Barents Re Reinsurance Company, Inc. and subsidiary

Consolidated financial statements for the year ended December 31, 2023 and Independent Auditors' Report of June 27, 2024

Barents Re Reinsurance Company, Inc. and subsidiary

Independent Auditors' Report and 2023 consolidated financial statements

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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, 2023, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended (all expressed in United States dollars), and related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and its results of operations and cash flows for the year ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Deloitte & Touche LLP

June 27, 2024

Barents Re Reinsurance Company, Inc. and subsidiary

Consolidated statement of financial position
at December 31, 2023
(In United States of America dollars)

	Notes	2023	2022
Assets			
Cash and bank deposits	6,7	133,187,503	146,010,403
Premiums receivable, net	8	174,668,462	161,647,762
Securities available for sale	9	574,724,326	463,813,833
Investment in associate	6,13	14,348,981	13,073,781
Trust agreements	6,12	12,304,849	14,119,844
Notes and accounts receivable - related parties	6	30,582,158	33,857,910
Accounts receivable - retrocessions, net	18	110,513,522	88,075,289
Accounts receivable, net	11	11,829,754	11,982,254
Other accounts receivable, net	6	10,287,367	5,135,185
Commissions receivable, net		3,310,938	10,428,025
Unrealized retroceded premium	16	47,102,721	147,779,176
IBNR of retroshare	17	27,857,910	181,922,754
Retroshare of claims outstanding	17	157,824,650	135,191,441
Deferred acquisition costs	17	32,861,291	28,152,277
Property, furniture, equipment and improvements, net	10	495,885	513,353
Right-of-use assets	14	608,232	950,576
Other assets	15	11,302,784	9,026,830
Total assets		1,353,811,333	1,451,680,693
Liabilities and equity			
Liabilities			
Claims outstanding reserve	17	274,066,331	247,570,687
Unrealized premium reserve	16	148,280,175	233,828,425
Commissions payable		24,131,756	5,884,308
IBNR reserves	17	170,680,975	304,719,808
Unearned retroceded commission		8,843,876	4,706,514
Loans payable	19	143,562	279,304
Lease liability	14	608,232	950,576
Repurchase agreement	20	-	13,000,000
Reinsurers accounts payable		51,431,888	36,470,439
Deposits received from reinsurance companies	21	166,382	161,768
Accounts payable and accrued expenses	22	7,950,616	4,148,266
Total liabilities		686,303,793	851,720,095
Equity			
Common shares	26	404,988,405	404,988,405
Net changes in securities available for sale		11,579,872	1,542,088
Capital reserve	27	72,505,820	72,505,820
Change in foreign currency translation		(6,567,607)	(8,946,254)
Legal reserve		169,771	169,771
Retained earnings		148,669,083	97,734,337
Equity attributable to owners of the Company		631,345,344	567,994,167
Non-controlling interest	25	36,162,196	31,966,431
Total equity		667,507,540	599,960,598
Total liabilities and equity		1,353,811,333	1,451,680,693

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, 2023
(In United States of America dollars)

	Notes	2023	2022
Net income from premiums:			
Gross written premiums	24	401,342,264	373,876,179
Retroceded premiums		(174,216,812)	(139,876,256)
Change in unearned premium	16	41,094,226	(69,772,718)
Change in unearned retro premium (URP)	16	(55,939,932)	59,288,392
Net earned premium		212,279,746	223,515,597
Change in claims outstanding	17	(67,537,945)	(68,407,974)
Change in retro outstanding	17	65,076,678	38,250,079
Change in IBNR	17	(16,324,889)	(36,618,732)
Change in retrocession of IBNR	17	(3,522,224)	12,851,597
Gross claims paid		(167,150,822)	(87,145,123)
Retroshare of claims paid		70,420,311	14,970,621
Net incurred claims		(119,038,891)	(126,099,532)
Change in unearned retrocession commission		(176,982)	(100,808)
Change in deffered acquisition costs	17	4,407,689	646,988
Commissions received		6,833,874	7,163,984
Commissions paid		(54,776,044)	(52,733,142)
Net commission paid		(43,711,463)	(45,022,978)
Other incomes (expenses):			
Interests income, net		754,230	1,885,986
Allowance for doubtful receivables	8, 18	9,978,243	(9,488,778)
Allowance for credit losses		(3,101,125)	
Share of results of associates	13	4,450,516	2,922,173
Gain in securities available for sale	9	21,557,992	20,373,583
Reinsurance commisions and profit participation		-	1,298,479
Other income (expenses)		2,912,582	5,942,261
Total income, net		86,081,830	75,326,791
General and administrative expenses:			
Salaries and other employee benefits		10,579,397	7,091,669
Professional fees		7,638,173	5,531,976
Depreciation expense	10,14	829,595	698,440
Other expenses	23	9,013,757	7,896,663
Total general and administrative expenses		28,060,922	21,218,748
Profit before income tax		58,020,908	54,108,043
Income tax	28	2,890,398	2,788,238
Net profit		55,130,510	51,319,805
Net profit attributable to:			
Owners of the Company		50,934,745	45,235,806
Non-controlling interests	25	4,195,765	6,083,999
Net profit		55,130,510	51,319,805

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, 2023
(In United States of America dollars)

	Notes	2023	2022
Net profit		55,130,510	51,319,805
Other comprehensive income:			
Realized gain transferred to income	9	(21,557,992)	(20,373,583)
Net changes in securities available for sale	9	31,595,776	22,017,651
Total other comprehensive income		10,037,784	1,644,068
Total net comprehensive income of the year		65,168,294	52,963,873
Comprehensive income attributable to:			
Owners of the Company		60,805,251	46,879,874
Non-controlling interests	25	4,195,765	6,083,999
Total comprehensive income for the year		65,168,294	52,963,873

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, 2023
(In United States of America dollars)

	Attributable to owners of the Company								
	Common shares	Net changes in securities available for sale	Change in foreign currency translation	Legal reserve	Capital reserve	Retained earnings	Equity attributable to owners of the Company	Non- controlling interest	Total equity
Balance at December 31, 2021 (Adjusted)	404,988,405	(101,980)	(5,314,046)	169,771	50,022,726	74,981,626	524,746,502	25,882,432	550,628,934
Other comprehensive income comprised of:									
Net profit	-	-	-	-	-	45,235,806	45,235,806	6,083,999	51,319,805
Realized gain transferred to income	-	(20,373,583)	-	-	-	-	(20,373,583)	-	(20,373,583)
Net changes in fair value of securities available for sale	-	22,017,651	-	-	-	-	22,017,651	-	22,017,651
Total net comprehensive income for the year	-	1,644,068	-	-	-	45,235,806	46,879,874	6,083,999	52,963,873
Transactions attributable to shareholders:									
Capital reserve	-	-	-	-	22,483,094	(22,483,094)	-	-	-
Change in foreign currency translation	-	-	(3,632,208)	-	-	-	(3,632,208)	-	(3,632,208)
Balance at December 31, 2022	404,988,405	1,542,088	(8,946,254)	169,771	72,505,820	97,734,338	567,994,168	31,966,431	599,960,599
Other comprehensive income comprised of:									
Net profit	-	-	-	-	-	50,934,745	50,934,745	4,195,765	55,130,510
Realized gain transferred to income	-	(21,557,992)	-	-	-	-	(21,557,992)	-	(21,557,992)
Credit losses for securities available for sale		167,278				-	167,278	-	167,278
Net changes in fair value of securities available for sale	-	31,428,498	-	-	-	-	31,428,498	-	31,428,498
Total net comprehensive income for the year	-	10,037,784	-	-	-	50,934,745	60,972,529	4,195,765	65,168,294
Change in foreign currency translation	-	-	2,378,647	-	-	-	2,378,647	-	2,378,647
Balance at December 31, 2023	404,988,405	11,579,872	(6,567,607)	169,771	72,505,820	148,669,083	631,345,344	36,162,196	667,507,540

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, 2023
(In United States of America dollars)

	Notes	2023	2022
Cash flows from operating activities:			
Net income		55,130,510	51,319,805
Adjustment for:			
Share of results of associates	13	(4,450,516)	(2,922,173)
Gain on sale of securities available for sale	9	(21,557,992)	(20,373,583)
Allowance for doubtful receivables	8	(9,684,036)	9,488,778
Provision outstanding claims reserve	17	26,495,644	62,964,521
Retrocession outstanding claims	17	(24,034,381)	(32,806,594)
Provision of unrealized premium (UPR)	16	(85,548,250)	77,174,269
Retrocession of unrealized premium (UPR) reserve	16	100,393,958	(66,689,942)
Provision of IBNR	17	(134,038,833)	36,618,732
Retrocession of IBNR reserve	17	153,885,947	(12,851,597)
Unearned retroceded commission		4,137,362	100,808
Deferred adquisition cost	17	(4,709,014)	(91,871)
Allowance for credit losses		3,101,125	-
Commisions payables		18,247,448	(2,406,799)
Depreciation	10	147,424	144,989
Disposal and adjustments of property, furniture, equipment and improvements		(13,138)	28,361
Interest income		(1,172,290)	(2,326,257)
Income tax		2,890,398	2,788,238
Interest expenses		418,060	440,271
Depreciation from right of use asset	14	682,171	553,451
Net changes in operating assets and liabilities:			
Increase in premiums receivable		(23,853,698)	(81,278,283)
Increase in deposits in ceding companies		(4,221,375)	-
Decrease (increase) in accounts receivable retrocessions		7,101,941	(9,605,766)
Decrease in other accounts receivable		2,051,924	354,283
Increase in commissions receivable		(2,184,989)	(2,235,141)
Decrease in accounts receivable		-	521,108
Decease (increase) in other assets		14,961,449	(4,140,494)
Decrease (increase) in deposits received from reinsurance companies		4,614	(7,822)
Increase in reinsurers account payable		5,295,345	4,674,818
Increase in accounts payable and accrued expenses		152,500	1,707,847
Interests earned		754,230	1,885,986
Income tax expense	28	(2,890,398)	(2,788,238)
Net cash provided by operating activities		77,493,140	10,241,705
Cash flows from investing activities:			
Acquisition of securities available for sale	9	(602,687,859)	(535,771,976)
Sale of securities available for sale	9	523,373,142	584,848,739
Gain on sale of real state in trust		-	(1,318,560)
Gain on sale of investment in trust		-	(636,099)
Notes and accounts receivable related parties		3,275,752	(10,578,881)
Acquisition of furniture and office equipment	10	(116,818)	(82,326)
Net cash (used in) provided by investing activities		(76,155,783)	36,460,897
Cash flows from financing activities			
Payments to loans	19	(135,742)	(121,058)
Repurchase agreements		(13,000,000)	(5,000,000)
Payments on lease liability		(1,024,515)	(155,854)
Net cash (used in) provided by financing activities		(14,160,257)	(5,276,912)
Net (decrease) increase in cash		(12,822,900)	41,425,690
Cash at the beginning of the year	7	146,010,403	104,584,713
Cash at end of the year	7	133,187,503	146,010,403
Non- monetary transactions:			
Trust agreement	12	(1,606,886)	(1,987,843)
Acquisition of property, furniture, equipment and improvements	12	(116,818)	(82,326)
Right of use asset	14	608,232	204,235
Lease liability	14	608,232	204,235

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

1. Nature of business, basis of presentation and functional currency

Nature of business: 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 Act of 2010, its amendments and other supplementary and accessory regulations. The main office of the Company is located at 43 Edgewater Drive, Prospect, PO Box 10954 KY1-1007, Grand Cayman, Cayman Islands.

Standard Capital Shareholdings, Inc. (Cayman Islands) is the owner of all the issued and outstanding shares of the Company. On August 22, 2023, the jurisdiction of the shareholder of the Company changed from B.V.I. to The Cayman Islands.

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.

Basis of presentation: The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although management believes the estimates and assumptions used in the preparation of these consolidated financial statements were appropriate in the circumstances, actual results could differ from those estimates and assumptions.

Consolidation of financial statements: The consolidated financial statements include the consolidated financial statements of Barents Reinsurance S.A. (Luxembourg). Investments in which the Company has the ability to exercise significant influence but not control are accounted for using the equity method. All significant intercompany transactions and balances have been eliminated in consolidation. The consolidated financial statements incorporate the financial statements of the Company and its controlled entities (subsidiaries) until December 31 of each year. The Company's policy is to consolidate all entities in which it has a voting interest of more than 50% percent and asserts control.

Non-controlling interests are classified as a separate component in the consolidated balance sheets and consolidated statements of changes in Shareholders' equity. Additionally, net income and comprehensive income attributable to non-controlling interests are reflected separately from consolidated net income and comprehensive income on the consolidated statement of income and consolidated statement of changes in Shareholders' equity. Any change in ownership of a subsidiary while the controlling financial interest is retained is accounted for as an equity transaction between the controlling and non-controlling interests. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized in equity and attributed to the shareholders' equity of the Company.

Foreign currency consolidated financial statements: 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.

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.

2. 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:

2.1 Cash equivalents

The Company considers all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

The Company did not recognize any credit loss on the cash and cash equivalent in the years ended December 31, 2023 and 2022.

2.2 Investments in marketable securities

The Company classifies investments as trading, held-to-maturity, or available-for-sale at the time of purchase and reassesses such classifications as of each balance sheet date.

Investments classified as trading securities are acquired and held principally for the purpose of selling them in the near term. Trading securities are stated at fair value with any unrealized gains or losses recognized within earnings. Held-to-maturity investments are those which the Company has both the ability and intent to hold until maturity and are carried at amortized cost. Available-for-sale securities include investments in debt securities that are classified neither as trading nor held-to-maturity and are stated at fair value with any unrealized gains and losses recorded as a component of other comprehensive income within stockholders' equity and reclassified to current earnings upon their sale or maturity.

When the fair value of a debt security classified as held-to-maturity and available-for-sale is less than its amortized cost basis, the Company evaluates if any events have occurred or economic conditions exist that would indicate that an impairment loss exists and if such loss is other than temporary. The Company considers (i) management's intent to sell the security, (ii) whether it is more likely than not that the Company will be required to sell the security before recovery of the security's amortized cost basis, and (iii) whether the Company expects to recover the entire amortized cost basis of the security. If the reduction in fair value is other than temporary, an impairment charge is recognized in earnings.

Investments in equity securities that are not accounted for by the equity method are recorded at fair value through profit and loss.

2.3 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.

Impairment or disposal of long-lived assets are accounted in accordance with ASC 360-10-15.

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.

2.4 Lease accounting

The Company determines if an arrangement is a lease or a service contract at inception. Where an arrangement is a lease the Company determines if it is an operating lease or a finance lease. Classification is reevaluated when the arrangement is modified.

Lessee - Operating leases are included in operating lease right-of-use (“ROU”) assets and operating lease liabilities in the consolidated balance sheet. Finance leases are included in property, plant and equipment and finance lease in our consolidated balance sheets. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term including options to extend or terminate the lease when it is reasonably certain those options will be exercised. [The Company has elected to include lease and non-lease components in determining the lease liability for all leased assets.] Non-lease components are generally services that the lessor performs in relation to the leased asset. For those leases with payments based on an index, the lease liability is determined using the index at lease commencement. Lease payments based on increases in the index subsequent to lease commencement are recognized as variable lease expense as they occur. The present value of the lease liability is determined using a [risk-free rate at lease inception]. For operating leases, the effective interest rate method is used to account for the lease liability as lease payments are made and the ROU asset is amortized to earnings in a manner that results in expense recognition on a straight-line basis. ROU assets and lease liabilities are not recognized for leases with initial terms of 12 months or less and lease expense is recognized for these leases on a straight-line basis over the lease term. ROU assets are tested at least annually for impairment or whenever events or changes in circumstance indicate that the asset may be impaired.

2.5 Equity method investments

The equity method of accounting is used to account for investments for which the Company has the ability to exercise significant influence, but not control, over an investee. Significant influence is generally deemed to exist when the Company's holds an ownership interest in the voting stock of an investee of between 20% and 50%. Under certain conditions, significant influence may be achieved with an ownership of less than 20%. Such conditions include, but are not limited to, the ability to appoint a disproportionate number of directors or the ability to veto significant operating and financial decisions. An impairment charge is recorded whenever a decline in value of an investment below its carrying amount is determined to be other-than-temporary. In determining if a decline is other-than-temporary, factors such as the length of time and extent to which the fair value of the investment has been less than the carrying amount of the investment, the near-term and longer-term operating and financial prospects of the affiliate and the intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery are considered.

2.6 Trust agreements

Assets held in trust includes fixed deposits and real estate property, the Group established an administration trust with Accion Fiduciaria, S.A., a Colombian trust Company, which holds real estate properties located in Colombia and an administration trust with Canal Trust, Inc. related to fixed deposits.

Bank balances for which there are contractual restrictions on their use are included in cash unless such restrictions result in a bank balance that no longer meets the definition of cash.

Property are stated at cost, less accumulated depreciation.

2.7 Fair value of financial instruments and fair value measurements

An entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Accounting guidance establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs used to measure fair value may fall into one of three levels:

Level 1- applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 - applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

2.8 Reserves

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

These losses include losses from the reinsurance business and loss expenses paid during the year together with the movement in the provision for claims outstanding. The claims outstanding are made up of the accumulation of the estimated final costs of settling all the reported claims, using reports and individual case estimates received from ceding companies at the date of the consolidated statement of financial position.

Retroshare of claims outstanding

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

Reserve for unrealized premium

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

Unrealized retroceded premium

This provision accumulates the retroshare portion of unrealized premium and is calculated considering the proportion of the risk not incurred on each invoice to the valuation date.

Reserve for claims incurred but not reported (IBNR)

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

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

IBNR of retroshare

This provision accumulates the retroshare 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, is 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 amortized over the premium payment period in proportion to the premium revenue recognized.

2.9 Premiums and accounts receivables

Premiums receivables: 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. 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 objective evidence of non-recoverable. If so, the loss impairment is recognized immediately in the consolidated statement of profit or loss. In measuring the impairment loss, the Administration calculates the credit risk exposure considering the accounts receivable net of reinsurer participation, acquisition costs, unearned premiums and related taxes.

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.

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.

Premium deficiency testing

For short duration contracts, a premium deficiency exists when the unearned premium plus expected investment income is less than the total of expected claim costs and claim adjustment expenses, related estimated policy maintenance costs (incl. unallocated loss adjustment expenses), related unmortised acquisition costs and expected dividends to policyholders. If a premium deficiency exists, the deferred acquisition costs for the related business segment will be expensed to the extent of the deficiency. If the deficiency is greater than the deferred acquisition cost, then a liability will be established for the difference.

2.10 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 with 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.

2.11 Repurchase agreement

Repurchase agreements are generally accounted for as financing transactions received with guarantees and are recorded at the amount at which the securities were, plus accrued interest. The Company evaluates the market value of securities sold and releases guarantees to counterparties when appropriate.

2.12 Premium income

Income is presented at fair value of the consideration received or receivable, considering 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.

2.13 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. Risk management

3.1 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 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.

3.2 Financial risk

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 underwriting and reinsurance risk
- Credit risk
- Liquidity risk
- Market risk
- Operational risk

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

3.2.1 Insurance underwriting and reinsurance 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. This risk represents all the future losses not being covered as the way they should by the premiums, this can be arising from the inherent uncertainties as to the economic situation, occurring rates and timing of insurance liabilities. By the nature of the insurance contract, this risk is random and therefore unpredictable notwithstanding 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 contains its exposure by creating multiple and diverse models. First, is reviewing and selecting risks which match the Company as a reinsurer, then the Company accepts them by reviewing them under the Company's terms and assigning those an expected cost and level of riskiness.

Strict underwriting standards are applied by the Company, being primally holding daily underwriting briefings to discuss business progress, pricing, and opportunities, and not getting drive the Company's short-term risk appetite by the excess capital.

In 2022, high economic inflation was a priority consideration for the Board of Directors in relation to insurance risk. The impact was considered in ORSA reports produced by the Risk Management Team. The team concluded that expected inflation is adequately allowed for in the capital model input parameters and assumptions are consistent across the reinsurer. The impact of claims inflation on the Reinsurer is expected to be negligible as sums insured are fixed but as a prudent action, we perform mitigation actions by calibration of our pricing tool of all lines of business to include inflation factors and including adjustments of inflation to our IBNR Models.

As advised above, 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 on 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 US$0. 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 accommodate 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 purely 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.

Reserving risk

For reserving risk, the Company includes sophisticated actuarial models to calculate reserves reviewed by 2 independent fellowship actuaries, the Company's IBNR figures considers provision for adverse deviation, adjustment from inflation, ULAE IBNR and detail analysis individually of attritional, large and cat losses.

2023

Loss type	**Claims Outstanding**	**IBNR**	**Loss and LAE Reserves**	**Retroshare of Claims Outstanding**	**Retroshare of IBNR**	**Retroshare Loss and LAE Reserves**	**Net Loss and LAE Reserves**	**% Retroshare**
Attritional Losses	170,715,221	143,098,621	313,813,841	66,945,847	8,206,855	75,152,702	238,661,139	24%
Large and CAT Losses	103,351,110	27,582,355	130,933,465	92,279,974	19,829,952	112,109,926	18,823,539	86%
Total	274,066,331	170,680,976	444,747,306	159,225,821	28,036,807	187,262,628	257,484,678	**42%**

2022

Loss type	**Claims Outstanding**	**IBNR**	**Loss and LAE Reserves**	**Retroshare of Claims Outstanding**	**Retroshare of IBNR**	**Retroshare Loss and LAE Reserves**	**Net Loss and LAE Reserves**	**% Retroshare**
Attritional Losses	203,162,698	285,228,521	488,391,219	105,515,893	171,777,050	277,292,943	211,098,276	57%
Large and CAT Losses	44,407,989	19,491,287	63,899,276	29,675,548	10,145,704	39,821,252	24,078,024	62%
Total	247,570,687	304,719,808	552,290,495	135,191,441	181,922,754	317,114,195	235,176,300	**57%**

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.

3.2.2 Credit risk

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. Credit risk also represents the risk of the stop payments focused on the counterparties by diverse circumstances, mainly: retrocession assets and recoveries and premium receivables from clients; credit risk from investments is minimal.

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's mission is to reduce that loss by using multiple strategies such as:

- Diversification of clients and retrocessionaires worldwide.
- More than 95% of clients and retrocessionaires are A rated.
- No leverage and 95% of investments are from Treasure Bills (risks and rates).
- Diversification of different distribution channels (direct, MGA and brokers).
- 60% are facultative business with usually PPW and no cash-no coverage clauses.
- Several stress scenarios of default of retrocessionaires and increment of receivables to ensure our capital is sufficient.
- The Company's retro capacity needs are relatively small, our geographical footprint maintains our attraction to the reinsurance market.

Also, the Company has an important component of credit risk management which is to establish risk limits across all sectors to reduce the risk of default and keep non-performing assets at prudent levels. In addition, 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:

	2023	2022
Investment grade	574,724,326	463,813,833
	574,724,326	463,813,833

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 on December 31 is as follows:

	Premiums receivable		Account receivable - retrocessions		Account receivable		Securities Available for sale	
	2023	2022	2023	2022	2023	2022	2023	2022
Concentration by sector:								
Corporate debt securities	174,668,462	161,647,762	110,513,522	88,075,289	11,829,754	11,982,254	1,683,717	1,595,832
Equity securities	-	-	-	-	-	-	1,263,660	810,595
Government bonds	-	-	-	-	-	-	571,776,949	461,407,406
Carrying amount	174,668,462	161,647,762	110,513,522	88,075,289	11,829,754	11,982,254	574,724,326	463,813,833
Geographic concentration:								
Europe	-	-	110,513,522	88,075,289	11,829,754	11,982,254	-	-
South America and Caribbean	174,668,462	161,647,762	-	-	-	-	-	-
United States of America	-	-	-	-	-	-	574,724,326	463,813,833
Carrying amount	174,668,462	161,647,762	110,513,522	88,075,289	11,829,754	11,982,254	574,724,326	463,813,833

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

3.2.3 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 when they are due or would have to incur in excessive or unnecessary costs to do so.

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:

2023	No maturity	3 moths 1 year	Over a year	Total
Financial assets:				
Cash and deposits in bank	133,187,503	-	-	133,187,503
Securities available for sale	-	571,776,949	2,947,377	574,724,326
Trust Agreements	2,491,849	-	9,813,000	12,304,849
Premiums receivable	-	174,668,462	-	174,668,462
Accounts receivable - retrocessions	-	110,513,522	-	110,513,522
Notes and account receivable - related parties	16,680,014	13,902,144	-	30,582,158
Accounts receivable	11,829,754	-	-	11,829,754
Other accounts receivable	10,287,367	-	-	10,287,367
Total financial assets	174,476,487	870,861,077	12,760,377	1,058,097,941
Financial liabilities:				
Commissions payable	24,131,756	-	-	24,131,756
Loans payable	-	-	143,562	143,562
Lease liability	-	608,232	-	608,232
Reinsurers accounts payable	51,431,888	-	-	51,431,888
Total financial liabilities	75,563,644	608,232	143,562	76,315,438

2022	No maturity	3 moths 1 year	Over a year	Total
Financial assets:				
Cash and deposits in bank	146,010,403	-	-	146,010,403
Securities available for sale	-	461,407,406	2,406,427	463,813,833
Trust agreements	2,119,844	-	12,000,000	14,119,844
Premiums receivable	-	161,647,762	-	161,647,762
Accounts receivable - retrocessions	-	88,075,289	-	88,075,289
Notes and accounts receivable - related parties	17,878,410	15,979,500	-	33,857,910
Accounts receivable	11,982,254	-	-	11,982,254
Other accounts receivable	5,135,185	-	-	5,135,185
Total financial assets	183,126,096	727,109,957	14,406,427	924,642,480
Financial liabilities:				
Commissions payable	5,884,308	-	-	5,884,308
Loans payable	-	-	279,304	279,304
Lease liability	-	950,576	-	950,576
Repurchase agreements	-	13,000,000	-	13,000,000
Reinsurers accounts payable	36,470,439	-	-	36,470,439
Total financial liabilities	42,354,747	13,950,576	279,304	56,584,627

3.2.4 Market risk

Market risk is the risk that the value of a financial asset may be reduced because of changes in financial market prices 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 Company 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:

2023	3 months to 1 year	1 to 5 years	No interest rate	Total
Financial assets:				
Cash and deposits in banks	-	-	133,187,503	133,187,503
Securities available for sale	571,776,949	2,947,377	-	574,724,326
Trust Agreements	-	10,000,000	2,304,849	12,304,849
Premiums receivable	-	-	174,668,462	174,668,462
Accounts receivable - retrocessions	-	-	110,513,522	110,513,522
Account receivable	-	-	11,829,754	11,829,754
Other account receivable	-	-	10,287,367	10,287,367
Total financial assets	571,776,949	12,947,377	442,791,457	1,027,515,783
Financial liabilities:				
Commissions payable	24,131,756	-	-	24,131,756
Loan payable	143,562	-	-	143,562
Lease liability	608,232	-	-	608,232
Reinsurers accounts payable	-	-	51,431,888	51,431,888
Total financial liabilities	24,883,550	-	51,431,888	76,315,438
Net liquidity margin	546,893,399	12,947,377	391,359,569	951,200,345

2022	3 months to 1 year	1 to 5 years	No interest rate	Total
Financial assets:				
Cash and deposits in banks	-	-	146,010,403	146,010,403
Securities available for sale	461,407,406	2,406,427	-	463,813,833
Trust agreements	-	12,000,000	2,119,844	14,119,844
Premiums receivable	-	-	161,647,762	161,647,762
Accounts receivable - retrocessions	-	-	88,075,289	88,075,289
Notes and accounts receivable - related parties	15,979,500	-	17,878,410	33,857,910
Accounts receivable	-	-	11,982,254	11,982,254
Other accounts receivable	-	-	5,135,185	5,135,185
Total financial assets	477,386,906	14,406,427	432,849,147	924,642,480
Financial liabilities:				
Commissions payable	5,884,308			5,884,308
Loans payable	145,560	133,744	-	279,304
Lease liability	950,576	-	-	950,576
Repurchase agreements	13,000,000	-	-	13,000,000
Reinsurers accounts payable	-	-	36,470,439	36,470,439
Total financial liabilities	19,980,444	133,744	36,470,439	56,584,627
Net liquidity margin	457,406,462	14,272,683	396,378,708	868,057,853

3.2.5 Investment risk

The Company defines this risk as the investment volatility resulting from changes in interest and inflation rates, credit spreads and exchange rates, among other things, which may adversely affect the value of the Company's investment portfolio. The Company believes this also helps reduce portfolio risk. The Company annually performs and fulfills their ways to reduce the risk.

- Identify the Company's risk tolerance capacity and liquidity.
- Diversify investments to prevent a bigger risk exposure.
- On a quarterly basis, evaluate doubtful collection accounts and establish an adequate provision to cover any future losses.
- Investment Committee establishing overall investment strategy for the Company and overseeing is execution and results.

The potential impact was considered in the ORSA assuming a stress scenario of a financial crisis and -20% return of assets, which demonstrates that this does not compromise the Company's capital model.

The Company manages reinsurance market risk in several ways, principally being:

- Closely monitoring changes in interest rates, exposures, business conditions and inflation.
- Market consultation to the money market trader to explore forthcoming conditions on the currency price.
- Annual strategic review meeting held (hold quarterly underwriting committee meetings to address issues such as underwriting performance and meetings of the Management Risk, Capital, and Compliance Committee to review relevant risk and capital considerations).

Several policies and measures are in place to manage liquidity risk.

- Low volatility on most securities held in our portfolio.
- Good credit rating and good background reference on this type of issuance.
- Highly liquid investment portfolio to meet expected outflows and potential outflows resulting from a variety of potential stress events.
- Forecasts made on a regular basis to anticipate liquidity needs in both the short and medium term.
- Conduct stress tests to ensure it can withstand extreme loss events and remain liquid. The potential impact was considered in our ORSA assuming a stress scenario of a financial crisis assuming loss due currency fluctuation, increment of premium receivables and increase of operating expenses due inflation, which demonstrates that this do not compromise our capital model.

GWP by Original Currency

	2023	%	2022	%	% Change
USD	122,678,194	31%	136,139,027	36%	-10%
EUR	105,737,603	26%	109,825,982	29%	-4%
JPY	28,304,942	7%	25,846,654	7%	10%
OTHER	144,621,525	36%	102,064,515	27%	42%
Total	401,342,264		373,876,179		7%

3.2.6 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.

To help reduce this risk, the Company has approved the relevant permits for the underwriting and trading of securities. The Company has established and uses policies and procedures to:

- Identify, prevent, detect, and mitigate network, email and/or device cyber security threats and take measures to respond in an effective way.
- Ensure that information and documents submitted to the rating agency are correct, reviewed and approved by each department involved in the process.
- In addition, the Company implements the use of information from trusted sources, such as official documents, survey reports, audited consolidated financial statements, etc.
- Constant communication is maintained with the Treasury Department for the confirmation of monthly transactions and movements.

3.2.7 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 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.

Additionally, the Company currently sets its capital requirements based on the Prescribed Capital Requirement ("PCR") of the Cayman Islands Monetary Authority (CIMA). The Company ensures the ongoing appropriateness of this approach through a comparison with the outcome of several actuarial and risk models including stress tests included in the ORSA, PML Analysis and other capital models including stochastic internal models, and risk based capital models of other regulations.

The calculations are based upon sophisticated mathematical models that reflect the key risks in the business, allowing for the probability of occurrence, the potential impact should losses occur and the interactions between the different risk types.

The results of the modelling confirm that most of the capital is required to support insurance risk.

3.2.8 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:

2023	EURO	USD	MXN	Total
Assets				
Cash and deposits in bank	684,156	132,493,442	9,905	133,187,503
Securities available for sale	-	574,724,326	-	574,724,326
Trust agreements	-	12,304,849	-	12,304,849
Premiums receivable	-	174,668,462	-	174,668,462
Accounts receivable - retrocessions	110,513,522	-	-	110,513,522
Notes and accounts receivable - related parties	-	30,582,158	-	30,582,158
Account receivable	-	11,829,754	-	11,829,754
Other account receivable	-	10,287,367	-	10,287,367
Total financial assets	111,197,678	946,890,358	9,905	1,058,097,941
Liabilities				
Commissions payable	-	24,131,756	-	24,131,756
Loan payable	-	143,562	-	143,562
Lease liability	-	608,232	-	608,232
Reinsurers accounts payable	-	51,431,888	-	51,431,888
Total financial liabilities	-	76,315,438	-	76,315,438

	EURO	USD	MXN	Total
2022				
Assets				
Cash and deposits in bank	43,624,054	102,375,928	10,421	146,010,403
Securities available for sale	-	463,813,833	-	463,813,833
Trust agreements	-	14,119,844	-	14,119,844
Premiums receivable	-	161,647,762	-	161,647,762
Accounts receivable - retrocessions	88,075,289	-	-	88,075,289
Notes and account receivable - related parties	-	33,857,910	-	33,857,910
Accounts receivable	-	11,982,254	-	11,982,254
Other accounts receivable	-	5,135,185	-	5,135,185
Total financial assets	131,699,343	792,932,716	10,421	924,642,480
Liabilities				
Commissions payable	-	5,884,308	-	5,884,308
Loan payable	-	279,304	-	279,304
Lease liability	-	950,576	-	950,576
Repurchase agreements	-	13,000,000	-	13,000,000
Reinsurers accounts payable	-	36,470,439	-	36,470,439
Total financial liabilities	-	56,584,627	-	56,584,627

3.2.9 Strategic and tactical risks

Strategic risk is the risk of unexpected negative changes in the value of the business due to the negative impact of management decisions on the business strategy and its implementation. This includes reputational risks and the risk of not adapting business strategy to changes in the internal and external environment.

The Company mitigates its exposure by:

- Establish several committees to report through them all progress, issues, milestones, and relevant matters to General Management for its knowledge, consideration, and action if necessary.
- Review audited consolidated financial statements of the client, experience, and shareholders reputation.
- The Company´s Board of Directors oversee all relevant events that may impact the reputational risk of the Company and take the necessary actions on time to mitigate any threats beyond the Company's risk tolerance if necessary.

3.2.10 Concentration risk

The Company defines this risk as the possibility that a portfolio or financial institution will lose value when an individual or a group of exposures move together in an unfavorable direction. The implication of concentration of risk is that it causes a lot of damage creating irrecoverable losses.

The Company mitigates its exposure by:

- Use concentration indices to measure the level of concentration in the portfolio and applying transaction cost analysis to estimate market impact and incorporating turnover constraints into portfolio analysis.
- The Company's low risk appetite relates to profitability objectives, this includes the investment strategy when selecting the individuals or groups that the Company chooses to invest in.

3.2.11 Compliance risk

This is the risk of legal or regulatory sanctions, significant financial losses, or loss of reputation to which the Company may be exposed because of its failure to comply with relevant laws, rules, regulations, self-regulatory ules and codes of conduct for their activities.

Methods used by the Company to mitigate the compliance risk are:

- Stay up to date with changes in the environment, such as the introduction of new laws and the application of those, to adjust the organization's strategy.
- Monitor events that give rise to compliance risks, analyze their frequency and patterns, and draw conclusions (including possible associations and amplifications with other risks).
- Compare progress with the risk management plan, review and update the risk management plan periodically to ensure its adequacy, relevance, and effectiveness in relation to risk management of compliance.

The Company's compendium of manuals, policies, and procedures, provide guidance and internal control for the proper management of the Company's obligations and corporate governance. These manuals are reviewed on a yearly basis at a minimum.

Company staff possesses sufficient controls and dedicated schedules to comply with any regulatory requirement on a timely basis. In addition to the above, the Compliance Officer, as part of his functions, maintains constant and fluid communication with its regulatory authority, the Cayman Islands Monetary Authority (CIMA). As a point of contact, the Compliance Officer ensures that queries and requirements are duly met.

3.2.12 Money laundering, terrorism financing and fraud risk

Fraud risk is defined as a form of operational risk, which is the risk to current or expected financial condition and resilience due to inadequate or failed internal processes or systems, human error or error, or adverse external events.

For the Company, money laundering risk assessment is the process of analyzing a company's exposure to financial crimes and mitigates them. This process is designed to identify areas where the Company is at risk of money laundering or terrorist financing.

Specifically, the assessment primarily helps to use a risk-based approach to identify and prevent money laundering and have a better understanding of the risks associated with commercial relationships and the different business activities.

The Company's Compliance Officer provides an update in every meeting of the Board of Directors in order to ensure that the members of the Board of Directors and Senior Management are kept up to date about these matters and an Annual Compliance Report is provided to the Board of Directors. In addition, the Company maintains a detailed and documented procedures manual for Anti-Money Laundering, Terrorism Financing and Weapons of Mass Destruction. Board of Directors and staff members receive periodic training in relation to Anti-Money Laundering, Terrorism Financing and Weapons of Mass Destruction.

3.2.13 Other material risks and emerging risks

In the Own Risk and Solvency Assessment (ORSA), the Company has modeled and assessed both quantitative and qualitative emerging risk events, including:

- Environmental Risks: Climate change and ESG (Environmental, Social, and Governance) impacts.
- Cybersecurity & Technological Risks: Including risks associated with artificial intelligence and blockchain technologies.
- Health Risks: Pandemic outbreaks, health concerns, and medical innovation.
- Supply Chain Risks: Vulnerabilities within supply chain processes.
- Political and Geopolitical Risks: Monitoring the possibilities of extreme events in MENA (Middle East and North Africa), LATAM (Latin America), and Europe.
- Sociodemographic Risks: Changes in demographics, social trends, and consumer behaviors.
- Chemical and Pollution Risks: Pollution, asbestos exposure, and hazardous chemicals.
- Space and Climate Engineering Risks: Related to activities in lower Earth orbit.

4. Accounting estimates and critical judgments

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

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

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

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

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

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

These estimates were made with the information available as of December 31, 2022 on annualized events and it is possible that future events may require modifying them (increase or decrease) in the future.

5. Recently adopted accounting pronouncements

Recently adopted accounting pronouncements

- The Company adopted Accounting Standard Update ("ASU") 2016-13, Measurement of Credit Losses on Financial Instruments, which amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. The ASU eliminates the probable initial recognition threshold in current guidance and, instead, requires an entity to reflect its current estimate of all expected credit losses. This ASU affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The adoption of this ASU did not have a significant impact on the Company's financial statements.

- On January 1, 2023, the Company adopted ASU 2022-02, which eliminates the accounting guidance for troubled debt restructurings (TDRs) by creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Rather than applying the recognition and measurement guidance for TDRs, an entity must apply existing loan refinancing and restructuring guidance to determine whether a modification results in a new loan or a continuation of an existing loan. The adoption of this ASU did not have a material impact on the Company's financial statements.

  In testing goodwill for impairment, the Company was previously required to perform a two-step test to determine the amount, if any, of goodwill impairment. As of January 1, 2023, the Company adopted ASU 2017-04, which removes the second step of the test. The Company applies a one-step quantitative test and records the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The adoption of this ASU did not have a material impact to the Company's financial statements.

Accounting pronouncements pending adoption

- In August 2018, the FASB issued ASU 2018-12, "Targeted Improvements to the Accounting for Long-Duration Contracts", an update to Topic 944, "Financial Services – Insurance". This ASU requires that the cash flows and net premium ratio will be updated for changes in insurance assumptions (e.g. mortality, morbidity, terminations) when measuring the liability for future policy benefits for nonparticipating traditional and limited-payment insurance and reinsurance contracts. There will no longer be a provision for adverse deviation. In addition, the discount rate used to reflect the time value of money in the calculation of the liability for future policy benefits will be standardised. Further, the ASU requires deferred acquisition costs (DAC) relating to most long-duration contracts to be amortised on a constant basis over the expected term of the contract. As amended by ASU 2020-11 "Effective Date and Early Application", ASU 2018-12 is effective for annual periods beginning after December 15, 2024, and interim periods beginning after December 15, 2025.

- On August 5, 2020, the FASB issued ASU 2020-06, which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. This ASU is effective for fiscal years beginning after December 15, 2023 with early adoption permitted. The guidance may be early adopted for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For convertible instruments that include a down-round feature, entities may early adopt the amendments that apply to down-round features if they have not yet adopted the amendments in ASU 2017-11.

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:

	2023	2022
Balances with related parties		
Assets		
Bank deposits	569,918	487,491
Investment in associate (Note 13)	14,348,981	13,073,781
Notes receivable (i)	13,902,144	15,979,500
Interest receivable (i)	2,021,547	1,838,822
Accounts receivable (ii)	16,680,014	17,878,410
Accounts receivable - others	2,198,072	2,188,959
Accounts receivable - shareholder	95,546	88,013
Trust agreements (iii)	10,000,000	12,000,000
Transactions with related parties		
Gross written premium - Associate, Nacional de Seguros, S.A.	19,155,417	15,538,529
Commissions paid	4,943,437	4,121,005
Interest income	829,799	713,887
Key executives salaries	669,346	616,903

(i) As of December 31, 2023, the Company maintains US$13,902,144 (2022: US$15,979,500) relating to certificates of investment issued by the related Company Standard Capital Shareholding Inc., (B.V.I), which accrued interest for the amount US$2,021,547 (2022: US$1,838,822) at an annual rate of 2.5% (2022: 2.5%) with a maturity of one year.

(ii) In June 2020, the Company acquired a repurchase agreement (see Note 20), which was transferred in its entirety as an account receivable to the affiliate Standard Capital Shareholding, Inc.

(iii) The Company established an administration trust with Canal Trust, Inc., for the amount of US$10,000,000, related to fixed deposits. (See Note 12). For the year 2023, the Company recognizes an expected credit loss reserve in the amount of US$187,000 for fixed-term deposits.

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:

	2023	2022
Demand deposits - domestic	682,580	641,036
Demand deposits - foreign	132,504,923	145,369,367
Cash and cash equivalents for consolidated cash flow purpose	133,187,503	146,010,403

8. Premiums receivable, net

Premiums receivables are summarized as follows:

	2023	2022
Barents Risk Management, LDT	177,945,193	174,491,809
Others	3,848,420	5,116,815
	181,793,613	179,608,624
Less: Uncollectible premium provision	(7,125,151)	(17,960,862)
Net premium receivable	174,668,462	161,647,762

Aging of accounts receivable matured but not uncollectible

	2023	2022
Current	23,598,396	124,772,040
30-60 días	32,849,338	32,112,657
61-90 days	101,304,778	15,303,179
More than 90 days	24,041,101	7,420,748
	181,793,613	179,608,624

Provision movement for uncollectible premiums

	2023	2022
Balance at beginning of the year	17,960,862	11,020,839
Provision (decrease) increase	(10,835,711)	6,940,023
Balance at end of year	7,125,151	17,960,862

9. Securities available for sale

Securities available for sale are summarized as follows:

	2023	2022
Listed securities (at fair value):		
Governments bonds - foreign	571,776,949	461,407,406
Corporates debt securities	1,683,717	1,595,832
Equity securities	1,263,660	810,595
	574,724,326	463,813,833
Reserve for current expected credit losses	(167,278)	-
Total	574,557,048	463,813,833

As of December 31, 2023 and 2022, the amortized cost, gross unrealized holding gains and losses, and fair value of available-for-sale investments were as follows:

2023	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Corporate debt securities	1,586,134	56,591	-	1,642,725
Goverment bonds	560,358,490	11,459,451	-	571,817,941
Equity securities	776,323	487,337	-	1,263,660
Total	562,720,947	12,003,379	-	574,724,326

2022	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Corporate debt securities	1,466,517	129,315	-	1,595,832
Goverment bonds	459,744,516	1,946,568	(283,678)	461,407,406
Equity securities	754,735	55,860	-	810,595
Total	461,965,768	2,131,743	(283,678)	463,813,833

The annual interest rate earned by government bonds is 5.01% with maturities up to one year (2022: 3.02% with maturities up to one year).

The gross unrealized losses are temporary and do not represent continuous loss position.

Proceeds from sales of investments available for sale during 2023 and 2022 were US$21,557,992 (2022: US$20,373,583), respectively. Realized gains and losses are presented within in the consolidated statement of comprehensive income.

As of December 31, 2023, contractual maturities of debt securities were as follows:

2023	Available for sale	Total
One year or less	558,852,390	558,852,390
Maturing after one year through five years	14,228,636	14,228,636
Maturing after five through ten years	1,643,300	1,643,300
Total	574,724,326	574,724,326

2022	Available for sale	Total
One year or less	461,407,406	461,407,406
Maturing after one year through five years	537,251	537,251
Maturing after five through ten years	1,869,176	1,869,176
Total	463,813,833	463,813,833

The movement of securities available for sale is summarized below:

	2023	2022
Balance at beginning of year	463,813,833	490,872,945
Additions	602,687,859	535,771,976
Sales	(523,205,864)	(584,848,739)
Change in fair value	31,428,498	22,017,651
Balance at year end	574,724,326	463,813,833

10. Property, furniture, equipment and improvements

Property, furniture, equipment and improvements are summarized below:

2023	Improvements	Building	Office equipment	Computer equipment	Balance
Cost					
Balance at the beginning of the year	565,847	-	316,564	440,262	1,322,673
Additions	-	-	46,154	70,664	116,818
Adjustments	9,706	-	4,236	(804)	13,138
Balance at end of the year	575,553	-	366,954	510,122	1,452,629
Accumulated depreciation and amortization					
Balance at the beginning of the year	248,451	-	216,068	344,801	809,320
Expense for the year	80,293	-	22,781	44,350	147,424
Balance at end of the year	328,744	-	238,849	389,151	956,744
Net balance	246,809	-	128,105	120,971	495,885

2022	Improvements	Building	Office equipment	Computer equipment	Balance
Cost					
Balance at the beginning of the year	593,394	4,620	281,391	389,303	1,268,708
Additions	-	-	35,303	47,023	82,326
Adjustments	(27,547)	(4,620)	(130)	3,936	(28,361)
Balance at end of the year	565,847	-	316,564	440,262	1,322,673
Accumulated depreciation and amortization					
Balance at the beginning of the year	170,254	-	185,099	308,978	664,331
Expense for the year	78,197	-	30,969	35,823	144,989
Balance at end of the year	248,451	-	216,068	344,801	809,320
Net balance	317,396	-	100,496	95,461	513,353

11. Accounts receivable, net

Accounts receivables are summarized as below:

	2023	2022
Barents R. M., Inc.	11,829,754	11,982,254

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

12. Trust agreements

The Group maintains trust agreements, which are detailed below:

	2023	2022
Trust - Fixed Deposits	10,000,000	12,000,000
Trust - Real State	2,512,958	2,119,844
	12,512,958	14,119,844

The Group established an administration trust with Accion Fiduciaria, S.A., a Colombian trust Company, which holds real estate properties located in Colombia as trust assets on behalf of the Company, for the amount of US$2,512,958 (2022: US$2,119,844). For the year 2023, the Company recognizes an expected credit loss reserve in the amount of US$21,109 for trust - real state

The Group established an administration trust with Canal Trust, Inc., for the amount of US$10,000,000 related to fixed deposits with interest rates 5%, which end date is October 20th, 2023 and March 23rd, 2026 (2022: 1.25% to 4%, which end date is October 20th, 2023 and March 23rd, 2026). For the year 2023, the Company recognizes an expected credit loss reserve in the amount of US$187,000 for fixed-term deposits.

13. Investment in associate

Investment in associate is summarized below:

Name	Activity	Country of incorporation	% interest 2023	% interest 2022	2023	2022
Nacional de Seguros, S. A.	Insurance Company	Colombia	49%	49%	15,100,494	10,649,978
Fianza Avanza, S. A.	Insurance Company	Mexico	0%	49%	-	2,423,803
					15,100,494	13,073,781

For the year 2023, the Company recognizes an expected credit loss reserve in the amount of US$751,513 for investment in associate.

Nacional de Seguros, S. A.

The Company maintains US$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 consolidated statement of consolidated financial position and the consolidated statement of profit or loss as of December 31, 2023 is detailed as follows:

Statement of financial position:

	2023	2022
Total assets	229,301,601	142,075,760
Total liabilities	203,802,435	129,131,974
Net assets	25,499,166	12,943,786

Statement of profit or loss:

Income for premiums:	**2023**	**2022**
Total earned premium	2,563,584	2,219,401
Liquidated and recovered claims	3,657,682	4,108,700
Earned commissions	24,878,163	23,399,006
Net cost	(19,727,168)	(18,922,766)
General and administrative expenses	(14,037,072)	(11,098,471)
Technical result	(2,664,811)	(294,130)
Total other income, net	16,498,184	9,478,929
Income before income tax	13,833,373	9,184,799
Income tax	(4,048,587)	(3,533,464)
Deferred tax	(702,100)	134,622
Net income	9,082,686	5,785,957

Fianzas Avanza S.A., de C.V. (México)

At the Extraordinary General Shareholders' Meeting of Fianzas Avanza, S.A., de C.V. (hereinafter "Fianza Avanza") held on April 28, 2023, the exercise of the right of withdrawal of Barents Re Reinsurance Company, Inc., as a shareholder of Fianza Avanza, was approved.

Investment in associate movement schedule is as follows:

	Nacional de Seguros, S. A.	Fianza Avanza, S. A.	Total
2023			
Balance at beginning of the year	10,649,978	2,423,803	13,073,781
Excluded associate from consolidation	-	(2,423,803)	(2,423,803)
Share of profit of associate	4,450,516	-	4,450,516
Ending balance as of December 31	15,100,494	-	15,100,494

	Nacional de Seguros, S. A.	Fianza Avanza, S. A.	Total
2022			
Balance at beginning of the year	7,814,859	2,336,749	10,151,608
Share of profit of associate	2,835,119	87,054	2,922,173
Ending balance as of December 31	10,649,978	2,423,803	13,073,781

14. Leases

The Company leases buildings the average lease term is 24 months. There are currently no residual value guarantees or restrictions or covenants in relation to the Company’s lease.

Net operating right-of-use assets by class of assets are comprised as follows:

	2023	2022
Buildings	950,576	1,504,027
Increase	339,827	-
Less - accumulated depreciation and amortization	682,171	553,451
Net operating right-of-use assets	608,232	950,576

The right-of-use assets are presented below:

	2023	2022
Cost:		
Balance at beginning of the year	950,576	-
Increase	339,827	1,504,027
Balance at the end of the year	1,290,403	1,504,027
Acumulated depreciation and amortization:		
Expense and balance at the end of the year	682,171	553,451
Net balance	608,232	950,576

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

	2023	2022
Depreciation expense on right of use assets	682,171	553,451
Interest expense on lease liabilities	59,657	49,285
Expenses related to short-term leases	199,228	162,527
Interest expense on lease liabilities	58,956	41,708

(ii) Lease liabilities

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

	2023	2022
Amounts due for settlement within 12 months	519,642	547,619
Amounts due for settlement after 12 months	88,590	402,957
	608,232	950,576

Contractual maturities of operating and financing lease liabilities are as follows:

December 31,	2023 Operating
2024	236,769
Thereafter	364,091
Less unearned interest	(7,372)
Total	593,488

15. Other assets

Other assets are comprised as follows:

	2023	2022
Warehouse and offices	3,613,026	2,498,030
Guarantee deposits	2,413,282	2,413,281
Interest receivable for notes (See Note 6)	2,021,547	1,838,822
Interest receivable for accounts receivables (See Note 11)	1,495,245	1,176,164
Prepaid expenses	849,170	687,696
Other interest	721,456	86,872
Prepaid tax	72,602	267,965
Loans Receivable	37,000	-
Others	79,456	58,000
	11,302,784	9,026,830

16. Unrealized premium reserve

The unrealized premium reserve was calculated using the daily pro rata method, in which the subscribed premium is considered proportional to the validity indicated on the invoice, so the amount of the liability is calculated considering the proportion of the risk not incurred on each invoice to the valuation date. As of December 31, 2023, the unrealized premium reserve was US$148,280,175 (2022: US$233,828,425) and the total unrealized retroceded premium is US$47,385,218 (2022: US$147,779,176).

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

	2023	2022
Unrealized Premium (UPR)		
Balance at the beginning of the year	233,828,425	156,654,156
Increase (decrease)	(85,548,250)	77,174,269
Balance at the end of the year	148,280,175	233,828,425
Unrealized RetroPremium(UPR)		
Balance at the beginning of the year	147,779,176	81,089,234
Increase (decrease)	(100,393,958)	66,689,942
Balance at the end of the year	47,385,218	147,779,176
Reserve for current expected credit loss	(282,497)	-
Balance at the end of the year	47,102,721	147,779,176

17. Claims outstanding, IBNR reserve and Deferred acquisition costs

IBNR reserve is based on an actuarial valuation, that concluded that the total claims outstanding reserve for the Company is US$274,066,331 (2022: US$247,570,687) and retroshare of claims outstanding US$159,225,822(2022: US$135,191,441). The total IBNR reserve is US$170,680,975 (2022: US$304,719,808), IBNR of retroshare is US$28,036,807(2022: US$181,922,754). The total deferred acquisition costs are US$32,861,291 (2022: US$28,152,277).

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 is accumulated based on the retroshare portion of claims incurred but not reported, and 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:

	2023	2022
Provision reserve IBNR		
Balance at the beginning of the year	304,719,808	268,101,076
Increase (decrease)	(134,038,833)	36,618,732
Balance at the end of the year	170,680,975	304,719,808
IBNR of retroshare		
Balance at the beginning of the year	181,922,754	169,071,157
Increase (decrease)	(153,885,947)	12,851,597
	28,036,807	181,922,754
Reserve for current expected credit losses	(178,897)	-
Balance at the end of the year	27,857,910	181,922,754
Claims outstanding reserve:		
Balance at the beginning of the year	247,570,687	184,606,166
Increase	26,495,644	62,964,521
Balance at the end of the year	274,066,331	247,570,687

	2023	2021
Retroshare of claims outstanding		
Balance at the beginning of the year	135,191,441	102,384,847
Increase	24,034,381	32,806,594
	159,225,822	135,191,441
Reserve for current expected credit losses	(1,401,172)	-
Balance at the end of the year	157,824,650	135,191,441
Total net provision included in the balance	257,484,677	235,176,300
Deferred acquisition costs:		
Balance at the beginning of the year	28,152,277	28,060,406
Deferred	4,709,014	91,871
Balance at the end of the year	32,861,291	28,152,277

The following table present the total net loss & loss adjustments expenses reserves including claims outstanding and IBNR for the year ended and as of December 31, 2023.

The reserves and the loss development triangle of case incurred is produced by UW year basis and is net of retrocession. All figures are in thousand USD.

Pure underwriter year net of retrocession	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
At end of underwriting year one	1,767,522	1,068,200	1,356,113	11,535,572	58,572,766	13,359,820	17,710,081	84,664,713	17,637,698	12,319,416	25,612,068
One year later	5,551,593	13,206,782	21,080,695	24,119,223	73,616,130	36,532,688	45,694,245	105,869,456	50,528,759	44,565,308	
Two years later	6,571,002	21,694,533	25,466,882	49,305,418	105,236,000	48,675,257	61,554,292	122,024,268	87,441,078		
Three years later	7,023,731	24,623,651	29,857,255	73,552,657	78,609,718	49,371,909	66,152,203	128,568,403			
Four years later	12,474,780	25,600,279	37,976,666	67,440,130	83,420,030	52,854,602	68,861,900				
Five years later	12,557,300	29,567,785	39,334,322	80,719,918	92,070,429	55,999,256					
Six years later	13,099,832	31,061,825	40,165,722	96,866,053	90,530,880						
Seven years later	13,112,143	31,405,197	44,457,348	95,556,781							
Eight years later	13,144,420	31,390,941	44,135,145								
Nine years later	13,469,761	29,449,940									
Ten years later	13,189,964										
Total Case Incurred	13,189,964	29,449,940	44,135,145	95,556,781	90,530,880	55,999,256	68,861,900	128,568,403	87,441,078	44,565,308	25,612,068
IBNR	22,488	540,635	1,402,639	2,857,491	5,861,458	6,759,912	7,818,384	8,113,382	28,254,644	45,302,432	35,703,213
Cumulative payments	12,531,456	28,773,806	40,372,661	97,638,726	81,206,980	43,020,815	54,789,171	113,537,456	65,387,759	25,687,648	8,194,272
Estimated balance to pay	680,996	1,216,769	5,165,123	775,546	15,185,359	19,738,353	21,891,112	23,144,329	50,307,962	64,180,092	53,121,009
Provision in respect of prior years											756,446
Currency											1,321,583
Total net provision included in the Balance Sheet											**257,484,678**

The Company employs a consistent methodology for establishing technical provisions for Net Unpaid Loss & LAE Reserves, including case reserves, incurred but not reported (IBNR) reserves, incurred but not enough reserved (IBNER), and the reinsurers' share thereof. The claims development tables illustrate the progression of claims from the underwriting year onward, highlighting changes in actuarial assumptions and claim resolutions.

As of December 31, 2023, the net loss & LAE reserve is 257,484,678. There is a difference of 1,321,583, reflecting the conversion differences between EUR and USD according to LUX GAAP to US GAAP standards. The expected maturity profile of net loss and loss adjustment expense (LAE) reserves for 2023 is:

Expected Maturity Profile of Net Loss & LAE Reserves

	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	over 4 years	Total
2023	150,814,465	7,483,600	8,735,009	66,346,066	24,105,538	257,484,678
2022	145,028,111	4,522,466	9,686,400	50,893,150	25,046,173	235,176,300

These figures clearly indicate that the Company operates in a short-term and short-tail line of business, with more than 90% of the net outstanding claims expected to settle in four years or less. This reflects the Company's effective claims management and reserve practices, ensuring timely settlement of claims and robust financial planning.

18. Accounts receivable – retrocessions, net

Accounts receivables - retrocessions are detailed below:

	2023	2022
Accounts receivable - retrocessions	114,777,351	90,923,653
Less: doubtful receivables	4,263,829	2,848,364
	110,513,522	88,075,289

Provision movement for uncollectible account receivable – retrocessions

	2023	2022
Balance at beginning of the year	2,848,364	299,609
Provision increase	1,415,465	2,548,755
Balance at end of year	4,263,829	2,848,364

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

19. Loans payable

The loans payable is detailed as follows:

	2023	2022
Mercantil 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	143,562	279,304
Total	143,562	279,304
Short term	143,562	145,560
Long term	-	133,744
	143,562	279,304

In April 2024, The Company cancel this obligation with Mercantil International Bank.

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

	2023	2022
Balance at beginning of the year	279,304	400,362
Payments to loans	(135,742)	(121,058)
Total	143,562	279,304

20. Repurchase agreements

As of December 31, of 2023, the Company no maintains a repurchase agreement (2022: US$13,000,000 interest rate of 3.0%).

21. Deposits received from reinsurance companies

As of December 31, 2023, the Company maintains deposits from other reinsurance companies as detailed as follows:

	2023	2022
Trina Solar (Spain) System, SLU	166,382	161,768
	166,382	161,768

22. Accounts payable and accrued expenses

The accumulated accounts and expenses payable are as follows:

	2023	2022
Tax payable	130,891	41,991
Accruals payable (a)	5,131,832	1,818,800
Deferred tax liability	1,674,750	1,074,079
Interest payable	354,897	354,897
Suppliers accounts payable	50,027	85,001
Withholdings payable	295,738	34,524
Other accounts payable	312,481	738,974
	7,950,616	4,148,266

(a) During 2023, 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$5,131,832 (2022: US$ US$1,818,800).

23. Other expenses

The other expenses account is summarized below:

	2023	2022
Gain and loss in currencies	1,751,108	-
Other fees	1,190,002	4,801,922
Travel expenses	386,462	234,168
Rentals	283,630	383,657
Insurances	278,373	208,668
Legal and notarial expenses	257,880	54,762
Director´s compensation	113,693	91,870
Taxes	102,439	102,439
Telecommunications	71,626	48,103
Expenditure abroad	45,718	50,933
Maintenance and repairs	29,533	26,500
Electrical energy	25,143	31,975
Licenses & software	13,754	21,546
Bank charges	10,023	12,020
Others	4,454,373	1,828,100
	9,013,757	7,896,663

24. Gross written premium

Gross written premium by line of business

	2023	%	2022	%	% Change
Bonds	46,671,849	12%	44,624,933	12%	5%
Energy	95,090,001	24%	91,966,502	25%	3%
Financial lines	7,084,925	2%	8,908,408	2%	-20%
Life	73,955,588	18%	61,682,557	16%	20%
Property	61,143,988	15%	48,036,181	13%	27%
Specialty lines	117,395,913	29%	118,657,598	32%	-1%
Total	401,342,264		373,876,179		7%

The Company is a niche reinsurer that provides tailored solutions for its clients, offering a diverse and extensive portfolio across six main lines of reinsurance business. The Energy line is the single largest segment within the company, accounting for 24% of the gross written premium. It is followed by Bonds and Life reinsurance, which are also significant contributors to the portfolio. The Bonds segment has consistently represented 12% of the gross written premiums in both 2023 and 2022. Life reinsurance, focusing on group life policies, has shown a slight increase in its contribution, growing from 16% in 2022 to 18% in 2023, reflecting stability and growth in this area.

The reinsurer's portfolio is well-balanced among the remaining lines of business. Specialty Lines, which encompass various niche markets, are the largest segment, contributing 29% to the gross written premium. Property reinsurance has also shown notable growth and now represents 15% of the portfolio. Financial Lines, though smaller, remain an integral part of the offerings, accounting for 2% of the gross written premium. Collectively, Specialty Lines, Property, and Financial Lines make up a substantial portion of the portfolio, underscoring the company's diverse and stable market presence in the reinsurance industry.

Gross written premium by reinsurance type

	2023	%	2022	%	% Change
Facultative	236,150,388	59%	227,562,316	61%	4%
Treaty	165,191,876	41%	146,313,863	39%	13%
Total	401,342,264		373,876,179		7%

By nature, the Company is highly focused on facultative reinsurance. Treaty is mainly written in the MENA region and represents 41% of the total for 2023. Segregation of business in 2023 is mainly on proportional placements with 92%, and non-proportional with 8%.

The Company’s underwriting philosophy is highly focused on a facultative basis, ensuring risks are individually assessed. Treaty business is focused on specific regions due to its marketplace nature.

Retroshare of gross written premium and incurred losses

The Company's sophisticated retrocession programmes, primarily based on excess of loss arrangements, are designed to minimize risk according to established risk tolerance limits. These programmes are carefully monitored to ensure that retained premiums are sufficient to pay claims and expenses, providing a robust financial safeguard.

The table below provides an overview of key metrics related to gross written premiums, retrocession premiums, and incurred losses for the years 2023 and 2022.

	2023	2022	% Change
Gross Written Premium	401,342,264	373,876,179	7%
Retrocession Premium	(174,216,813)	(139,876,256)	25%
Percentage of Retroceded Premiums to Gross Written Premiums	43%	37%	16%
Gross Incurred Loss & LAE	(251,013,656)	(192,171,829)	31%
Retroshare Incurred Loss & LAE	131,974,766	66,072,297	100%
Percentage of Retro Incurred Loss to Gross Incurred Loss	53%	34%	53%

In 2023, Gross Written Premiums increased by 7% to 401,342,264, with 43% of these premiums ceded to retrocession, up from 37% in 2022. Gross Incurred Loss & LAE increased by 31%, while Retroshare Incurred Loss & LAE doubled, covering 53% of gross incurred losses, up from 34% in 2022.

The higher percentage of retroshare in claims (53%) compared to the percentage of ceded premiums (43%) demonstrates the optimal performance of our retrocession programmes.

Gross Written Premium by Original Currency

	2023	%	2022	%	% Change
USD	122,678,194	31%	136,139,027	36%	-10%
EUR	105,737,603	26%	109,825,982	29%	-4%
JPY	28,304,942	7%	25,846,654	7%	10%
OTHER	144,621,525	36%	102,064,515	27%	42%
Total	401,342,264		373,876,179		7%

25. Non - controlling interests

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

	% of non - controlling interest			
	2023	2022	2023	2022
Barents Re Reinsurance S.A. (Luxemburgo)	49%	49%	36,162,196	31,966,431

Movement of non-controlling interest is detailed as follows:

	2023	2022
Issuance of shares	31,966,431	25,882,432
Profit (loss) participation	4,195,765	6,083,999
	36,162,196	31,966,431

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.

26. Common shares

The capital is composed of 100,000 shares with no par value and amounts to US$404,988,405 (2022: US$404,988,405).

27. Capital reserve

On the first quarter of the year 2022, the Company increased the contingency reserve based on 1% of the current year's technical costs, for the amount of US$2,483,094. On December 22, 2022, in accordance with the resolution of the Shareholder of the Company, it was considered the need to establish an increase in the contingency reserve for the amount of USD$20,000,000.

	2023	2022
Balance at beginning of the year	72,505,820	52,505,820
Provision increase	-	20,000,000
Balance at end of year	72,505,820	72,505,820

28. Income tax

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

For the year ended December 31, 2023, Barents Reinsurance S.A. (Luxembourg) generated income tax of US$2,890,398 (2022: US$2,788,238).

	2023	2022
Barents Reinsurance, S. A. (Luxemburg) taxable income	11,453,183	14,135,637
Current income tax	2,743,402	2,721,498
Prior year adjustments	(7,211)	(87,467)
	2,736,191	2,634,031
Wealth tax	154,207	154,207
Income tax	2,890,398	2,788,238

29. Fair value of financial instruments

Fair value of financial instruments: The estimated fair value amounts presented below have been determined by the Company using available market information or other appropriate valuation methodologies that require considerable judgment in developing and interpreting the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The carrying amount and estimated fair values of the Company's financial instruments that are not recognized in the balance sheets at fair value are as follows:

	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Cash and deposits in banks	133,187,503	133,187,503	146,010,403	146,010,403
Trust agreement	12,304,849	12,196,365	14,119,844	15,562,205
Premiums receivable	174,668,462	174,668,462	161,647,564	161,647,564
Notes and accounts receivable - related parties	30,582,158	30,582,158	33,857,910	33,857,910
Account receivable	11,829,754	11,829,754	11,982,254	11,982,254
Other account receivable	10,287,367	10,287,367	5,135,185	5,135,185
Commissions receivable	3,310,938	3,310,938	10,428,025	10,428,025
Accounts receivable - retrocessions	110,513,522	110,513,522	88,075,289	88,075,289
	486,684,553	486,576,069	471,256,474	472,698,835
Financial liabilities:				
Loan payable	143,562	318,142	279,304	266,217
Lease Liability	608,232	608,232	950,576	950,576
Repurchase agreement	-	-	13,000,000	13,000,000
Reinsurers account payable	51,431,888	51,431,888	36,470,439	36,470,439
	52,183,682	52,358,262	50,700,319	50,687,232

		Fair value hierarchy		
	Total	Level 1	Level 2	Level 3
2023				
Financial assets:				
Cash and deposits in banks	133,187,503	-	133,187,503	-
Trust agreement	12,304,849	-	10,000,000	2,304,849
Premiums receivable	174,668,462	-	-	174,668,462
Accounts receivable - retrocessions	110,513,522	-	-	110,513,522
Notes and accounts receivable - related parties	30,582,158	-	13,902,144	16,680,014
Accounts receivable	11,829,754	-	-	11,829,754
Other accounts receivable	10,287,367	-	-	10,287,367
	483,373,615	-	157,089,647	326,283,968
Financial liabilities:				
Loans payable	143,562	-	-	143,562
	143,562	-	-	143,562

		Fair value hierarchy		
	Total	Level 1	Level 2	Level 3
2022				
Financial assets:				
Cash and deposits in banks	146,010,403	-	146,010,403	-
Trust agreement	15,562,205	-	12,069,532	3,492,673
Premiums receivable	161,647,762	-	-	161,647,762
Notes and accounts receivable - related parties	33,857,910	-	-	33,857,910
Accounts receivable	11,982,254	-	-	11,982,254
Other accounts receivable	5,135,185	-	-	5,135,185
Commissions receivable	10,428,025	-	-	10,428,025
Accounts receivable - retrocessions	88,075,289	-	-	88,075,289
	472,699,033	-	158,079,935	314,619,098
Financial liabilities:				
Loans payable	279,304	-	-	279,304
Lease liability	950,576	-	-	950,576
Repurchase agreements	13,000,000	-	-	13,000,000
	14,229,880	-	-	14,229,880

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.

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.

Available-for-sale securities - Available-for-sale securities are carried at fair value primarily based on observable market prices. If observable market prices are not available, valuations are based on internally developed discounted cash flow models that use a market-based discount rate and consider recent market transactions, experience of similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, various significant assumptions are utilized including market observable inputs (e.g., forward interest rates) and internally developed inputs (including prepayment speeds, delinquency levels, and credit losses).

Assets and liabilities that are measured at fair value on a recurring basis are as follows:

		Fair value measurements at reporting date using		
Description	December 31, 2023	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Available-for-sale securities	574,724,326	574,724,326	-	-
Total assets	574,724,326	574,724,326	-	-

		Fair value measurements at reporting date using		
Description	December 31, 2022	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Available-for-sale securities	548,296,672	548,296,672	-	-
Total assets	548,296,672	548,296,672	-	-

30. Subsequent events

The Company has evaluated events subsequent to December 31, 2023 to assess the need for potential recognition or disclosure in the accompanying consolidated financial statements. Such events were evaluated through June 27, 2024 the date these consolidated financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or disclosure in the consolidated financial statements.

31. Approval of consolidated financial statements

The consolidated financial statements for the year ended December 31, 2023 were approved and issuance was authorized by the Board of Directors on June 27, 2024.

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