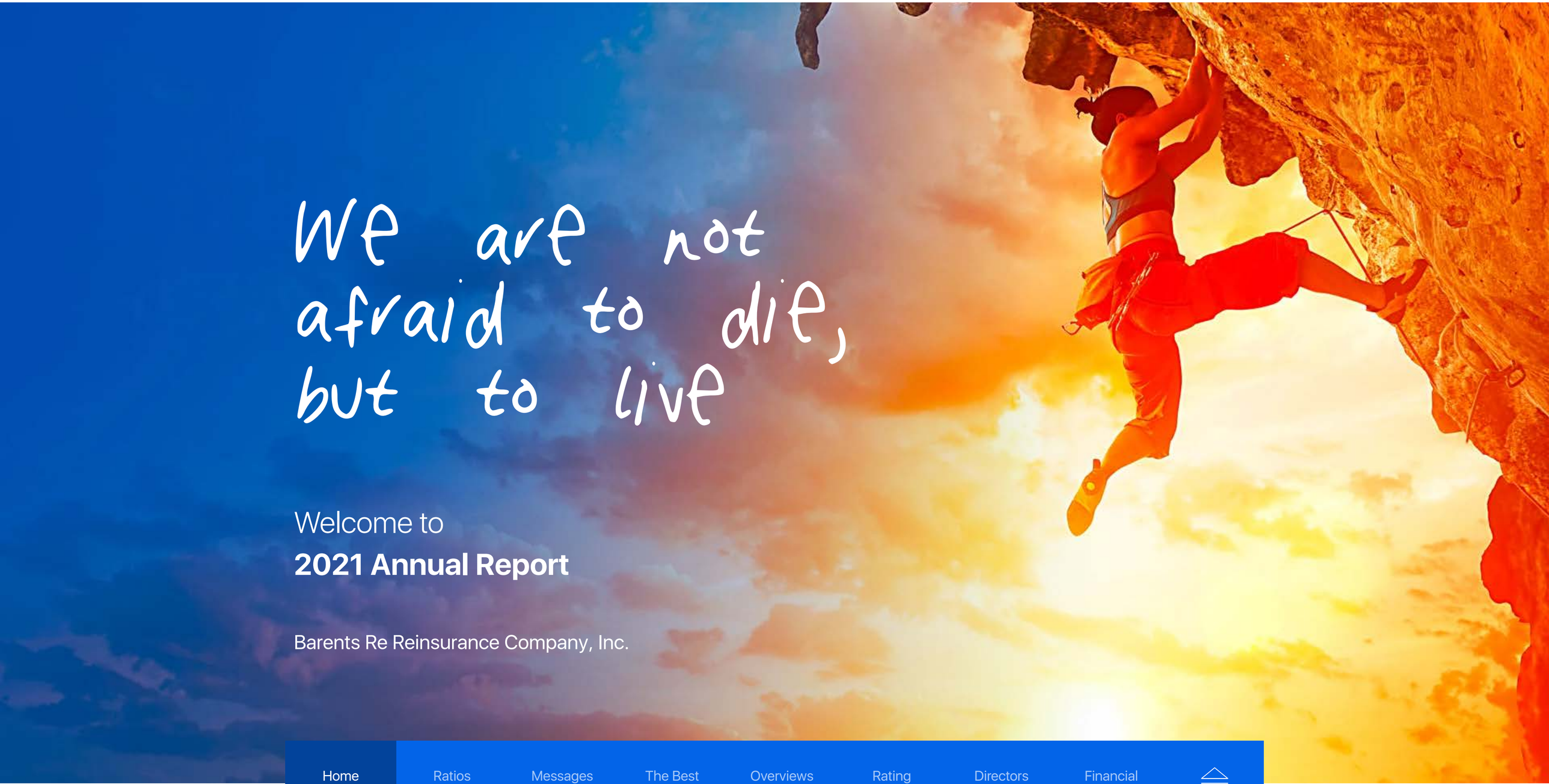
BARENTS RE



Welcome to

2021 Annual Report

Barents Re Reinsurance Company, Inc.

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Reflection

We are not afraid to die, but to live... Without intensity

The resent pandemic has left lessons for all humankind. For the first time in our resent memory; we, as a race, had a common threat that affected us all. The need to unite and work together to solve humanity's unanswered questions has never been greater. At the same time, the world's political elite and governments have greatly misunderstood the sentiment of the world population. The world is ready for more unity across borders and not for political divisions.

The lessons of the pandemic are clear. People must reevaluate their life goals, objectives, and question the direction where they're going. The result is a newfound freedom in the human spirit, a need to live without fear.

"Fear not of dying, but of having incomplete lives"

In Barents Re, as a company and as a family, we ask ourselves these same questions. Our purpose during the medium term is to focus the company and its colleagues into a live-changing environment exercise to overcome our fears and to live deeper, more intensely, and with more passion. A company is a reflection of its people. As a company, we have the mission to live free. To be fearless when confronted with adversity, and to become a truly resilient enterprise. But for this to happen, we all need to evolve.

My warmest regards to you all and hope to see you in person soon.

Gerardo Garcia G.
Chairman

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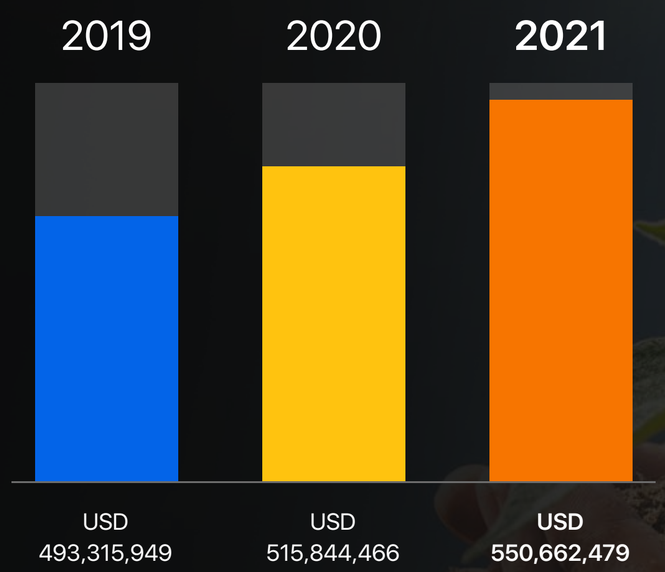
Key Financial Ratios

Growth in Shareholders' Equity

USD 550.6M

2021 | SHAREHOLDERS' EQUITY



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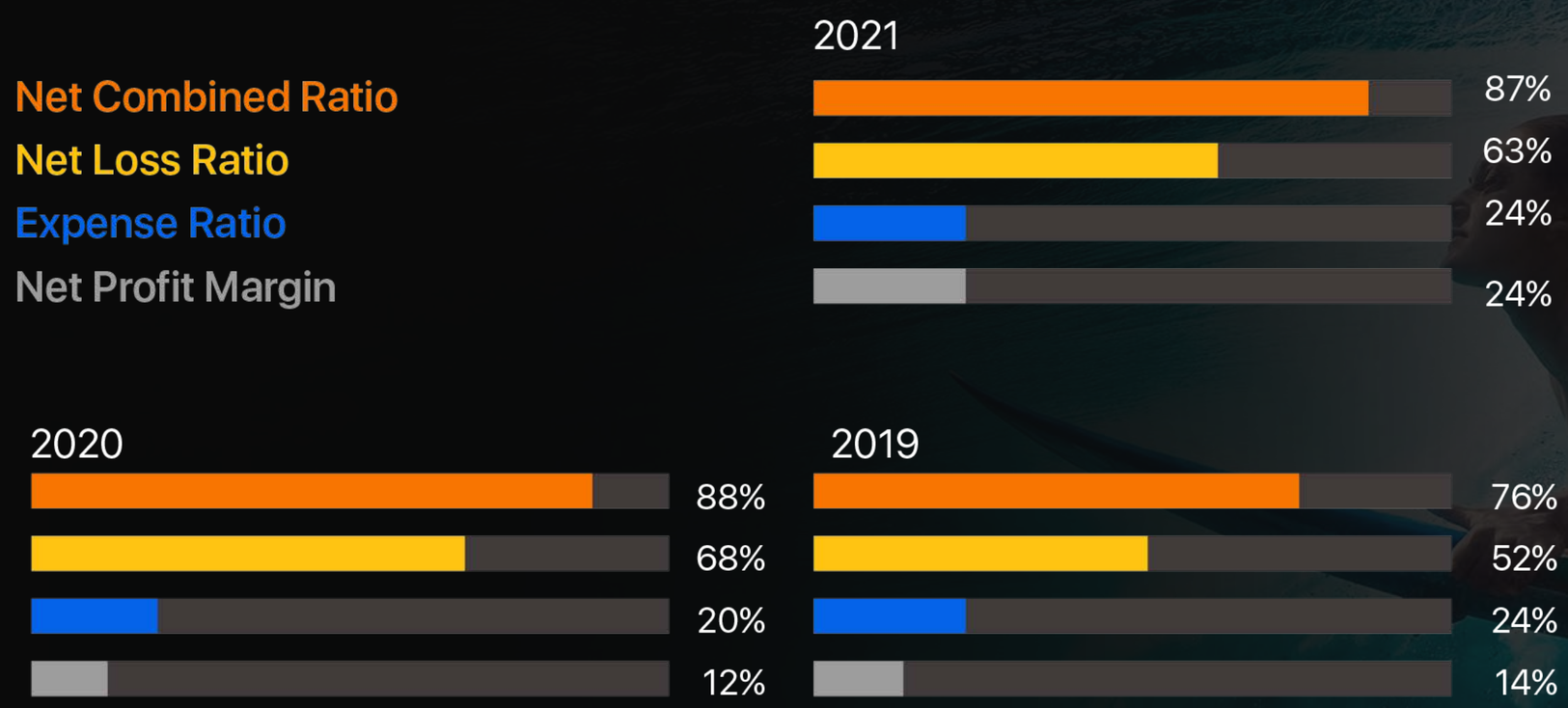
Key Financial Ratios

Financial Highlights



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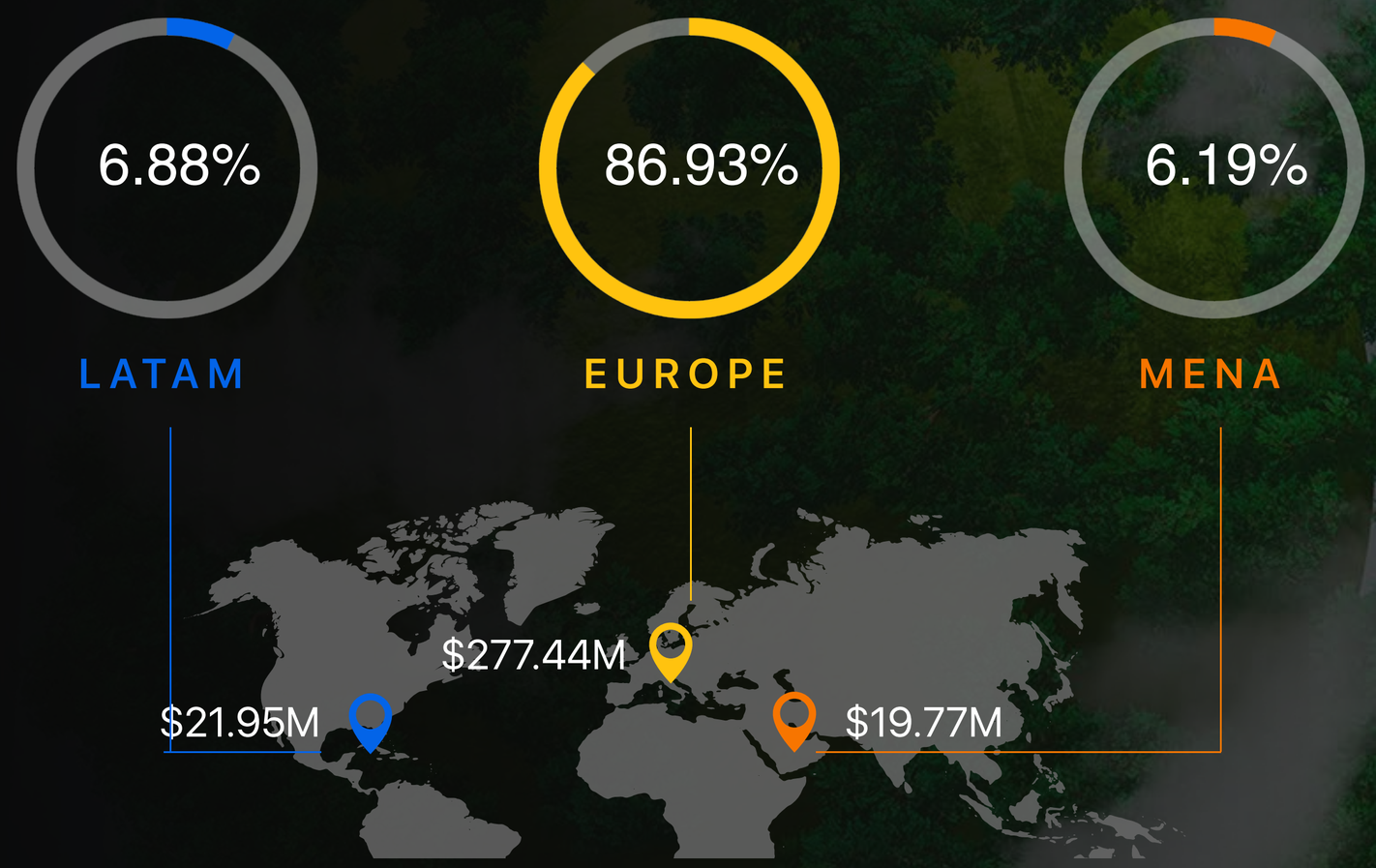
Key Financial Ratios

Premium by Region



$319.1M

2021 GROSS WRITTEN PREMIUM

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Message from the Chairman

The goal is to use what we have learned during the Covid-19 pandemic to become a truly more resilient enterprise. We are not a short-term strategy player.

For 2021, I am departing from past annual reports and wish to make a statement on the future strategy of Barents Re. The goal is to use what we have learned during the Covid-19 pandemic to become a truly more resilient enterprise. We are not a short-term strategy player. Our strategic objectives are mainly long-term. To become a truly resilient business, we focus on three main objectives. First the integration of our teams worldwide within a culture that promotes life experiences, that can learn from each other. This is an environment where our staff enjoy rewarding work and grow professionally. Where there is mobility within the company. We aim to train multifaceted underwriters who are multicultural. Focus and specialization are our second strategic objectives. Third and last is our ongoing strategy of vertical integration within the re/insurance space and the creation of specialty vehicles.

2021 was a great year for Barents Re. Indeed, 2021 results were the best year ever for the company. We continued to organically grow our business, generating a net profit of USD 38.9 million (2020: USD 28.6 million), on gross written premiums of USD 319.1 million. Similarly, our total assets grew to USD 1,230 million (2019: USD 1,126million), and shareholder's equity rose to USD 550.1 million (2019: USD 515.8 million). With a net loss ratio of 63% and a combined ratio of 87%, Barents Re's 2021 ratios were among the best in the reinsurance sector.

Barents Re's success was the culmination of a well-planned and executed strategy where our solid footprint, rigorous risk selection, and strong customer relationships enabled us to benefit from improved market conditions in all our lines of business. We are confident that market conditions will remain adequate in 2022 and that the company is well positioned for the future.

I want to close this year's message with a personal reflection...

"We all need to live our lives more intensely and challenge conventional wisdom, which, in my experience, has proven erroneous over time".

Gerardo Garcia G.

Chairman
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Message from Managing Director

Gary Callaghan

Cayman Islands

As we continue to successfully make our way through turbulent social, political, and environmental waters, I would like to extend my thanks to the Cayman Board for its guidance and calm navigation in these challenging times. It has been a pleasure to serve with you.

Barents Re thrives on risk and volatility. The market has provided plenty of that in recent years but converting risk and volatility into dollar profits is an art form, requiring discipline and daring in equal measure. We have achieved this due to the professionalism of our underwriters and teams around the globe.

Barents Re continues to differentiate itself in terms of its business mix and reliance on pure underwriting results, notably recording its highest levels of profitability at a time when the market has been significantly challenged with losses across various lines. Many market players have penned positive outlooks but have done so while posting negative underwriting results. We are proud to report that 2021 was our most profitable year, topping the excellent returns we achieved in 2020, itself a record year for our company.

Here is a glance at some of the critical factors that have contributed to our success.

- **Maintained focus on our core lines of business: avoiding the distractions**
- **Defined risk appetite: ex USA and ex-critical catastrophe zones**
- **Consistent leadership**
- **Pure in-house underwriting: no delegation or MGA's**
- **Achieved increased profitability on every core line of business**
- **Enhanced balance sheet strength: assets have grown to USD 1.2 billion**
- **Reinvested profits: no dividends**
- **Improved rate adequacy in our niche areas**
- **Maintained good standing with our regulator, the Cayman Island Monetary Authority (CIMA)**
- **Enjoyed retrocession support from highly rated and deeply experienced reinsurers**

It is pleasing to recognize our developments on the ESG side of things, where we continue to provide expertise and capacity for green energy projects across the globe and, closer to home, with the recent launch of the Barents Re Scholarships for students here in Cayman.

For 2022 all indications are that the market outlook will continue to be positive. We look forward to developing further our relationship with our business partners and stakeholders. So again, thank you for your support.

Gary Callaghan

Managing Director and Board Member

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Message from CEO

David Indge

Barents Re Reinsurance, S.A.
Luxembourg

2021 was an excellent year for Barents Reinsurance SA. Indeed, the 2021 results were the best year ever for the company.

Our success was due to our solid market footprint, rigorous risk selection, strong customer relationships, which enabled us to benefit from improved operating conditions in all our lines of business and the hard work of our staff.

During the year we also took the opportunity to review of all business functions which in turn has led to the hiring of additional staff in both the Luxembourg and London offices. The purpose of the review was to align the company with its long-term goals and to increase the company's value. The additional staff have either already joined the company or are due to join in the next few months.

David Indge

CEO
Barents Re Reinsurance, S.A.
Luxembourg

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Mission and Vision Statement

Mission

The company provides a wide range of niche and specialty reinsurance products to property and casualty insurers.

The expertise of our specialty underwriting teams and their knowledge of our markets and products enables us to offer innovative solutions to our clients.

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

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

Vision

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

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BARENTS RE

We are not afraid to die, but to live

"What happened in the past are memories and what we imagine of the future are projects. Life, as such, can only be experienced in the present".

The best after the pandemic

We have to look at the world with different eyes, let's take a look at the best after the pandemic...

Half the world has been vaccinated

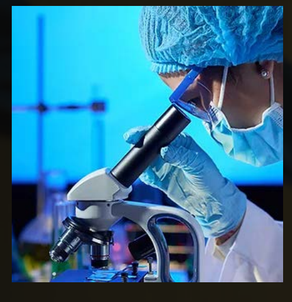
First space flight with a civilian crew

Families met and connected more

Greenhouse gas emissions decreased

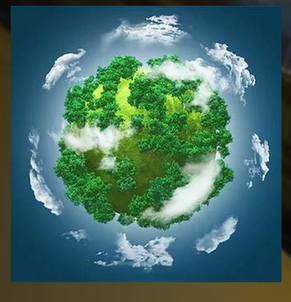
In Norway, 90% of new cars are electric

More people work from home



W.H.O. says China has eliminated malaria

In Spain, renewable energies produced 46.6% of electricity



The planet, the most benefited by the coronavirus

We live twice as long as 100 years ago

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Global Strategy

Organic Premium Growth & Geographic Diversification

Focus on uncorrelated low exposure catastrophe territories & specialty products.

Recruitment of Top Quality

Personnel Internationally
People are our key advantage.

Stable Capacity

Offering tailor made products and solutions in each of its territories.

Underwriting Discipline & Controls

Reinforced by pricing & risk modeling tools.

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Line of Business Overviews

MGA Spain

Bonds

2021 was a challenging year, but the Barents Re Surety Bond team successfully navigated the challenges facing the sector arising from the continued impact of the Covid-19 pandemic. We focused on both ongoing projects and new opportunities.

Where infrastructure projects suffered delays, we supported our clients with the needed extensions, alongside governments and other public bodies who have shown a collaborative approach. These efforts proved to be a successful way forward. It also created goodwill for the future.

While our historically strong presence in Latin America continues, we have seen an increase in Surety Bond business opportunities in Africa, a region that we have been exploring with interest in recent years. Likewise, activity levels are up in the Middle East. Our approach has not changed: being cautious, focusing on countries with political stability and on construction and infrastructure projects financed by international banks or public bodies, venturing in these markets side by side with the most experienced construction companies.

In Europe, Italy and Spain continue to be our main markets. Our business focuses on the Construction & Engineering, and Renewable Energy sectors. We have a presence in both countries.

In 2021, we initiated a new operational structure in Spain by establishing an underwriting agency for the local market to provide the best service to our clients and brokers. The new entity, Barents MGA, will commence operations in 2022. It will have delegated authority from Eurioins Insurance JSC, supported by the full reinsurance capacity of Barents Re. This will allow us to issue local policies using paper with our own brand, which will be a real incentive for the insurance market, given the high credit quality of the Barents Re group.

Barents Re is a leading facultative Surety Bond reinsurer worldwide. We are happy to report that our brand recognition in the Surety Bonds business increases year after year, and we look forward to 2022 with confidence.

Spain Bonds Team

The Italian Surety Bond market grew further in 2021, reaching its highest premium levels in recent years.

Italy is the second most significant contributor to our Surety Bond business in Europe and is a target market for us, especially for public procurement law contract bonds, which represent almost 70% of total premiums in this segment.

Looking forward, we expect to expand our presence in the infrastructure, construction, and facility management sectors, seizing the opportunities arising from the anticipated investments arising from post-pandemic economic recovery programs.

Italy Bonds Team

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Line of Business Overviews

Energy

We apply a sophisticated approach that goes beyond just premium rates. We embrace the unique nature of each risk and appropriate retention levels, breadth of cover, terms, and conditions, and wording amendments.

Such a forensic approach, which has served us well, not only gives comfort to the decision process but elevates the experience of all team members.

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

We apply a sophisticated approach that goes beyond just premium rates. We embrace the unique nature of each risk and appropriate retention levels, breadth of cover, terms, and conditions, and wording amendments. Such a forensic approach, which has served us well, not only gives comfort to the decision process but elevates the experience of all team members.

Our trading environment for 2021 was positive for downstream and upstream risks in different ways.

The upstream market continued to be weak, with rate rises of 2.5% to 5% being the norm. Technical loss ratios continued to be good on upstream risks, but there was no pressure on premium rates. Underwriting and pricing discipline remains within leadership circles with respected companies/syndicates who are seeing little threat from new markets, reflecting the holistic view of management and the need to maintain the profitability of their portfolios.

Pressure in the upstream market was exacerbated by a lack of confidence in oil prices. This has reduced project activity, resulting in more modest drilling campaigns and a lack of activity within contractor fleets. As a result, revenues are down, and consequently, the policy adjustments result in negative rather than positive premium flows.

The downstream market continued to see rate increases but not to the same extent as in prior years as pressure eases. The rate increases at the start of 2021 were around 10%; by the end of the year, they were 2.5% to flat renewals on clean business. We continue to provide support to brokers as we look to capitalize on a favorable market environment. Since the hardening of the downstream market, increased retentions and decreasing coverage adopted by clients remain mostly in place.

As we look towards 2022, Barents Re is strongly positioned to leverage its capacity deployment across the spectrum of Energy re/insurance activity as a composite capacity provider, with the market gears spinning at very different speeds. The 'subscription market' has long since collapsed in the downstream sector, and the upstream market is beginning to default to differential terms. Electronic re/insurance placement is here to stay and will accelerate this process. Our Energy underwriting team is well qualified to navigate these challenging waters and continue to provide positive results.

Barents Re remains well-positioned with core relationships spread through all the Energy brokers. Although a substantial part of our income is generated by the "big three", we continue to source opportunities from brokers of all sizes.

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Line of Business Overviews

Property

The Property market hardened significantly in 2020 on the back of Covid-19, with significant rate increases of 15-20%.

In 2021, this slowed due to the availability of ample cheaper capacity, notably in Asia, Latin America, and MENA. However, in London, Property re/insurers market still pushed for increased rates, which averaged around 7.5% on clean business.

A tightening of terms and conditions around cyber and communicable diseases continued through 2021. Barents Re strongly supported standard market exclusions on all policies to avoid unintended exposures.

2021 was another heavy year for catastrophe losses in the Property market, with events such as the European floods hitting many re/insurers hard. As a result, the appetite for high catastrophe exposed areas is decreasing, and re/insurers are limiting their line sizes, restricting coverage, and demanding higher premiums to compensate for the increased risk. Barents Re continues to take a conservative approach to catastrophe risk and diligently models its exposures to ensure they are carefully managed.

There is an ongoing requirement from the UK Prudential Regulatory Authority (PRA) for the London market to focus on profitability and underwriting discipline to address previous poor performance. Therefore, capacity for historically underperforming occupancies remains low, especially for significant fire risk exposed classes like woodworking and recycling. As a result, carriers are increasingly focused on the quality of the risks rather than just the top line, with particular attention paid to risk management attitudes and proven loss records.

The outlook for 2022 is positive, as although rate increases have slowed, they are not yet flattening, and Barents Re continues to seek opportunities to grow, while maintaining our focus on principled underwriting to develop our portfolio of high-quality, diversely spread risks with favorable loss records

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Line of Business Overviews

Financial Lines

In 2021 we strengthened the Financial Lines team, which will be fully implemented in 2022.

This will allow us to focus on new business opportunities that have not been available to us before.

2021 continued as a year of retrenchment in the Financial Lines market, as prices rose across the sector and coverages were cut back in some sectors. Our portfolio of emerging markets business is quite unique, so the market trends don't always match the broader Financial Lines market, but this year was extremely positive.

Emerging market accounts tend only to need a modest line size commitment, which means that competition often arises from the opportunistic activity of Financial Lines underwriters with limited experience in the sector. Strong relationships with cedants and brokers are critical, which we plan to strengthen further in 2022. There is also low systemic risk exposure.

In 2021 we strengthened the Financial Lines team, which will be fully implemented in 2022. This will allow us to focus on new business opportunities that have not been available to us before.

In the year ahead, we intend to continue to focus on underwriting discipline and diligent risk selection at the expense of the pursuit of out-and-out top-line growth. This is all within the context of developing our Financial Lines portfolio and contributing positively to the Barents Re brand.

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Line of Business Overviews

Life, Accident and Health

For the Life re/insurance sector, 2021 continued to be dominated by the impact of Covid -19 pandemic risk.

The Life insurance market experienced yet another year of single digit growth in mature markets, such as North America and Europe, but with higher rates of growth in regions with historically lower levels of insurance penetration, notably MENA, Latin America, and Asia.

With a market size estimated at between USD125 – USD135 billion and with a few established players having a predominant market share in Life reinsurance, the essence of Barents Re's Life strategy is to be present where there are gaps in capacity for smaller deals or shares of treaties for ceding companies in regions with good growth prospects. Such deals are of less interest to established players, providing an opportunity for Barents Re to step in and fill the coverage void encountered by clients.

We are particularly pleased with our progress in regions with two of the fastest rates of growth: Latin America and Asia. In partnership with clients, our product development work over the past year has borne fruit with greater diversity of cover available for mortality, morbidity, disability, and some affinity programs. Although the saturated markets of the USA and Canada are not of interest, we continue to seek opportunities in Europe to work with like-minded insurers on niche reinsurance business.

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

With a solid year in 2021 and robust plans in place for the year ahead, Barents Re is well placed to achieve further success in the future.

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Line of Business Overviews

Marine Cargo

2021 saw the return of re/insurers into the Marine Cargo market due to higher rates and improved results throughout 2020, together with the entry of new market capacity, including MGA's with a wide-ranging appetite and large underwriting capacity.

This has resulted in a flattening of the market, and most of the renewal business seen towards the end of the year was at expiring terms. We expect this trend to continue into 2022. Noticeably, North American accounts are redomiciling back into the US market.

The possibility of large losses due to the misdeclaration of cargo remains an issue, with this being a leading cause of fire onboard vessels. The blockage of the Suez Canal by the grounding of the Ever Given for nearly a week in 2020, and the resulting loss to the market, emphasized the impact of the size of new vessels and the accumulation of goods. Challenges to the supply chain persisted long after the obstruction was removed, highlighting the effect a single incident can have on the delicately balanced 'just in time' supply model in which the industry operates. Working groups in shipping and insurance continue to seek solutions to these issues.

An increasing focus on ESG has shifted the appetite of much of the London market away from fossil fuels such as coal; meanwhile, the push for carbon-neutral shipping continues. As a result, we have seen more companies opting to use LNG-fueled vessels or hydrofoils to reduce emissions and offer a carbon-neutral option to their clients.

Coverage restrictions for cyber and communicable diseases continue, as does the move towards higher technical standards in underwriting rather than emphasizing top-line growth. Barents Re continues to employ a rigorous approach to technical underwriting to maintain profitability while remaining competitive.

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Financial Strength Rating

A3
INSURANCE FINANCIAL STRENGTH RATING

MOODY'S

Moody's Assigns A3 Insurance Financial Strength Rating to Barents Re Reinsurance Company, Inc. (Cayman Islands), stable outlook

Barents Re Reinsurance Company, Inc. On July 6th of 2022, the Moody's Rating Committee assigned Barents Re Reinsurance Company, Inc. (Cayman Islands) an A3 foreign currency insurance financial strength rating. The rating reflects the company's strong capitalization and coherent business strategy.

See the Moody's press release

Financial Strength Rating
AM BEST
A Excellent

AM Best Affirms Credit Ratings of Barents Re Reinsurance Company, Inc. and Its Affiliate

AM Best has affirmed the Financial Strength Rating of A (Excellent) and the Long-Term Issuer Credit Rating of "a" (Excellent) of Barents Re Reinsurance Company, Inc. (Barents Re) (Cayman Islands) and its affiliate, Barents Reinsurance S.A. (Barents Re Lux) (Luxembourg). The outlook of these Credit Ratings (ratings) is negative.

See the AM Best press release

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Board of Directors

Gerardo García

Chairman

Gerardo García has over 25 years' experience in the global insurance and banking sectors. Gerardo is the founder, and Chairman of Barents Re Reinsurance Company, Inc., a role for which he has been awarded numerous leadership accolades on an international basis.

Gerardo's prior experience includes investment banking, M&A and advisory roles to national governments on financial services regulations. Gerardo serves as a Board Director for a number of insurance and reinsurance companies alongside his role as Board Director for both Credit & Commerce Bank and for Canal Bank S.A., the latter which he founded in 2014.

Gary Callaghan

Director

Gary Callaghan's career spans over 30 years in the reinsurance industry. Formerly Managing Director of Aon Europe, Gary has also held senior positions in Benfield and Willis.

Gary was reinsurance buyer for a premier Lloyd's syndicate before joining Barents Re as Head of Retrocession, and was recently appointed as Managing Director of Barents Re Cayman Islands. Gary is also a non-executive Director for a London based broking house.

John Harbor

Director

John Harbor has over 35 years' experience in the international insurance industry, having undertaken numerous senior management roles in accounting, audit and finance.

More recently, John has held senior non-executive Director roles in insurance and wider industry sectors. John is a Fellow of the Institute of Chartered Accountants in England & Wales.

Dirk Bormann

Director

Dirk Bormann has wide experience in the construction sector and has served on the board of directors of Philipp Holzmann AG, Hochtief AG and Wayss & Freytag.

He is Chief Executive Officer of the German Federal Association for Economic Development and Foreign Trade.

Klaus Bultmann

Director

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

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Supporting Committees

Audit

Committee Mission:

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

Members:

John Harbor
Director

Cesar Ujueta
Head of Finance and Accounting

Dirk Bormann
Director

Compensation

Committee Mission:

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

Members:

Marisa Vallarino
General Manager

Klaus Bultmann
Director

Marukel Higuero
Head of Legal

Investments

Committee Mission:

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

Members:

Gerardo Garcia
Director & Chairman

Marisa Vallarino
General Manager

Cesar Ujueta
Head of Finance and Accounting

Oldemar Palomino
Head of Treasury
Head of Investments

Reinsurance

Committee Mission:

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

Members:

Gerardo Garcia
Director & Chairman

Klaus Bultmann
Director

Gary Callaghan
Director

Hikaru Uno
Head of Bonds & Specialty Lines

Risk & Compliance

Committee Mission:

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

Members:

Dirk Bormann
Director

Fernando Diaz
Compliance Officer

John Fitzpatrick
Senior Advisor

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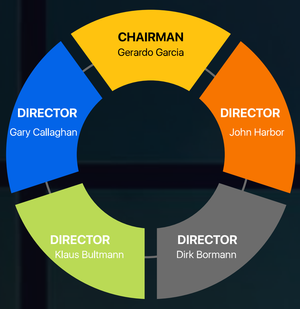
Governance, Compliance and Risk Management

Governance

Barents Re maintains a robust governance structure beginning with its Board of Directors, composed of 5 members, which includes 1 Director representing the shareholder, 1 Managing Director, and 3 Independent Non-Executive Directors.

In addition, Barents Re has 5 Supporting Committees, which are composed of both members of the Board of Directors, as well as key executives of Barents Re:

- Audit
- Compensation
- Investment
- Reinsurance
- Risk & Compliance



Senior Management

Barents Re's Senior Management is composed of highly skilled professionals with a proven track record in various areas, including but not limited to the (re)insurance industry, which is a key factor for the correct and sustainable management of a successful company.

Gerardo Garcia
Chairman

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

Marisa Vallarino
General Manager
(Operations Panama)

Marisa Vallarino has over 30 of proven experience in the creation, management, organization, development, and growth of new companies and businesses, with sustained success over time. Marisa's previous experience ranges from leading administrative and finance positions in the industries of real estate development, commercial, marketing, accounting and human resources, among others.

Gary Callaghan
Director

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

Cesar Ujueta
Head of Finance and Accounting

Cesar Ujueta has over 30 years of proven experience in accounting, finance, and internal and external Audit in the Insurance and reinsurance industry. Cesar also has a vast experience in the administration of accounting human resources, as well as matters related to the preparation of financial statements, and implementation of accounting and financial standards.

Compliance

The Compliance Function at Barents Re comprises three main pillars:

- Anti-Money Laundering Compliance
- Anti-Money Laundering Reporting
- Regulatory Compliance

Anti-Money Laundering Compliance

- Ensuring that Barents Re is compliance with AML laws and regulations.
- Maintain updated policies and procedures regarding AML.
- Review KYC from business partners and conduct necessary sanctions search.
- Coordinate annual AML training to staff members of Barents Re.
- Inform the Board of Directors about Compliance-related matters.

Anti-Money Laundering Reporting

- Serve as the point of contact between governmental authorities and Barents Re.
- Maintain suspicious activity report forms and logs for the use of the Barents Re staff.
- Receive internal suspicious activity reports from staff, evaluate, and enter information in the relevant logs.
- If the case requires it, provide external reports to the governmental authorities, and enter required information the logs.

Regulatory Compliance

- Provide support to departments of Barents Re for the compliance of laws and regulations.
- Provide support to Barents Re for the update of the company's manuals and procedures.
- Provide support to submit the regulatory annual return to the Cayman Islands Monetary Authority.
- Receive queries from governmental authorities and coordinate timely responses and actions from the departments responsible.
- Provide support for the organization of meetings of the Board of Directors and Supporting Committees.

Barents Re uses a variety of sanctions lists and databases available from reputable sources, including governmental and commercial screening tools:

- World-Check One
- United Nations Sanctions List
- Office of Foreign Assets Control
- European Union Sanctions
- United Kingdom Sanctions

Barents Re maintains an unconditional commitment to human rights, ethical behavior, tackling of modern-day slavery and human trafficking. Barents Re does not tolerate any forms of illegal or unethical behavior. All staff members are required to adhere to Barents Re's policies, manuals, and procedures.

Risk Management Overview

Barents Re is regulated by the Cayman Islands Monetary Authority. Its risk management is governed by the risk management policy and its implementation via the risk management framework created by the Risk Officer. Lead support to the risk management function is provided by our Luxembourg subsidiary, Barents Reinsurance S.A., especially in the Solvency II framework and the latest regulatory requirements.

Barents Re operates within a low overall risk range. This finds expression in its cautious retrocession, underwriting and investment policies.

Barents Re operates without financial leverage. The Company has no appetite to introduce debt into its structure.

Governance Overview

- Policy & Framework
  - Risk management Policy
  - Risk Management Framework
- Board - Risk & Compliance Committee
- Internal Risk Workshops

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Consolidated Financial Statements

2021 was a great year for Barents Re. Indeed, 2021 results were the best year ever for the company. We continued to organically grow our business.

Consolidated Financial Statements for the year ended December 31, 2021 and Independent Auditors' Report of June 29, 2022

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Deloitte.

Barents Re Reinsurance Company, Inc. and subsidiary

Consolidated financial statements for the year ended December 31, 2021 and Independent Auditors' Report of June 29, 2022

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Deloitte Touche Tohmatsu Limited

Barents Re Reinsurance Company, Inc. and subsidiary

Independent Auditors' Report and 2021 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, 2021, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Barents Re Reinsurance Company, Inc. and Subsidiary as at December 31, 2021, and its financial performance and cash flows for the year ended, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

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

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

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

With effect from 1 August 2021 Deloitte & Touche has converted into an LLP and will be trading as Deloitte & Touche LLP.

Deloitte.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Deloitte & Touche LLP

June 29, 2022

Barents Re Reinsurance Company, Inc. and subsidiary

Consolidated statement of financial position
for the year ended December 31, 2021
(In United States of America dollars)

	Notes	2021	2020
Assets			
Cash and bank deposits	6, 7	99,055,109	34,981,612
Premiums receivable, net	8	87,309,502	60,314,580
Deposits in ceding companies	9	2,413,282	48,919,338
Securities available for sale	10	496,402,550	477,333,300
Investment in associate	6, 14	10,151,608	7,720,337
Trust agreements	13	16,107,687	15,545,562
Notes and accounts receivable - related parties	6	23,279,029	27,160,360
Accounts receivable - retrocessions	19	81,018,278	62,414,518
Accounts receivable	12	12,503,362	15,679,411
Other accounts receivable	6	13,682,352	6,055,212
Unrealized retroceded premium	17	81,089,234	60,448,090
IBNR of retroshare	18	169,071,157	202,765,444
Retroshare of claims outstanding	18	102,384,847	83,416,701
Unearned retroceded commission		-	3,843,588
Deferred acquisition costs	18	28,060,406	11,450,644
Property, furniture, equipment and improvements, net	11	604,378	759,103
Right-of-use assets	15	1,606,932	2,018,475
Other assets	16	5,662,819	5,281,634
Total assets		1,230,402,532	1,126,107,909
Liabilities and equity			
Liabilities			
Claims outstanding reserve	18	184,606,166	126,655,948
Unrealized premium reserve	17	156,654,156	127,906,920
Commissions payable		8,291,107	5,541,920
IBNR reserves	18	268,101,076	301,757,042
Unearned retroceded commission		4,605,706	-
Loans payable	20	400,362	388,205
Lease liability	15	1,573,388	1,970,125
Repurchase agreement	21	18,000,000	18,000,000
Reinsurers accounts payable		31,795,621	21,008,188
Deposits received from reinsurance companies	22	169,590	184,315
Accounts payable and accrued expenses	23	5,542,881	6,850,780
Total liabilities		679,740,053	610,263,443
Equity			
Common shares	26	404,988,405	404,988,405
Net changes in securities available for sale		(101,980)	97,814
Capital reserve	27	50,022,726	-
Change in foreign currency translation		(5,275,526)	(774,114)
Legal reserve		169,771	169,771
Retained earnings		74,976,651	89,032,773
Equity attributable to owners of the Company		524,780,047	493,514,649
Non-controlling interest	25	25,882,432	22,329,817
Total equity		550,662,479	515,844,466
Total liabilities and equity		1,230,402,532	1,126,107,909

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, 2021
(In United States of America dollars)

	Notes	2021	2020
Net income from premiums:			
Gross written premiums		319,149,846	386,270,033
Retroceded premiums		(143,767,513)	(122,265,163)
Change in unearned premium	17	(20,681,617)	(15,605,488)
Change in unearned retro premium (URP)	17	12,575,524	86,017
Premium earned		167,276,240	248,485,399
Change in claims outstanding	18	(34,566,528)	39,653,035
Change in retro outstanding	18	(4,415,544)	(38,744,854)
Change in IBNR	18	33,655,966	(120,936,153)
Change in retrocession of IBNR	18	(33,694,287)	61,466,817
Change in unearned retrocession commission		(8,449,294)	423,007
Change in acquisition costs	18	14,980,104	1,684,049
Change in allowance for doubtful receivables	8	(2,454,482)	(1,944,035)
Gross claims paid		(89,190,932)	(181,866,755)
Retroshare of claims paid		16,983,018	62,266,887
Net earned premium		60,124,261	70,487,397
Other incomes (expenses):			
Interests income, net		1,184,101	1,196,183
Commissions received		14,377,173	539,010
Commissions paid		(35,137,555)	(36,920,029)
Risk analysis cost		(100,313)	(12,750)
Share of results of associates	14	2,371,100	1,235,693
Gain in securities available for sale	10	14,514,946	9,371,571
Reinsurance commisions and profit participation		675,732	1,432,618
Other income		5,198,280	390,882
Total income, net		63,207,725	47,720,575
General and administrative expenses:			
Salaries and other employee benefits		6,715,220	7,125,513
Professional fees		4,520,810	4,668,860
Depreciation expense	11,15	846,847	837,106
Other expenses	24	9,843,861	5,549,738
Total general and administrative expenses		21,926,738	18,181,217
Profit before income tax		41,280,987	29,539,358
Income tax	28	1,761,768	900,051
Net profit		39,519,219	28,639,307
Net profit attributable to:			
Owners of the Company		35,966,604	26,847,845
Non-controlling interests	25	3,552,615	1,791,462
Net profit		39,519,219	28,639,307

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, 2021
(In United States of America dollars)

	Notes	2021	2020
Net profit		39,519,219	28,639,307
Other comprehensive income:			
Realized gain transferred to income	10	(14,514,946)	(9,371,571)
Net changes in securities available for sale	10	14,315,152	1,508,471
Total other comprehensive income		(199,794)	(7,863,100)
Total net comprehensive income of the year		39,319,425	20,776,207
Comprehensive income attributable to:			
Owners of the Company		35,766,810	18,984,745
Non-controlling interests	25	3,552,615	1,791,462
Total comprehensive income for the year		39,319,425	20,776,207

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, 2021
(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 January 1, 2020	311,858,180	7,960,914	(2,403,885)	155,827	-	155,206,558	472,777,594	20,538,355	493,315,949
Other comprehensive income comprised of:									
Net profit	-	-	-	-	-	26,847,845	26,847,845	1,791,462	28,639,307
Realized gain transferred to income	-	(9,371,571)	-	-	-	-	(9,371,571)	-	(9,371,571)
Net changes in fair value of securities available for sale	-	1,508,471	-	-	-	-	1,508,471	-	1,508,471
Total net comprehensive income for the year	-	(7,863,100)	-	-	-	26,847,845	18,984,745	1,791,462	20,776,207
Transactions attributable to shareholders:									
Profits capitalization	93,130,225	-	-	-	-	(93,130,225)	-	-	-
Exclusion of affiliate from consolidation	-	-	-	-	-	108,595	108,595	-	108,595
Legal reserve	-	-	-	13,944	-	-	13,944	-	13,944
Change in foreign currency translation	-	-	1,629,771	-	-	-	1,629,771	-	1,629,771
Balance at December 31, 2020	404,988,405	97,814	(774,114)	169,771	-	89,032,773	493,514,649	22,329,817	515,844,466
Other comprehensive income comprised of:									
Net profit	-	-	-	-	-	35,966,604	35,966,604	3,552,615	39,519,219
Realized gain transferred to income	-	(14,514,946)	-	-	-	-	(14,514,946)	-	(14,514,946)
Net changes in fair value of securities available for sale	-	14,315,152	-	-	-	-	14,315,152	-	14,315,152
Total net comprehensive income for the year	-	(199,794)	-	-	-	35,966,604	35,766,810	3,552,615	39,319,425
Transactions attributable to shareholders:									
Capital reserve	-	-	-	-	50,022,726	(50,022,726)	-	-	-
Change in foreign currency translation	-	-	(4,501,412)	-	-	-	(4,501,412)	-	(4,501,412)
Balance at December 31, 2021	404,988,405	(101,980)	(5,275,526)	169,771	50,022,726	74,976,651	524,780,047	25,882,432	550,662,479

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, 2021
(In United States of America dollars)

	Notes	2021	2020
Cash flows from operating activities:			
Net income		39,519,219	28,639,307
Adjustment for:			
Share of results of associates	14	(2,431,271)	(1,235,693)
Gain on sale of securities available for sale	10	(14,514,946)	(9,371,571)
Reserve for premiums receivable	8	2,454,482	1,944,035
Provision outstanding claims reserve	18	57,950,218	(39,765,267)
Retrocession outstanding claims	18	(18,968,146)	39,168,887
Provision of unrealized premium (UPR)	17	28,747,236	26,757,839
Retrocession of unrealized premium (UPR) reserve	17	(20,641,144)	(10,441,269)
Provision of IBNR	18	(33,655,966)	130,998,726
Legal reserve		-	13,944
Retrocession of IBNR reserve	18	33,694,287	(70,794,623)
Unearned retroceded commission		8,449,294	(423,007)
Deferred adquisition cost	18	(16,609,762)	(2,250,979)
Commisions payables		2,749,187	(782,974)
Depreciation	11	168,299	160,034
Disposal and adjustments of property, furniture, equipment and improvements		42,791	-
Interest income		(1,756,164)	(1,689,820)
Income tax		1,761,768	900,051
Interest expenses		572,063	493,637
Depreciation from right of use asset	15	411,543	677,072
Net changes in operating assets and liabilities:			
Decrease (increase) in deposits with maturities greater than 90 days		450,499	(1,291,597)
Increase in premiums receivable		(29,449,404)	(24,837,970)
Decrease (increase) in deposits in ceding companies		46,506,056	(17,775,802)
Increase in accounts receivable retrocessions		(18,603,760)	(12,986,923)
(Decrease) increase in other accounts receivable		(7,627,140)	11,971,961
Decrease (increase) in accounts receivable		3,176,049	(4,680,707)
Increase in other assets		(5,444,725)	(61,518)
Increase (decrease) in deposits received from reinsurance companies		(14,725)	(5,292,074)
(Decrease) increase in reinsurers account payable		10,787,433	(25,589,795)
(Decrease) increase in accounts payable and accrued expenses		(1,307,897)	1,039,816
Interests earned		1,184,101	1,196,183
Income tax expense	28	(1,761,768)	(900,051)
Net cash provided by operating activities		65,837,707	13,789,852
Cash flows from investing activities:			
Acquisition of securities available for sale	10	(561,693,177)	(477,235,486)
Sale of securities available for sale	10	556,939,079	459,159,841
Acquisition of investment in associate	13	-	108,595
Notes and accounts receivable related parties		3,881,331	(21,872,359)
Transferred of shares in associates		-	(15,545,562)
Acquisition of furniture and office equipment	11	(56,364)	(420,715)
Net cash used in investing activities		(929,131)	(40,260,124)
Cash flows from financing activities			
Proceeds from new loans	20	97,956	-
Payments to loans	20	(85,799)	(2,116,918)
Repurchase agreements	21	-	18,000,000
Payments on lease liability		(396,737)	(496,231)
Net cash (used in) provided by financing activities		(384,580)	15,386,851
Net increase (decrease) in cash		64,523,996	(11,083,421)
Cash at the beginning of the year	7	34,531,113	45,614,534
Cash at end of the year	7	99,055,109	34,531,113
Non- monetary transactions:			
Trust agreement	13	(562,125)	(15,545,562)
Acquisition of property, furniture, equipment and improvements	13	(250,318)	-
Redemption of securities available for sale	6, 13	694,268	3,200,000
Decrease in deposits with maturities greater than 90 days	13	-	12,000,000
Notes and accounts receivable related parties	13	118,175	345,562
Right of use asset	15	1,606,932	2,018,475
Lease liability	15	1,573,388	1,970,125
Profits capitalization	26	-	93,130,225

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

1. General information

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

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

A Class D License authorizes the Company to carry out reinsurance business and is the highest regulated reinsurance license issued in accordance with Cayman Islands laws. A Class D Licensee is required to maintain a Minimum Capital Requirement ("MCR") of US$50,000,000, as well as sufficient economic substance within The Cayman Islands. The reinsurance operations in The Cayman Islands are regulated by the Cayman Islands Insurance Act of 2010, its amendments and other supplementary and accessory regulations. The main office of the Company is located at 978 South Church Street, Block 7D, Parcel #41, Georgetown, Grand Cayman, Cayman Islands.

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

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

Barents Re Reinsurance Company, Inc. (Belize) was incorporated in accordance with the laws of the Republic of Belize in January 2000 and began operations in March 2006. Barents Re Reinsurance Company, Inc. (Belize) remained dormant for a number of years; for this reason, it requested the cancellation of its International Reinsurance License granted and supervised by the Office of the Supervisor of Insurance & Private Pension of Belize (OSIPP), which was cancelled in September 2020. Consequently, it closed business operations.

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

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

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

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

New standards, interpretations and amendments to accounting standards have been published, but are not mandatory for the year ended on December 31st, 2021 and have not been adopted in advanced. The main changes in these standards are presented below:

IFRS 17	*Insurance Contracts*
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate*
Amendments to IAS 1	*Joint Venture*

	Classification of liabilities as current and non-current
Modifications to IFRS 3	*Reference to the conceptual framework*
Amendments to IAS 16	*Property, plant and equipment - Income before intended use*
Amendments to IAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*
Annual improvements to IFRS Cycle 2018-2020	*Amendments to IFRS 1 Adoption for the first time of IFRS, IFRS 9 Financial instruments, IFRS 16 Leases and IAS 41 Agriculture*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

IFRS 17 – Insurance contracts

- The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and replaces IFRS 4 - Insurance contracts.
- The standard outlines a General Model, which is modified for insurance contracts with discrete participation characteristics, described as the variable fee approach. The General Model is simplified if certain criteria are met, by measuring the liability for remaining coverage using the premium allocation approach.
- The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and will explicitly measure the cost of that uncertainty; considers market interest rates and the impact of policyholders' options and guarantees.
- Profit from the sale of insurance policies is deferred in a separate liability component on day 1 and added in groups of insurance contracts; then it is systematically reported through profit or loss during the period in which the insurers provide coverage after adjusting derived from changes in the assumptions related to future coverage.
- The standard is effective for annual periods beginning on or after January 1, 2023 with early application allowed; it is applied retrospectively unless it is impracticable, in which case the modified retrospective approach or the fair value approach is applied.

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

IFRS 9 - Financial Instruments

Classification and Measurement

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

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

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

Phase 1: Classification and Measurement of Financial Assets and Liabilities

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

- A debt instrument that: (i) is maintained within the business model whose objective is to obtain contractual cash flows, (ii) has contractual cash flows that only constitute capital payments and shares over the amount of outstanding capital that must be measured at amortized cost (net of any impairment loss), unless the asset is designated at fair value through profit or loss, in compliance with this option.
- A debt instrument that: (i) is maintained within a business model whose objective is met by obtaining contractual cash flows and selling financial assets and (ii) possessing contractual terms for the financial asset producing, on specific dates, cash flows that only constitute capital and interest payments on the principal amount outstanding, and which must be measured at fair value with changes in other comprehensive income, unless the asset is designated at fair value with changes in the results, in compliance with this option;
- All other debt instruments must be measured at fair value through profit or loss; and
- All equity investments will be measured in the statement of financial position at fair value, with gains and losses recognized in the statement of profit or loss and other comprehensive income, unless the equity investment is maintained to negotiate, in which case, an irrevocable decision can be made in the initial recognition to measure the investment with a dividend income that is recognized in profit or loss.

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

Phase 2: Impairment Methodology

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

Phase 3: Coverage Accounting

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

Deferral of IFRS 9 adoption

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

As of December 31, 2021, all government and corporate bonds currently classified as securities available for sale are financial assets with contractual cash flows that meet SPPI criteria of IFRS 9. The fair value and change in fair value of these financial assets are disclosed in Note 10. The carrying amount of these financial assets by credit risk grade is disclosed in Note 4.3.

3. Significant accounting policies

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

3.1 Basis of preparation

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

3.2 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.

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

Retroshare of claims outstanding

This asset's 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 asset's 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 asset 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.

Principle of consolidation

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

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

The Company reassesses whether or not it controls an investee if the facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.
When the Company has less than a majority of the voting rights of an investee has power over it when voting rights are sufficient to give the practical ability to direct their relevant activities unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

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

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

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

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

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

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

3.3 Balances and transactions in foreign currency

Functional and presentation currency

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

Balances and transactions

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

Financial assets

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

Premiums receivable

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

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

Securities available for sale

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

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

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

Ceding deposits

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

Accounts receivable - retrocessions

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

Derecognition of financial assets

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

3.4 Impairment of financial assets

Premiums receivable

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

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

Assets classified as available for sale

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

3.5 Impairment of non-financial assets

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

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

3.6 Fair value measurement and valuation process

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

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

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

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

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

	Fair value					
Financial assets	**2021**	**2020**	**Fair value hierarchy**	**Valuation techniques (s) and key inputs**	**Significant unobservable inputs no observables significativos**	**Relationship of unobservable inputs to fair value**
Securities available for sale						
Government and corporate bonds	496,402,550	477,333,300	Level 1	Quoted prices in active markets	N/A	N/A

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

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

	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Cash and deposits in banks	99,055,109	99,055,109	34,981,612	34,981,612
Deposits in ceding companies	2,413,282	2,413,282	48,919,338	48,919,338
Trust agreements	16,107,687	13,936,179	15,545,562	15,692,738
Premiums receivable	87,309,502	87,309,502	60,314,580	60,314,580
Accounts receivable - retrocessions	81,018,278	81,018,278	62,414,518	62,414,518
	285,903,858	283,732,350	222,175,610	222,322,786
Liabilities				
Loan payable	400,362	255,637	388,205	272,416
Repurchase agreement	18,000,000	18,000,000	18,000,000	18,000,000
	18,400,362	18,255,637	18,388,205	18,272,416

		Fair value hierarchy		
2021	Total	Level 1	Level 2	Level 3
Financial assets:				
Cash and deposits in banks	99,055,109	-	99,055,109	-
Deposits in ceding companies	2,413,282	-	-	2,413,282
Trust agreements	13,936,179	-	10,361,291	3,574,888
Premiums receivable	87,309,502	-	-	87,309,502
Accounts receivable - retrocessions	81,018,278	-	-	81,018,278
	283,732,350	-	109,416,400	174,315,950
Financial liabilities:				
Loan payable	255,637	-	-	255,637
Repurchase agreement	18,000,000	-	-	18,000,000
	18,255,637	-	-	18,255,637

		Fair value hierarchy		
	Total	Level 1	Level 2	Level 3
2020				
Financial assets:				
Cash and deposits in banks	34,981,612	-	34,981,612	-
Deposits in ceding companies	48,919,338	-	-	48,919,338
Trust agreements	15,692,738	-	11,074,983	4,617,755
Premiums receivable	60,314,580	-	-	60,314,580
Accounts receivable - retrocessions	62,414,518	-	-	62,414,518
	222,322,786	-	46,056,595	176,266,191
Financial liabilities:				
Loan payable	272,416	-	-	272,416
Acuerdos de recompra	18,000,000	-	-	18,000,000
	18,272,416	-	-	18,272,416

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

3.7 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.

3.8 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.

3.9 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.

3.10 Reinsurance contracts

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

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

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

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

3.11 Property, furniture, equipment and improvements

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

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

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

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

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

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

3.12 Cash

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

3.13 Reclassification

Reclassifications were made to the previously reported balances for the year ended December 31, 2020 in order to improve the comparability of the consolidated financial statements.

4. Financial risk management

4.1 Financial risk management objectives

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

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

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

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

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

4.2 Insurance risk

The risk covered under a contract, in any of its various forms, is the possibility that the insured event occurs and therefore the uncertainty is realized in the amount of the claim. By the nature of the insurance contract, this risk is random and therefore unpredictable 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 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 $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.

Concentrations

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

4.3 Credit risk

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

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

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

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

Preparation of credit policies:

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

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

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

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

Maximum limits per counterparty:

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

Policy compliance review:

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

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

	2021	2020
Investment grade	496,402,550	477,333,300
	496,402,550	477,333,300

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		Securities available for sale	
	2021	2020	2021	2020
Concentration by sector:				
Corporate	87,309,502	60,314,580	3,042,128	4,074,430
Government	-	-	493,360,422	473,258,870
Carrying amount	87,309,502	60,314,580	496,402,550	477,333,300
Geographic concentration:				
South America and Caribbean	87,309,502	60,314,580	-	-
United States of America	-	-	496,402,550	477,333,300
Carrying amount	87,309,502	60,314,580	496,402,550	477,333,300

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

4.4 Liquidity or financing risk

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

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

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

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

	No maturity	3 moths 1 year	Over a year	Total
2021				
Financial assets:				
Cash and deposits in bank	99,055,109	-	-	99,055,109
Deposits in ceding companies	2,413,282	-	-	2,413,282
Securities available for sale	-	496,402,550	-	496,402,550
Trust agreements	4,107,687	-	12,000,000	16,107,687
Premiums receivable	-	87,309,502	-	87,309,502
Accounts receivable - retrocessions	-	81,018,278	-	81,018,278
Total financial assets	105,576,078	664,730,330	12,000,000	782,306,408
Financial liabilities:				
Loans payable	-	145,560	254,802	400,362

	No maturity	3 moths 1 year	Over a year	Total
2020				
Financial assets:				
Cash and deposits in bank	34,531,113	450,499	-	34,981,612
Deposits in ceding companies	48,919,338	-	-	48,919,338
Securities available for sale	-	477,333,300	-	477,333,300
Trust agreements	3,545,562		12,000,000	15,545,562
Premiums receivable	-	60,314,580	-	60,314,580
Accounts receivable - retrocessions	-	62,414,518	-	62,414,518
Total financial assets	86,996,013	600,512,897	12,000,000	699,508,910
Financial liabilities:				
Loans payable	-	145,560	242,645	388,205

4.5 Market risk

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

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

As part of the market risk, the 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:

2021	**3 months to 1 year**	**1 to 5 years**	**No interest rate**	**Total**
Financial assets:				
Cash and deposits in banks	-	-	99,055,109	99,055,109
Deposits in ceding companies	-	-	2,413,282	2,413,282
Securities available for sale	496,402,550	-	-	496,402,550
Trust agreements	-	12,000,000	4,107,687	16,107,687
Premiums receivable	-	-	87,309,502	87,309,502
Accounts receivable - retrocessions	-	-	81,018,278	81,018,278
Total financial assets	496,402,550	12,000,000	273,903,858	782,306,408
Financial liabilities:				
Loan payable	145,560	254,802	-	400,362
Repurchase agreements	18,000,000	-	-	18,000,000
Total financial liabilities	18,145,560	254,802	-	18,400,362
Net	478,256,990	11,745,198	273,903,858	763,906,046

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

4.6 Operational risk

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

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

4.7 Capital risk management

The main objectives of the Company when managing capital is to maintain its ability to continue as an ongoing business to generate returns to the shareholders and to maintain an optimal capital structure to reduce the costs of raising capital. To maintain an optimal capital structure, factors such as: amount of dividends payable, return of capital to shareholders or issuance of shares, are taken into consideration. The minimum capital requirement established by the Cayman Islands Monetary Authority is assured, which is set at a minimum of US$50,000,000 for Class D reinsurance companies.

4.8 Currency risk

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

	EURO	USD	MXN	Total
2021				
Assets				
Cash and deposits in bank	6,203,505	92,835,513	16,091	99,055,109
Deposits in ceding companies	-	2,413,282	-	2,413,282
Securities available for sale	-	496,402,732	-	496,402,732
Trust agreements	-	16,107,687	-	16,107,687
Premiums receivable	-	87,309,502	-	87,309,502
Accounts receivable - retrocessions	81,018,278	-	-	81,018,278
Total financial assets	87,221,783	695,068,716	16,091	782,306,590
Liabilities				
Loan payable	-	400,362	-	400,362
Repurchase agreements	-	18,000,000	-	18,000,000
Total financial liabilities	-	18,400,362	-	18,400,362

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

5. Accounting estimates and critical judgments

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

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

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

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

- *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, 2021 on annualized events and it is possible that future events may require modifying them (increase or decrease) in the future.

6. Balances and transactions with related parties

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

	2021	2020
Balances with related parties		
Assets		
Bank deposits	1,341,333	2,067,691
Investment in associate (Note 14)	10,151,608	7,720,337
Notes receivable (i)	3,723,459	8,963,980
Accounts receivable (ii)	19,555,570	18,196,380
Account receivable - others	2,083,982	2,091,641
Account receivable - Shareholder	216,544	148,661
Trust agreement (iii)	12,000,000	12,000,000
Transactions with related parties		
Gross written primium	27,514,533	1,378,263
Commissions paid	6,878,633	229,710
Claims paid	-	861,324
Interest income	1,157,017	920,772
Key executive salaries	657,883	656,978

(i) As of December 31, 2021, the Company maintains US$3,723,459 (2020: US$8,963,980) relating to certificates of investment issued by the related Company Standard Capital Shareholding Inc., (B.V.I), which accrued interest at an annual rate of 2.5% (2020: 2.5%) with a maturity of one year.

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

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

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

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

The Company has no direct control over Barents Risk Management LTD which is therefore not considered a related party; however, it manages 66% of the Company's gross operational income, in addition, Barents Risk Management LTD, maintains a concentrated receivable with the Company of over $98,940,278 (2020: 56,650,036) and this represents 94% (2020: 79%) of Barents Risk Management LTD total assets.

7. Cash and bank deposits

Deposits in banks are detailed below:

	2021	2020
Demand deposits - domestic	1,404,804	2,108,071
Time deposits - domestic	-	450,499
Demand deposits - foreign	97,650,305	32,423,042
Total	99,055,109	34,981,612
Less:		
Time deposits at original maturity greater than 90 days	-	450,499
Cash and cash equivalents for consolidated cash flow purpose	99,055,109	34,531,113

On December 31st 2021, The Company no maintains term deposits (2020: ranged from 1.75% at maturity in June 2021).

8. Premiums receivable, net

Premiums receivables are summarized as follows:

	2021	2020
Barents Risk Management, LTD	92,360,771	65,513,288
Others	5,969,570	3,367,649
	98,330,341	68,880,937
Less: uncollectible premium provision	(11,020,839)	(8,566,357)
Net premium receivable	87,309,502	60,314,580

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

Aging of accounts receivable matured but not uncollectible

	2021	2020
Current	18,900,778	19,222,222
30-60 days	77,429,472	25,577,864
61-90 days	1,203,729	17,540,437
More than 90 days	796,362	6,540,414
Total	98,330,341	68,880,937

Provision movement for uncollectible premiums

	2021	2020
Balance at beginning of the year	8,566,357	6,622,322
Provision increase	2,454,482	1,944,035
Balance at end of year	11,020,839	8,566,357

9. Deposits in ceding companies

As of December 31, 2021, the Company placed a deposit of US$2,413,282 (2020: US$48,919,338) under a reinsurance contract signed with a transfer company licensed in Europe, with a term of one year and without interest.

10. Securities available for sale

Securities available for sale are summarized as follows:

	2021	2020
Listed securities (at fair value):		
Governments bonds - foreign	493,360,605	473,258,870
Corporates	3,041,945	4,074,430
	496,402,550	477,333,300

The annual interest rate earned by securities available for sale is 2.82% with maturities up to one year (2020: 1.49% to 8.42% with maturities up to one year).

The movement of securities available for sale is summarized below:

	2021	2020
Balance at beginning of year	477,333,300	460,949,184
Additions	561,693,177	477,235,486
Sales	(556,939,079)	(462,359,841)
Change in fair value	14,315,152	1,508,471
Balance at year end	496,402,550	477,333,300

During 2021, the Company sold and redeemed securities available for sale for a total of US$556,939,079 (2020: US$462,359,841), the sales generated a gain of US$14,514,946 (2020: US$9,371,571).

11. Property, furniture, equipment and improvements

Property, furniture, equipment and improvements are summarized below:

2021	Improvements	Building	Office equipment	Computer equipment	Balance
Cost					
Balance at the beginning of the year	635,445	-	274,071	337,272	1,246,788
Additions	3,159	-	3,244	49,961	56,364
Adjustments	(45,210)	4,620	(2,201)	-	(42,791)
Disposals	-	-	6,277	2,070	8,347
Balance at end of the year	593,394	4,620	281,391	389,303	1,268,708
Accumulated depreciation and amortization					
Balance at the beginning of the year	79,934	-	127,912	279,839	487,685
Expense for the year	90,320	-	50,910	21,198	162,428
Adjustments	-	-	-	5,871	5,871
Disposals	-	-	6,277	2,070	8,347
Balance at end of the year	170,254	-	185,099	308,978	664,330
Net balance	423,140	4,620	96,292	80,325	604,378
2020					
Cost					
Balance at the beginning of the year	286,037	-	220,863	319,173	826,073
Additions	349,408	-	53,208	18,099	420,715
Balance at end of the year	635,445	-	274,071	337,272	1,246,788
Accumulated depreciation and amortization					
Balance at the beginning of the year	3,493	-	73,816	250,342	327,651
Expense for the year	76,441	-	54,096	29,497	160,034
Balance at end of the year	79,934	-	127,912	279,839	487,685
Net balance	555,511	-	146,159	57,433	759,103

12. Accounts receivable

Accounts receivables are summarized as below:

	2021	2020
Barents R. M., Inc.	12,503,362	15,679,411

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

13. Trust agreements

The Group maintains trust agreements, which are detailed below:

	2021	2020
Trust - Fixed Deposit	12,000,000	12,000,000
Trust - Real Estate	4,107,687	3,545,562
	16,107,687	15,545,562

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$ 4,107,687 (2020: US$3,545,562).

During 2021, the Company added the amount of US$562,125 in the concept of bank deposit, investments, as well as the net value of the sale of real estate property.

The Group established an administration trust with Canal Trust, Inc., for the amount of US$12,000,000 related to fixed deposits with interest rates ranging from 1.25% to 4%, which end date is March 23, 2023.

14. Investment in associate

Investment in associate is summarized below:

Name	Activity	Country of incorporation	% of interest		2021	2020
			2021	2020		
Nacional de Seguros, S.A.	Insurance company	Colombia	49%	49%	7,814,859	5,471,077
Fianza Avanza, S.A.	Insurance company	México	49%	49%	2,336,749	2,249,260
					10,151,608	7,720,337

Nacional de Seguros, S. A.

The Company maintains 1,298,459,285 shares in Nacional de Seguros, S.A., company incorporated under the laws of the Republic of Colombia. The Company has no power or control over the operations of Nacional de Seguros, S.A.

A summary of the statement of financial position and the statement of profit or loss as of December 31, 2021 is detailed as follows:

Statement of financial position:

	2021	2020
Total assets	122,784,592	73,841,045
Total liabilities	109,066,546	61,743,661
Net assets	13,718,046	12,097,384

Statement of profit or loss:

Income for premiums:	2021	2020
Total earned premium	1,441,647	1,192,620
Liquidated and recovered claims	725,820	1,429,082
Earned commissions	19,543,678	10,579,184
Net cost	(12,554,731)	(7,405,256)
General and administrative expenses	(7,237,592)	(3,211,645)
Technical result	1,918,822	2,583,985
Total other income, net	4,445,882	1,074,378
Income before income tax	6,364,704	3,658,363
Income tax	(1,664,475)	(12,447)
Deferred tax	82,999	(1,079,742)
Net income	4,783,228	2,566,174

Fianzas Avanza S.A., de C.V. (México)

On September 30, 2013, the Company acquired 29,400 shares in Grupo Sodafi, S.A. de C.V. a company organized and existing under the laws of the United Mexican States. On November 6, 2016; the Board of Shareholders resolved to change the legal name of the company from Grupo Sodafi, S.A. de C.V. to Fianzas Avanza S.A. de C.V. The Company owns 47,266 shares of Fianzas Avanza S.A., de C.V. (Mexico) and has no power or control over the operations of Fianzas Avanza, S. A. de C.V.

A summary of the statement of financial position and the statement of profit or loss as of December 31, 2021 is detailed as follows:

Statement of financial position:

	2021	2020
Total assets	8,465,486	12,589,064
Total liabilities	4,266,534	8,455,207
Net Assets	4,198,952	4,133,857

Statement of profit or loss:

Income for premiums:	**2021**	**2020**
Total earned premium	175,141	155,264
Earned commissions	591,989	420,233
Net cost	(3,978)	(4,623)
General and administrative expenses	(972,965)	(899,711)
Technical result	(209,813)	(328,837)
Total other income, net	126,346	250,352
Income before income tax	(83,467)	(78,485)
Deferred tax	139,217	34,134
Net income	55,750	(44,351)

Investment in associate movement schedule is as follows:

2021	**Nacional de Seguros, S.A.**	**Fianza Avanza, S.A.**	**Total**
Balance at beginning of the year	5,471,077	2,249,260	7,720,337
Capital contribution	-	60,171	60,171
Share of profit of associate	2,343,782	27,318	2,371,100
Ending balance as of December 31	7,814,859	2,336,749	10,151,608

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

15. Lease liability

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

The right-of-use assets are presented below:

	2021	2020
Cost:		
Balance at beginning and the end of the year	2,018,475	2,530,637
Increase	384,714	-
Change in foreign currency translation	(111,838)	164,910
Balance at the end of the year	2,291,351	2,695,547
Acumulated depreciation:		
Expense and balance at the end of the year	684,419	677,072
Net balance	1,606,932	2,018,475

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

	2021	2020
Depreciation expense on right of use assets	684,419	677,072
Interest expense on lease liabilities	71,212	81,863
Expenses related to short-term leases	703,416	739,636
	903,516	1,840,855

(ii) Lease liabilities

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

	2021	2020
Amounts due for settlement within twelve months	937,362	1,032,763
Amounts due for settlement after twelve months	636,026	937,362
	1,573,388	1,970,125

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

16. Other assets

Other assets are comprised as follows:

	2021	2020
Warehouse and offices	2,498,030	2,498,030
Prepaid tax	741,942	1,186,633
Interest receivable	1,910,211	945,989
Prepaid expenses	422,076	525,421
Others	90,560	125,561
	5,662,819	5,281,634

17. 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, 2021, the unrealized premium reserve was US$156,654,156 (2020: US$127,906,920) and the total unrealized retroceded premium is US$81,089,234 (2020: US$60,448,090).

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

	2021	2020
Unrealized premium reserve:		
Balance at beginning of year	127,906,920	101,149,081
Change in foreign currency translation	-	11,152,351
Increase	28,747,236	15,605,488
Balance at end of year	156,654,156	127,906,920
Unrealized retroceded premium:		
Balance at beginning of year	60,448,090	50,006,821
Change in foreign currency translation	-	10,355,252
Increase (decrease)	20,641,144	86,017
Balance at end of year	81,089,234	60,448,090

18. 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$184,606,166 (2020: US$126,655,948) and retroshare of claims outstanding US$102,384,847 (2020: US$83,416,701). The total IBNR reserve is US$268,101,076 (2020: US$301,757,042), IBNR of retroshare is US$169,071,157 (2020: US$202,765,444). The total deferred acquisition costs are US$28,060,406 (2020: US$11,450,644).

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:

	2021	2020
Provision reserve IBNR:		
Balance at the beginning of the year	301,757,042	170,758,317
Change in foreign currency translation	-	10,062,572
Increase	(33,655,966)	120,936,153
Balance at the end of the year	268,101,076	301,757,042
IBNR of retroshare:		
Balance at the beginning of the year	202,765,444	131,970,821
Change in foreign currency translation	-	9,327,806
Increase	(33,694,287)	61,466,817
Balance at the end of the year	169,071,157	202,765,444
Claims outstanding reserve:		
Balance at the beginning of the year	126,655,948	166,421,215
Change in foreign currency translation	-	(112,232)
Increase	57,950,218	(39,653,035)
Balance at the end of the year	184,606,166	126,655,948
Reserve for claims in process:		
Balance at the beginning of the year	83,416,701	122,585,588
Change in foreign currency translation	-	(424,033)
Increase	18,968,146	(38,744,854)
Balance at the end of the year	102,384,847	83,416,701
Deferred acquisition costs:		
Balance at the beginning of the year	11,450,644	9,199,665
Change in foreign currency translation	-	566,930
Increase	16,609,762	1,684,049
Balance at the end of the year	28,060,406	11,450,644

19. Accounts receivable - retrocessions

Accounts receivables - retrocessions are detailed below:

	2021	2020
Accounts receivable - retrocessions	81,018,278	62,414,518

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

20. Loans payable

The loans payable is detailed as follows:

	2021	2020
Capital International Bank Inc.		
Loan at a 10 years term with a minimum annual interest rate of 6.25%, with maturity in October 2023. The Company maintains a collateral trust agreement on real estate as a guarantee of this obligation.	400,362	388,205
Total	400,362	388,205
Short term	145,560	145,560
Long term	254,802	242,645
	400,362	388,205

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

	2021	2020
Balance at the beginning of the year	388,205	2,505,123
Proceeds from new loans	97,956	-
Payments to loans	85,799	2,116,918
Total	400,362	388,205

21. Repurchase agreements

As of December 31st, of 2021, the Company maintains a repurchase agreement for US$18,000,000 (2020: US$18,000,000) renewable for one year with an average interest rate of 3.0%. (2020: 3.0%)

22. Deposits received from reinsurance companies

As of December 31st, 2021, the Company maintains deposits from other reinsurance companies as detailed as follows:

	2021	2020
Trina Solar (Spain) System, S.L.U.	169,590	184,315
	169,590	184,315

23. Accounts payable and accrued expenses

The accumulated accounts and expenses payable are as follows:

	2021	2020
Tax payable	1,394,213	2,273,694
Accruals payable (a)	1,847,264	1,421,727
Deferred tax liability	1,043,816	671,587
Interest payable	354,897	354,897
Suppliers payable	19,649	68,118
Withholdings payable	19,067	64,012
Other accounts payable	863,975	1,996,745
	5,542,881	6,850,780

(a) During 2021, the Company accrued for Service Level Agreement (SLA) fees with BRM Beirut for the services received during the year but not invoiced yet, for an amount of US$1,847,264 (2020: US$1,421,727).

24. Other expenses

The other expenses account is summarized below:

	2021	2020
Other fees	7,751,752	1,184,209
Rentals	449,723	251,555
Insurances	200,383	227,345
Taxes	102,439	96,594
Travel expenses	94,871	215,217
Expenditure abroad	59,435	65,891
Director´s compensation	53,822	37,639
Electrical energy	53,528	35,462
Telecommunications	49,354	74,244
Legal and notarial expenses	37,518	34,107
VAT expenses	36,655	287,647
Maintenance and repairs	25,239	30,120
Licenses & software	22,756	95,088
Bank charges	10,723	166,890
Loss on currency exchange	-	1,019,225
Others	895,663	1,712,043
	9,843,861	5,549,738

25. Non - controlling interests

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

	% of non - controlling interest		2021	2020
	2021	2020		
Barents Re Reinsurance S.A. (Luxemburgo)	49%	49%	25,882,432	22,329,817

Movement of non-controlling interest is detailed as follows:

	2021	2020
Issuance of shares	22,329,817	20,538,355
Profit participation	3,552,615	1,791,462
	25,882,432	22,329,817

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 (2020: US$404,988,405).

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

27. Capital reserve

The Company voluntarily established a contingency reserve for the amount of US$50,022,726 for the first quarter of the year 2021, it was established based on 16.6% of the total technical costs at the end of the year 2020. For the following years, an increase based on 1% of the current year's technical costs will be determined with the objective of covering probable unforeseen losses within the Company’s actuarial reserves, and also possible future statistical deviations that may exist and that may impact the economic situation of the Company.

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, 2021, Barents Reinsurance S.A. (Luxembourg) generated income tax of US$1,761,768 (2020: US$900,051).

	2021	2020
Barents Reinsurance, S. A. (Luxemburg) taxable income	7,432,547	3,974,077
Current income tax	1,521,791	664,112
Prior year adjustments	61,178	70,071
	1,582,969	734,183
Wealth tax	178,799	165,868
Income tax	1,761,768	900,051

29. Reclassifications

In order to improve the comparability of the consolidated financial statements, reclassifications were made to the previously reported balances for the year ended December 31, 2020. These reclassifications have no effect net profit for the year or on previously reported equity. Certain other elements of corresponding figures have been changed to conform to current year presentation.

Consolidated statement of financial position	2020 as previously reported	Reclassifications	2020 as reclassified
Accounts receivable	84,149,141	(84,149,141)	-
Accounts receivable - retrocessions	-	62,414,518	62,414,518
Accounts receivable	-	15,679,411	15,679,411
Other accounts receivable	-	6,055,212	6,055,212
			-
Net effect		-	
Ceded share of technical provisions	350,473,823	(350,473,823)	-
Unrealized retroceded premium	-	60,448,090	60,448,090
IBNR of retroshare	-	202,765,444	202,765,444
Retroshare of claims outstanding	-	83,416,701	83,416,701
Unearned retroceded commission	-	3,843,588	3,843,588
Net effect		-	

Consolidated statement of profit or loss	2020 as previously reported	Reclassifications	2020 as reclassified
Income from premiums and cost			
Gross claims paid	(263,149,873)	263,149,873	-
Retroshare of claims paid	84,988,850	(84,988,850)	-
Change in claims outstanding	-	39,653,035	39,653,035
Change in retro outstanding	-	(38,744,854)	(38,744,854)
Change in IBNR	-	(120,936,153)	(120,936,153)
Change in retrocession of IBNR	-	61,466,817	61,466,817
Change in unearned retrocession commission	-	423,007	423,007
Change in acquisition costs	-	1,684,049	1,684,049
Gross claims paid	-	(181,866,755)	(181,866,755)
Retroshare of claims paid	-	62,266,887	62,266,887
Other incomes (expenses)			
Commissions paid, net	(36,381,019)	36,381,019	-
Other Technical costs	3,526,924	(3,526,924)	-
Commissions paid	-	(36,920,029)	(36,920,029)
Commissions received	-	539,010	539,010
Reinsurance commisions and profit participation	-	1,432,618	1,432,618
Risk analysis cost	-	(12,750)	(12,750)
Net effect		-	

30. Subsequent events

During the first quarter of 2022, the Company has calculated the 1% increase for the contingency reserve in accordance with the established policy based on the current year's technical costs for the amount US$2,483,094 to cover probable unforeseen losses within the Company's actuarial reserves, and also possible future statistical deviations that may exist and that may impact the economic situation of the Company.

31. Approval of consolidated financial statements

The consolidated financial statements for the year ended December 31, 2021 were approved and issuance was authorized by the Board of Directors on June 29, 2022.

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