638,239	11,757,355	-	209,725,111	681,120,705

2019	Upt o 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No interest rate	Total
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

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.

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
2020				
Assets				
Cash and deposits in bank	2,840,974	32,114,985	25,653	34,981,612
Deposits in ceding companies	46,506,054	2,413,284	-	48,919,338
Securities available for sale	-	477,333,300	-	477,333,300
Trust agreements	-	15,545,562	-	15,545,562
Premiums receivable	-	60,314,580	-	60,314,580
Accounts receivable - retrocessions	62,414,518	-	-	62,414,518
Total financial assets	111,761,546	587,721,711	25,653	699,508,910
Liabilities				
Loan payable	-	388,205	-	388,205
Repurchase agreements	-	18,000,000	-	18,000,000
Total financial liabilities	-	18,388,205	-	18,388,205

	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
Total financial liabilities	-	2,505,123	-	2,505,123

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.

- *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.

These estimates were made with the information available as at December 31, 2020 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:

	2020	2019
Balances with related parties		
Assets		
Bank deposits	2,067,691	11,832,771
Securities available for sale (i)	-	3,200,000
Investment in associate (Note 14)	7,720,337	6,484,644
Notes receivable (ii)	8,963,980	5,308,530
Accounts receivable (iii)	18,196,380	325,033
Account receivable - others	2,091,641	5,421,127
Account receivable - Shareholder	148,661	117,148
Trust agreement (iv)	12,000,000	-
Transactions with related parties		
Gross written primium	1,378,263	1,198,007
Commissions paid	229,710	107,331
Claims paid	861,324	-
Interest income	920,772	551,266
Key executive salaries	656,978	332,754

(i) In August 2020, the term of the corporate bonds for the amount of USD$3,200,000 expired, which were held in securities available for sale and were exchanged for properties in Bogotá, Colombia guaranteed through a trust agreement (See Note 13).

(ii) At December 31, 2020, the Company maintains US$8,963,980 (2019: US$5,308,530) 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% (2019: 2.5%) with a maturity of one year.

(iii) In June 2020, the Company acquired a repurchase agreement (see Note 21), which was transferred in its entirety as an account receivable to the affiliate Standard Capital Shareholding, Inc.

(iv) The Company established an administration trust with Canal Trust, Inc., for the amount of US$12,000,000, related to fixed deposits. (see Note 13).

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:

	2020	2019
Demand deposits - domestic	2,108,071	1,360,601
Time deposits - domestic	450,499	11,158,902
Demand deposits - foreign	32,423,042	44,253,933
Total	34,981,612	56,773,436
Less:		
Time deposits at original maturity greater than 90 days	450,499	11,158,902
Cash and cash equivalents for consolidated cash flow purpose	34,531,113	45,614,534

At December 31st 2020, term deposits yield an interest of 1.75% at maturity in June 2021 (2019: ranged from 1.75% to 4% at maturity in August 2020).

8. Premium receivable, net

Premiums receivable are summarized as follows:

	2020	2019
Barents R.M., Inc.	65,513,288	41,817,754
Others	3,367,649	2,225,213
	68,880,937	44,042,967
Less: uncollectible premium provision	(8,566,357)	(6,622,322)
Net premium receivable	60,314,580	37,420,645

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>

	2020	2019
Current	19,222,222	33,823,437
30-60 days	25,577,864	10,089,099
61-90 days	17,540,437	103,539
More than 90 days	6,540,414	26,892
Total	68,880,937	44,042,967

Provision movement for uncollectible premiums

	2020	2019
Balance at beginning of the year	6,622,322	4,088,974
Provision increase	1,944,035	2,533,348
Balance at end of year	8,566,357	6,622,322

9. Deposits in ceding companies

As of December 31, 2020, the Company placed a deposit of US$48,919,338 (2019: US$31,143,536) under a reinsurance contract signed with a transfer company licensed in Europe, with a term of one year and without interest.

Deposits retained on assumed reinsurance serve as collateral for technical provisions covering business assumed from cedants in reinsurance. The amount of and changes in deposits retained on assumed reinsurance derive from the values for the changes in the related technical provisions.

10. Securities available for sale

Securities available for sale are summarized as follows:

	2020	2019
Listed securities (at fair value):		
Governments bonds - foreign	473,258,870	367,573,454
Corporates	4,074,430	90,175,730
	477,333,300	457,749,184
Unlisted securities (at cost):		
Corporates	-	3,200,000
	477,333,300	460,949,184

The annual interest rate earned by securities available for sale ranged from 1.49% to 8.42% with one-year maturity (2019: 0.83% to 6.70% with maturities up to one year).

The movement of securities available for sale is summarized below:

	2020	2019
Balance at beginning of year	460,949,184	453,649,391
Additions	477,235,486	369,420,904
Sales	(462,359,841)	(374,615,794)
Change in fair vaue	1,508,471	12,494,683
Balance at year end	477,333,300	460,949,184

During 2020, the Company sold and redeemed securities available for sale for a total of US$462,359,841 (2019: US$374,615,794), the sales generated a net profit of US$9,371,571(2019: US$7,635,596).

11. Property, furniture, equipment and improvements

Property, furniture, equipment and improvements are summarized below:

2020	Improvements	Building	Office equipment	Computer equipment	Balance
Cost					
Balance at the beginning of the year	286,037	-	220,863	319,173	826,073
Additions	349,408	-	53,208	18,099	420,715
Balance at end of the year	635,445	-	274,071	337,272	1,246,788
Accumulated depreciation and amortization					
Balance at the beginning of the year	3,493	-	73,816	250,342	327,651
Expense for the year	76,441	-	54,096	29,497	160,034
Balance at end of the year	79,934	-	127,912	279,839	487,685
Net balance	555,511	-	146,159	57,433	759,103
2019					
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

On December 2019, the Company reclassified US$ 1,506,041 comprised by 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.. 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 US$1,799,403, which was recognized in the consolidated statement of profit or loss.

12. Accounts receivable

Accounts receivable is summarized below:

	2020	2019
Retrocessions (i)	62,414,518	49,427,595
Barents R. M., Inc. (ii)	15,679,411	10,998,704
Other	6,055,212	18,027,173
	84,149,141	78,453,472

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

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

13. Trust agreements

The Group maintains trust agreements, which are detailed below:

	2020	2019
Trust - Fixed Deposit	12,000,000	-
Trust - Real Estate	3,545,562	-
	15,545,562	-

On September 25th 2020, the Group established an administration trust with Accion Sociedad Fiduciaria, S.A., for the amount of US$3,545,562, which maintains real estate properties located in Bogota, Colombia as trust assets. These assets were acquired on August 25th 2020 as an exchange of corporate bond that the Group had as securities available for sale (see Note 6).

After December 2nd 2020, the Group established an administration trust with Canal Trust, Inc., for the amount of US$12,000,000, related to fixed deposits with an interest rate ranged from 1.25% to 4%, which are detailed below:

Starting Date	End Date	Fixed Deposit	Amount
23-mar-20	23-mar-23	1300180377	2,500,000
23-mar-20	23-mar-23	1300180385	2,500,000
23-mar-20	23-mar-23	1300180369	2,500,000
16-abr-20	16-abr-23	1300180435	2,500,000
20-oct-20	20-oct-21	1300178009	2,000,000

14. Investment in associate

Investment in associate are summarized below:

Name	Activity	Country of incorporation	% of interest 2020	% of interest 2019	2020	2019
Nacional de Seguros, S.A.	Insurance company	Colombia	49%	49%	5,471,077	4,213,652
Fianza Avanza, S.A.	Insurance company	México	49%	49%	2,249,260	2,270,992
					7,720,337	6,484,644

All of the above associates are accounted for using the equity method in these consolidated financial statements as set out in the accounting policies in note 3.

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. The Company has no power or control over the operations of Nacional de Seguros, S.A.

A summary of the statement of financial position and the statement of profit or loss as of December 31, 2020 is detailed as follows:

Statement of financial position:

	2020	2019
Total assets	73,841,045	60,084,967
Total liabilities	61,743,661	49,885,944
Net assets	12,097,384	10,199,023

Statement of profit or loss:

Income for premiums:	**2020**	**2019**
Total earned premium	1,192,620	939,757
Liquidated and recovered claims	1,429,082	560,475
Earned commissions	10,579,184	6,312,762
Net cost	(7,405,256)	(4,673,147)
General and administrative expenses	(3,211,645)	(2,850,095)
Technical result	2,583,985	289,752
Total other income, net	1,074,378	1,033,916
Income before income tax	3,658,363	1,323,668
Income tax	(12,447)	(38,907)
Deferred tax	(1,079,742)	(445,326)
Net income	2,566,174	839,435

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. The Company owns 47,266 shares of Fianzas Avanza S.A., de C.V. (Mexico) and has no power or control over the operations of Fianzas Avanza S.A. de C.V.

A summary of the statement of financial position and the statement of profit or loss as of December 31, 2020 is detailed as follows:

Statement of financial position:

	2020	**2019**
Total assets	12,589,064	7,924,572
Total liabilities	8,455,207	3,532,792
Net assets	4,133,857	4,391,780

Statement of profits or losses:

Income for premiums:	**2020**	**2019**
Total earned premium	155,264	153,170
Earned commissions	420,233	529,277
Net cost	(4,623)	(4,107)
General and administrative expenses	(899,711)	(1,012,927)
Technical result	(328,837)	(334,587)
Total other income, net	250,352	361,580
Income before income tax	(78,485)	26,993
Deferred tax	34,134	(5,302)
Net income	(44,351)	21,691

Investment in associate movement schedule is a follows:

2020	**Nacional de Seguros, S.A.**	**Fianza Avanza, S.A.**	**Total**
Balance at beginning of the year	4,213,652	2,270,992	6,484,644
Share of profit of associate	1,257,425	(21,732)	1,235,693
Ending balance as of December 31	5,471,077	2,249,260	7,720,337

15. 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:

	2020	2019
Cost:		
Balance at beginning and the end of the year	2,530,637	2,868,142
Change in foreign currency translation	164,910	-
Balance at the end of the year	2,695,547	2,868,142
Acumulated depreciation:		
Expense and balance at the end of the year	677,072	337,505
Net balance	2,018,475	2,530,637

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

	2020	2019
Depreciation expense on right of use assets	677,072	337,505
Interest expense on lease liabilities	81,863	37,628
Expenses related to short-term leases	739,636	901,198
	1,840,855	2,177,529

(ii) Lease liabilities

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

	2020	2019
Amounts due for settlement within twelve months	1,032,763	1,433,593
Amounts due for settlement after twelve months	937,362	1,032,763
	1,970,125	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.

16. Other assets

Other assets are comprised as follow:

	2020	2019
Warehouse and offices	2,498,030	2,498,030
Prepaid tax	1,186,633	535,140
Interest receivable	945,989	319,508
Prepaid expenses	525,421	147,181
Others	125,561	255,395
	5,281,634	3,755,254

On December 31st 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).

17. Unearned premium reserve

The unearned 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, 2020, the unrealized premium reserve was US$127,906,920 (2019: US$101,149,081) and the total unrealized retroceded premium is US$60,448,090 (2019: US$50,006,821).

The movement in unearned premium reserve and unearned retroceded premium is presented below:

	2020	2019
Unearned premium reserve:		
Balance at beginning of year	101,149,081	52,223,346
Change in foreign currency translation	11,152,351	(846,459)
Increase	15,605,488	49,772,194
Balance at end of year	127,906,920	101,149,081
Unearned retroceded premium:		
Balance at beginning of year	50,006,821	28,015,550
Change in foreign currency translation	10,355,252	(690,192)
Increase	86,017	22,681,463
Balance at end of year	60,448,090	50,006,821

Development of gross unearned premium

	2020	2019
Beginning balance	101,149,081	52,223,346
Currency translation differences	11,152,351	(846,459)
Gross premium written	386,270,033	232,315,396
Earned premiums	(370,664,545)	(182,543,202)
Ending balance	127,906,920	101,149,081

18. Claims outstanding, IBNR reserve and Deferred acquisition costs

	2020	2019
Gross provision by type:		
Claims outstanding reserve	126,655,948	166,421,215
IBNR reserves	301,757,042	170,758,316
	428,412,990	337,179,531
Ceded share:		
Claims outstanding reserve	(83,416,701)	(122,585,588)
IBNR reserves	(202,765,444)	(131,970,821)
	(286,182,145)	(254,556,409)
Net	142,230,845	82,623,122

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 from 100% of the claims paid.

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:

	2020	2019
Provision reserve IBNR:		
Balance at the beginning of the year	170,758,316	104,270,216
Change in foreign currency translation	10,062,572	(954,973)
Increase	120,936,153	67,443,073
Balance at the end of the year	301,757,041	170,758,316
IBNR of retroshare:		
Balance at the beginning of the year	131,970,821	58,903,274
Change in foreign currency translation	9,327,806	2,217,255
Increase	61,466,817	70,850,292
Balance at the end of the year	202,765,444	131,970,821
Claims outstanding reserve:		
Balance at the beginning of the year	166,421,215	122,881,718
Change in foreign currency translation	(112,232)	(1,406,438)
Increase	(39,653,035)	44,945,935
Balance at the end of the year	126,655,948	166,421,215
Reserve for claims in process:		
Balance at the beginning of the year	122,585,588	95,947,777
Change in foreign currency translation	(424,033)	(4,425,773)
Increase	(38,744,854)	31,063,584
Balance at the end of the year	83,416,701	122,585,588
Deferred acquisition costs:		
Balance at the beginning of the year	9,199,665	5,059,922
Change in foreign currency translation	566,930	(109,669)
Increase	1,684,049	4,249,412
Balance at the end of the year	11,450,644	9,199,665

18.1. Claims paid, net:

	2020	2019
Gross		
Gross claims paid	(181,866,755)	(108,734,423)
Change in technical provisions:		
Claims outstanding	39,653,035	(44,945,935)
IBNR	(120,936,153)	(67,443,073)
Gross claims paid	(263,149,873)	(221,123,431)
Ceded share		
Claims paid	62,266,887	38,707,802
Change in technical provisions:		
Claims outstanding	(38,744,854)	31,063,584
IBNR	61,466,817	70,850,292
Claims paid - ceded share	84,988,850	140,621,678
Net		
Claims paid	(119,599,868)	(70,026,621)
Change in technical provisions		
Claims outstanding	(76,061,569)	(13,882,351)
IBNR	17,500,414	3,407,219
Net claims paid	(178,161,023)	(80,501,753)

19. Ceded share of technical provisions

	2020	2019
Unearned retroceded premium	60,448,090	50,006,821
Claims outstanding reserve	83,416,701	122,585,588
IBNR reserve of retroshare	202,765,444	131,970,821
Unearned retroceded commission	3,843,588	3,420,581
	350,473,823	307,983,811

Details of the ceded share of technical provisions are shown under Note 17 and Note 18.

20. Loans payable

The loans payable are detailed as follows:

	2020	2019
Capital International Bank Inc.		
Loan at a 10 years term with a minimum annual interest rate of 6.25%, with maturity in October 2024. The Company maintains a collateral trust agreement on real estate as a guarantee of this obligation.	388,205	505,123
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
Total	388,205	2,505,123
Short term	145,560	2,145,560
Long term	242,645	359,563
	388,205	2,505,123

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

	2020	2019
Balance at the beginning of the year	2,505,123	8,114,792
Payments to loans	2,116,918	5,609,669
Total	388,205	2,505,123

21. Repurchase agreements

At June 24th , 2020, The Company acquire repurchase agreement for US$18,000,000 renewable for one year an average interest rate of 3.0%.

22. Deposits received from reinsurance companies

As of December 31st , 2020, the Company maintains deposits in other reinsurance companies as detailed as follows:

	2020	2019
Trina Solar (Spain) System, S.L.U.	184,315	169,225
Apicil Prevoyance	-	25,604,885
	184,315	25,774,110

Deposits retained on ceded business are collateral for technical provisions covering business ceded to reinsurers and retrocessionaires. As a rule, the changes in deposits retained on ceded business derive from the changes in the relevant technical provisions covering ceded business. Deposits retained on ceded business thus do not have a fixed maturity date, their release generally being dependent on run-off of the corresponding provisions.

23. Accounts payable and accrued expenses

The accumulated accounts and expenses payable are as follows:

	2020	2019
Tax payable	2,273,694	807,557
Accruals payable (a)	1,421,727	1,421,394
Deferred tax liability	671,587	1,025,479
Interest payable	354,897	354,897
Suppliers payable	68,118	55,998
Withholdings payable	64,012	20,089
Other accounts payable	1,996,745	2,125,550
	6,850,780	5,810,964

a) During 2020, the Company accrued for Service Level Agreement (SLA) fees with BRM Beirut for the services received during the year but not invoiced yet, for an amount of US$1,421,727 (2019: US$1,421,394).

24. Other technical costs

	2020	2019
Commission paid	36,892,178	25,288,802
Change in acquisition costs	(1,656,198)	(4,249,412)
Reinsurance commisions and profit participation	(1,432,618)	(980,283)
Commission received	(539,010)	(1,443,475)
Change in unearned retrocession commission	(423,007)	(398,114)
Risk analysis cost	12,750	80,909
	32,854,095	18,298,427

25. Other expenses

The other expenses account is summarized below:

	2020	2019
Gain and loss in currencies	1,019,225	59,053
Other fees	1,184,209	510,620
VAT expenses	287,647	38,215
Rentals	251,555	901,198
Insurances	227,345	282,381
Travel expenses	215,217	462,020
Bank charges	166,890	24,315
Taxes	96,594	394,179
Licenses & software	95,088	84,239
Telecommunications	74,244	122,997
Expenditure abroad	65,891	71,312
Director´s compensation	37,639	49,704
Electrical energy	35,462	107,093
Legal and notarial expenses	34,107	26,086
Maintenance and repairs	30,120	40,971
Loss on disposal of fixed assets	-	1,799,403
Seminars	-	101,483
Others	1,712,043	407,216
	5,549,738	5,537,632

26. Non - controlling interest

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

	% of non - controlling interest		2020	2019
	2020	2019		
Barents Re Reinsurance S.A. (Luxemburgo)	49%	49%	22,329,817	20,538,355

Movement of non-controlling interest is detailed as follows:

	2020	2019
Issuance of shares	20,538,355	18,248,221
Profit participation	1,791,462	2,290,134
	22,329,817	20,538,355

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.

27. Common shares

The capital is composed of 100,000 shares with no par value and amounts to US$404,988,405 (2019: US$311,858,180).

On October 2nd of 2020, the shareholders of the company resolved to capitalize retained earnings of Barents Re Reinsurance Company, Inc., in the amount of US$93,130,225.

28. Income tax

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, 2020, Barents Reinsurance S.A. (Luxembourg) generated income tax of US$900,051 (2019: US$1,416,395).

	2020	2019
Barents Reinsurance, S. A. (Luxemburg) taxable income	3,974,077	5,927,768
Current income tax	664,112	1,344,128
Prior year adjustments	70,071	(90,102)
	734,183	1,254,026
Wealth tax	165,868	162,369
Income tax	900,051	1,416,395

29. Reclasifications

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, 2019. These reclassifications have no effect net profit for the year or on previously reported equity.

Consolidated statement of profit or loss	2019 as previously reported	Reclassifications	2019 as reclassified
Gross claims paid	-	(221,123,431)	(221,123,431)
Retroshare of claims paid	-	140,621,678	140,621,678
Claims paid, net	**-**	**(80,501,753)**	**(80,501,753)**
Change in claims outstanding	(44,945,935)	44,945,935	-
Change in retro outstanding	31,063,584	(31,063,584)	-
Change in IBNR	(67,443,073)	67,443,073	-
Change in retrocession of IBNR	70,850,292	(70,850,292)	-
Change in unearned retrocession commission	398,114	(398,114)	-
Change in acquisition costs	4,249,412	(4,249,412)	-
Change in doubtful receivables	(2,533,348)	-	(2,533,348)
Gross claims paid	(108,734,423)	108,734,423	-
Retroshare of claims paid	38,707,802	(38,707,802)	-
Other technical costs	-	5,546,900	5,546,900
Other incomes (expenses):			
Interests income	1,227,312	-	1,227,312
Interests paid	(632,651)	-	(632,651)
Commissions received	1,443,475	-	1,443,475
Commissions paid	(25,288,802)	-	(25,288,802)
Risk analysis cost	(80,909)	80,909	-
Gain in securities available for sale	7,635,596	-	7,635,596
Reinsurance commisions and profit participation	980,283	(980,283)	-
Other income	929,829	-	929,829
Net effect		-	

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

30. COVID-19 Impact

The Group maintains policies and procedures to ensure business continuity, which establishes the mechanisms to function in contingency situations, guaranteeing the uninterrupted continuity of operations and services for our clients.

Up to the date of these consolidated financial statements and until its issuing date, management continues with the monitoring, analysis and management of the effects that COVID-19 may have in its operations, clients and providers.

The following are among the main actions that the Company has adopted:

Business:

The Company projected earnings for US$20.8 millions for the 2020 period. At the end of the period, the earnings resulted in US$27.8 millions.

No interruptions were observed in the Company's business underwriting, given that the 2020 period was of US$330 millions in premium underwriting, with a 2020 projection of US$113 millions.

Investments:

The investment assets of the Company mainly consist of treasuries and fixed term deposits of short duration (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 at 100% of concentration to mitigate the 2020 volatility due to COVID-19.

Luxembourg: Maintains investment grade bonds.

The Company maintains investments 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, their day-to-day operations were maintained uninterrupted.

Debt:

The Company maintained regular scheduled payments to its providers. Regarding debt with financial entities (loans and mortgages), the Company negotiated an extension for the first four (4) months after the National Emergency State was declared.

Clients:

During 2020, the collection of premiums collectable was not affected, given that 86% of the 2019 balance of US$44 millions was collected, and management maintains a robust follow up of the collectable balances, avoiding extensions of the 90 days normal timeframe.

Human Resources:

The Company avoided the need to file for temporary suspension or early termination of employment agreements , even when labour law allows it. Management reduced work schedule by 30% from April to September of 2020, at which time it implemented a work from home methodology. Starting on October of 2020, all personnel was reincorporated to their regular work schedule and in person.

31. Approval of financial statements

The consolidated financial statements for the year ended December 31, 2020 were approved and issuance was authorized by the Board of Directors on June 29, 2021.

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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.

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