

**LION REINSURANCE COMPANY, LTD.**  
**(A wholly-owned subsidiary of ASSA Holding Company, S.A.)**

(Incorporated in Bermuda)

**Financial Statements**  
(With Independent Auditor's Report Therein)

Year ended December 31, 2021

**LION REINSURANCE COMPANY, LTD.**  
**(A wholly-owned subsidiary of ASSA Holding Company, S.A.)**

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**LION REINSURANCE COMPANY, LTD.**  
**(A wholly-owned subsidiary of ASSA Holding Company, S.A.)**

Directors' Report

For the financial year ended December 31, 2021

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The Directors present their report and the audited financial statements for the financial year ended December 31, 2021. The Company has applied International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board in preparing these financial statements.

**Incorporation**

Lion Reinsurance Company, Ltd. (the "Company") was incorporated on November 25, 2011 under the laws of Bermuda.

**Principal activities**

The Company assumes reinsurance risks from its affiliated companies for property, liability, marine and miscellaneous coverages. The Company buys retrocession cover as part of the ASSA Holding Company, S.A. and subsidiaries' purchase of reinsurance.

**Results and dividends**

The results for the financial year ended December 31, 2021 are set out in the Statement of Income and Comprehensive Income on page 6.

**Directors**

The directors in office at the date of this report are as follows:

- Leopoldo Juan Arosemena Herrera
- Eduardo Fox
- Carlos Alberto Motta Fidanque
- Eduardo Jose Fabrega Aleman
- Andres De La Guardia
- Stephen Arrowsmith

**Arrangements to enable directors to acquire shares and debentures**

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

**Secretary**

The secretary of the Company as at December 31, 2021 was Appleby Global Corporate Services (Bermuda) Ltd.

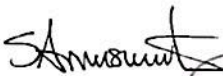
**Manager**


The management of the Company is delegated to Willis Towers Watson Management (Bermuda) Limited.

**Auditors**

The independent auditor, KPMG Audit Limited has expressed its willingness to accept appointment.

By order of the Board

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

Registered office  
Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

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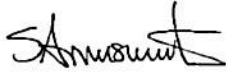
Statement by Directors

For the financial year ended December 31, 2021

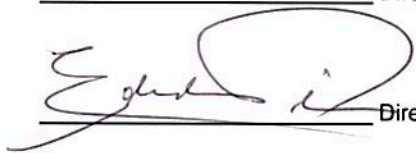
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In the opinion of the Directors, the financial statements set out on pages 5 to 30 are drawn up so as to give a true and fair view of the state of affairs of the Company as at December 31, 2021, the results of the business, the changes in shareholder's equity and the cash flows for the financial year ended December 31, 2021, and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors



Director



Director

Registered office  
Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda



**KPMG Audit Limited**  
Crown House  
4 Par-la-Ville Road  
Hamilton  
HM 08  
Bermuda

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholder and Board of Directors of Lion Reinsurance Company, Ltd.**

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Lion Reinsurance Company, Ltd. (the "Company"), which comprise the statement of financial position as at December 31, 2021, the statements of income and comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

#### **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 *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bermuda and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 financial statements**

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

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

*KPMG Audit Limited*

Chartered Professional Accountants  
Hamilton, Bermuda  
April 29, 2022

**LION REINSURANCE COMPANY, LTD.**  
**(A wholly-owned subsidiary of ASSA Holding Company, S.A.)**

Statement of Financial Position

December 31, 2021

(Expressed in United States Dollars)

	Note(s)	2021	2020
<b>Assets</b>			
Cash and cash equivalents	4,5	\$ 2,783,909	\$ 842,206
Investments	4,5,7	44,925,157	44,561,114
Accrued investment income	4,5,6	389,256	379,574
Reinsurance balances receivable	4,5	5,365,888	5,433,960
Loss and loss expense reserves recoverable	8	222,742	932,113
Reinsurance premiums paid in advance		<u>26,075</u>	<u>29,350</u>
<b>Total assets</b>		<u>53,713,027</u>	<u>52,178,317</u>
<b>Liabilities</b>			
Loss and loss expense reserves	8	12,267,952	11,327,065
Unearned premiums	3	10,560,412	9,327,936
Reinsurance balances payable	5	4,032,822	3,366,108
Advances received	5	-	41,817
Accrued liabilities	5	<u>61,930</u>	<u>65,864</u>
<b>Total liabilities</b>		<u>26,923,116</u>	<u>24,128,790</u>
<b>Shareholder's equity</b>			
Authorized, issued and fully paid, 4,000,000 shares of \$1 par value each	10	4,000,000	4,000,000
Accumulated other comprehensive income		905,941	2,345,052
Retained earnings		<u>21,883,970</u>	<u>21,704,475</u>
<b>Total shareholder's equity</b>		<u>26,789,911</u>	<u>28,049,527</u>
<b>Total liabilities and shareholder's equity</b>		<u>\$ 53,713,027</u>	<u>\$ 52,178,317</u>

The notes are an integral part of the financial statements

Signed on behalf of the Board

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

**LION REINSURANCE COMPANY, LTD.**  
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Statement of Income and Comprehensive Income

Year ended December 31, 2021  
*(Expressed in United States Dollars)*

	<u>Note(s)</u>	<u>2021</u>	<u>2020</u>
<b>Income</b>			
Gross premiums assumed		\$ 25,815,028	\$ 27,123,152
Reinsurance premiums ceded		<u>(11,218)</u>	<u>(3,505,256)</u>
Net premiums assumed		25,803,810	23,617,896
Change in unearned premiums		<u>(1,232,476)</u>	<u>819,406</u>
Net premiums earned		24,571,334	24,437,302
Investment income		<u>1,331,491</u>	<u>937,922</u>
Total income		<u>25,902,825</u>	<u>25,375,224</u>
<b>Expenses</b>			
Loss and loss expenses incurred	8	(15,470,939)	(11,284,648)
Acquisition costs		(6,263,721)	(5,812,896)
Administrative expenses		<u>(417,484)</u>	<u>(349,737)</u>
Total expenses		<u>(22,152,144)</u>	<u>(17,447,281)</u>
Net change in fair value on FVPL investments		(229,465)	332,490
Realized gain (loss) on securities		558,279	556,635
<b>Net income</b>		<u>4,079,495</u>	<u>8,817,068</u>
<b>Other comprehensive income:</b>			
Unrealized gain on available for sale investments		<u>(1,439,110)</u>	<u>2,174,010</u>
<b>Other comprehensive income for the year</b>		<u>(1,439,110)</u>	<u>2,174,010</u>
<b>Total comprehensive income for the year</b>		<u>\$ 2,640,385</u>	<u>\$ 10,991,078</u>

*The notes are an integral part of the financial statements*



**LION REINSURANCE COMPANY, LTD.**  
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Statement of Changes in Shareholder's Equity

Year ended December 31, 2021  
*(Expressed in United States Dollars)*

	<u>Note</u>	<u>2021</u>	<u>2020</u>
<b>Share capital</b>			
Balance at beginning and end of year	10	\$ <u>4,000,000</u>	\$ <u>4,000,000</u>
<b>Accumulated other comprehensive income (loss)</b>			
Balance at beginning of year		2,345,052	171,042
Unrealized (loss) gain on FVOCI investments		(1,314,721)	2,017,984
Expected loss FVOCI		<u>(124,390)</u>	<u>156,026</u>
Balance at end of year		<u>905,941</u>	<u>2,345,052</u>
<b>Retained earnings</b>			
Balance at beginning of year		21,704,475	15,887,407
Net income		4,079,495	8,817,068
Dividend		<u>(3,900,000)</u>	<u>(3,000,000)</u>
Balance at end of year		<u>21,883,970</u>	<u>21,704,475</u>
Total shareholder's equity		<u>\$ 26,789,911</u>	<u>\$ 28,049,527</u>

*The notes are an integral part of the financial statements*

**LION REINSURANCE COMPANY, LTD.**  
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Statement of Cash Flows

Year ended December 31, 2021  
*(Expressed in United States Dollars)*

	<u>Note(s)</u>	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>			
Net income		\$ 4,079,495	\$ 8,817,068
Add: Realized loss		(557,839)	(556,635)
Add: Change in unrealized gain/loss on investments		229,461	(332,490)
Add: Expected loss FVOCI		(124,389)	156,026
Add: Amortization		<u>232,388</u>	<u>197,814</u>
		3,859,116	8,281,783
Net changes in non-cash balances relating to operations:			
Increase in accrued investment income		(9,682)	(88,556)
Decrease (increase) in reinsurance balances receivable		68,072	(734,727)
Decrease in loss and loss expense reserves recoverable		709,371	39,034
Decrease (increase) in reinsurance premiums paid in advance		3,275	(4,781)
Increase in loss and loss expense reserves		940,887	1,808,271
Increase (decrease) in unearned premiums		1,232,476	(819,406)
Increase (decrease) in reinsurance balances payable		666,714	(577,587)
(Decrease) increase in intercompany payables		(41,817)	40,128
(Decrease) increase in accrued liabilities		<u>(3,934)</u>	<u>13,159</u>
		7,424,478	7,957,318
<b>Cash flows used in investing activities</b>			
Purchase of investments	7	(15,288,228)	(20,799,789)
Proceed from the sale and maturity of investments	7	<u>13,705,453</u>	<u>12,183,793</u>
		(1,582,775)	(8,615,996)
<b>Cash flows used in financing activities</b>			
Dividend Paid		<u>(3,900,000)</u>	<u>(3,000,000)</u>
		(3,900,000)	(3,000,000)
Net increase (decrease) in cash at bank			
		1,941,703	(3,658,678)
Cash at bank at beginning of year		<u>842,206</u>	<u>4,500,884</u>
Cash at bank at end of year		<u>\$ 2,783,909</u>	<u>\$ 842,206</u>
<b>Supplementary disclosure of cash flow information:</b>			
Interest received		\$ 1,386,835	\$ 1,152,126

*The notes are an integral part of the financial statements*

**LION REINSURANCE COMPANY, LTD.**  
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Notes to Financial Statements

December 31, 2021

*(Expressed in United States Dollars)*

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**1. General information**

Lion Reinsurance Company, Ltd. (the “Company”) is incorporated under the laws of Bermuda and is a registered Class 3A Insurer under The Insurance Act 1978 of Bermuda, related Regulations and amendments thereto (“The Act”). It is managed in Hamilton, Bermuda by Willis Towers Watson Management (Bermuda) Limited.

The Company is a wholly owned subsidiary of ASSA Compania Tenedora, S.A., a company incorporated in Panama. The Company’s ultimate parent is Grupo ASSA, S.A. (the “Parent Company”).

The Company assumes reinsurance risks only from its parent company and affiliates for property, liability, marine, life, personal accident and health, and miscellaneous coverages in Central America. The Company procures reinsurance as part of the group’s purchase of retrocession cover.

**2. Basis of presentation**

**2.1 Statement of compliance**

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) promulgated by the International Accounting Standards Board (“IASB”).

The financial statements were approved by the Board of Directors on April 29, 2022 and hence released for publication.

**2.2 Basis of measurement**

The financial statements have been prepared on the historical cost basis. See Note 3 for the exceptions to this.

**2.3 Functional and presentation currency**

The financial statements are presented in United States dollars, which is the functional currency of the Company.

**2.4 Use of estimates and judgements**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The area involving a higher degree of judgment and where estimates are significant to the financial statements is the loss and loss expense reserve. This is disclosed further in Notes 3.1 and 8 of these financial statements.

**3. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

**3.1 Insurance contracts**

*(a) Premiums earned*

Premiums assumed are recorded when advised by the ceding companies and are included in income on a straight-line basis over the period of the primary insurer’s insurance contract. Any unearned premiums are deferred on the balance sheet in consistency with the primary insurer’s unearned premiums. Reinsurance premiums ceded are similarly pro-rated over the terms of the insurance treaties with the unearned portion being deferred in the balance sheet as reinsurance premiums paid in advance.

**LION REINSURANCE COMPANY, LTD.**  
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Notes to Financial Statements

December 31, 2021

*(Expressed in United States Dollars)*

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**3. Summary of significant accounting policies** (continued)

**3.1 Insurance contracts** (continued)

*(b) Acquisition costs*

Acquisition costs, consisting of commissions and taxes relating to business underwritten by the Company, are expensed when incurred.

*(c) Loss and loss expenses*

Loss and loss expenses are charged to income as incurred based on the estimated liability for claim settlement costs arising from events that have occurred up to the balance sheet date. The Company's cedants have a policy of requiring claims to be reported within 30 days from the date of the loss.

Loss and loss expense reserves are comprised of the estimated cost to settle all the reported claims but not settled at the date of the financial statements including claims administrative expenses. The amount of provision made is based on the information which is currently available, including potential claims which have been reported by the ceding insurers, their experience of the development of similar claims, historical trends, and actuarial assessment, along with other factors. Whilst the Company considers that the provision for these claims is fairly stated on the basis of the information currently available, the ultimate liability may vary as a result of subsequent information and events, and may result in significant adjustments to the amount provided. Adjustments to the amount provided are reflected in the financial statements in the accounting period in which the adjustments arise.

The Coronavirus (COVID-19) pandemic which emerged in the beginning of 2020 is having a broad impact globally to all aspects of life. Specifically, this impact resulted in uncertainty in the estimate of unpaid losses and loss adjustment expenses. The extent of this impact and the uncertainty is currently unknown and it may take several years to determine the full impact.

*(d) Reinsurance balances receivable and payable*

Receivables and payables are recognized when due. These include amounts due to and from insurance contract holders. If there is objective evidence that an insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in the statement of income. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for reinsurance contracts held.

### **3.2 Financial instruments**

Classification:

In accordance with IFRS 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

#### Financial assets

The Company classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss and other comprehensive income on the basis of both the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

#### *Financial assets measured at amortised cost:*

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company includes cash at bank, accrued interest, reinsurance receivable, loss and loss expenses recoverable, prepaid expenses, reinsurance premiums paid in advance and other assets within this category.

#### *Financial assets measured at fair value through profit or loss (FVPL):*

A financial asset is measured at fair value through profit or loss if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding; or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Company classifies investments in exchange traded funds within this category at the reporting date.

#### *Recognition*

The Company recognises financial assets measured at FVPL on the trade date at which it becomes a party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in fair value are recorded.

**LION REINSURANCE COMPANY, LTD.**  
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Notes to Financial Statements

December 31, 2021

*(Expressed in United States Dollars)*

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**3. Summary of significant accounting policies** (continued)

**3.2 Financial instruments** (continued)

Financial assets (continued)

*Financial assets measured at fair value through other comprehensive income (FVOCI):*

At initial recognition an entity at its sole option may irrevocably designate an investment in an equity instrument as FVOCI, unless the asset is:

- (a) Held for trading, or
- (b) Contingent consideration in a business combination.

Under this option, only qualifying dividends are recognized in profit and loss. Changes in fair value are recognized in OCI and never reclassified to profit and loss, even if the asset is impaired, sold or otherwise derecognized.

Dividends are recognized when the entity's right to receive payment is established, it is probable the economic benefits will flow to the entity and the amount can be measured reliably.

Financial liabilities

Financial liabilities measured at amortised cost – this category includes all financial liabilities, other than those measured at fair value through profit or loss.

Financial liabilities measured at fair value through profit or loss (FVPL) – a financial liability is measured at FVPL if it meets the definition of held for trading.

Other financial assets and liabilities are recognised on the date they are originated.

*Measurement*

Financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

**3. Summary of significant accounting policies** (continued)

**3.2 Financial instruments** (continued)

Financial liabilities (continued)

*Measurement* (continued)

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of comprehensive income. Financial assets classified as receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any. Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

*Derecognition*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition. The Company uses the first-in-first-out method to determine realised gains and losses on derecognition. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

*Impairment*

The Company holds only reinsurance balance receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses ("ECL") under IFRS 9 to all its receivables. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Company's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

No impairment loss is recognized on investments in equity instruments.

The evaluation of whether or not there was a significant increase in the credit risk of a financial asset is one of the critical judgments implemented in the impairment model. The provision for credit losses on investments is recognized for the amount equivalent to the 12-month ECL in the following cases:

- Investments in debt instruments whose credit risk is determined as low as of the reporting date; and
- Other financial instruments on which the credit risk has not increased significantly since their initial recognition.

In the rest of cases, the provision is recognized based on the amount equivalent to the ECL during the total remaining life of the asset.

**3. Summary of significant accounting policies** (continued)

**3.2 Financial instruments** (continued)

Financial liabilities (continued)

*Impairment* (continued)

The expected credit loss model (ECL) presents three stages of impairment for financial assets that are applied from the date of origin or acquisition. These stages are summarized below:

- Stage 1: Recognizes the provision for credit losses for the amount equivalent to the expected credit losses for the next 12 months. This represents the portion of expected credit losses resulting from loss events that are possible within a 12-month period following the date of the consolidated financial statements, assuming that credit risk has not increased significantly since its initial recognition.
- Stage 2: Recognizes the provision for credit losses for the amount equivalent to the expected credit losses during the remaining life of the asset for those financial assets that are considered to have experienced a significant increase in credit risk since their initial recognition. This requires the computation of the ECL based on the probability of default during the remaining life of the financial asset. The provision for credit losses is higher at this stage due to increased credit risk and considering the impact of a longer time horizon when compared to stage 1.
- Stage 3: Recognizes a provision for loss in the amount equivalent to the ECL during the remaining life of the asset, based on a probability of default (PI) of 100% on the recoverable cash flows of the asset.

**Significant increase in credit risk**

Periodically, the Company assesses whether credit risk of its investments has increased significantly. A significant increase in credit risk is defined as any factor, internal or external to the client, its market or the economy in general that may affect the risk of default on the policy without entering into an exhaustive search for information. In conducting the assessment, the Company uses the calculated change in the risk of a default occurring over the expected life rather than the change in the amount of expected credit losses. To carry out this evaluation, the Company considers reasonable and sustainable information that is available without disproportionate cost or effort and that is indicative of increases in credit risk since initial recognition.

It is not necessary to conduct an exhaustive search for information to determine whether credit risk has increased significantly since initial recognition.

Credit risk analysis is a holistic, multi-factor analysis. A specific factor may or may not be relevant. Its weight will depend on the comparison with other factors, according to the type of investment.

The criteria for determining whether credit risk has increased significantly varies depending on the portfolio. In investments in securities, the Company determines that an exposure to credit risk reflects a significant increase since its initial recognition if the issuer's credit risk rating has deteriorated according to the limits indicated in the developed heat map and bases decision-making on the judgment of experts where particular qualitative indicators are evaluated that are considered relevant and whose effect would not be fully reflected otherwise.



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**(A wholly-owned subsidiary of ASSA Holding Company, S.A.)**

Notes to Financial Statements

December 31, 2021  
*(Expressed in United States Dollars)*

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**Summary of significant accounting policies** (continued)

**3.2 Financial instruments** (continued)

Financial liabilities (continued)

*Impairment* (continued)

**Credit risk rating**

The Company assigned to each exposure a credit risk rating based on a model that incorporates a series of data predictive of the occurrence of losses. These models were developed and applied over various periods to assess their reasonableness.

For international investments, the international risk rating of Fitch, Standard and Poor's or Moody's was used. For locally rated instruments, the rating of a rating agency duly authorized by the regulator was considered. In those instruments without rating, the administration used the quantitative valuation methodology Damodaran.

Credit risk ratings are defined and calibrated so that the risk of loss increases exponentially as credit risk deteriorates.

Each exposure will be assigned a credit risk rating upon initial recognition based on available information about the issuer. Exposures will be subject to continuous monitoring, which could result in an exposure being shifted to a different credit risk rating. Refer to Note 4 herein for further quantitative detail.

*Investment income*

Investment income, which consists of interest income from cash at bank, time deposits, and dividends from mutual funds and preferred shares, is recognized on the accrual basis.

*Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**3.3 Cash and Cash equivalents**

Cash and cash equivalents includes bank accounts and marketable securities with original maturities of three months or less.

**3.4 Share capital**

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets.

**3. Summary of significant accounting policies** (continued)

**3.5 Standards and interpretations issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective:

**Standards or changes in standards that have not yet entered into force or are not yet applicable**

**IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration contracts which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows);
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognized in profit or loss over the service period (i.e., coverage period);
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognized in profit or loss over the remaining contractual service period;
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in profit or loss, but are recognized directly on the Statement of financial position;
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense;

Extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach. IFRS 17 has been deferred an additional year and is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, on or before the date it first applies.

The Company plans to adopt the new standard on the required effective date. The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with presentation and disclosure. The Company is still evaluating the impact of the standard.

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**4. Management of insurance and financial risk**

The Company issues contracts that transfer insurance and/or financial risks. This section summarizes these risks and the way that the Company manages them.

**4.1 Risk framework**

The activities of the Company involve the use of insurance contracts and financial instruments. As such, the Company is exposed to insurance risks and financial risks. This note presents information about the Company's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company is also guided by the risk management framework of its ultimate parent.

**4.2 Insurance risk management**

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The Company assumes risks via quota share and excess of loss contracts with related parties and buys retrocession cover as part of ASSA Group's purchase of reinsurance. The Company expects claims to be reported by the insured within 30 days of the loss event. As a result, the Company's claims liabilities are known on a timely basis.

**4.3 Financial risk management**

The overriding principle guiding the Company's investment strategy is capital preservation while giving adequate consideration to the security, liquidity, mix and spread of the assets. Risks in the investment sector consist primarily of market, credit and liquidity risks. The most significant are market price risk (which includes share price and interest rate risk), credit risk and liquidity risk. The risk management policies employed by the Company to manage these risks are discussed below.

*(a) Market risk*

*(i) Share price risk*

Share price risks are derived from unfavourable changes in the value of equity securities or net assets values of investment funds. To manage the risks, management performs due diligence over the entities and funds invested in and monitors performance. Management aims to diversify the risks across various sectors, regions and classes of securities.

At December 31, 2021, the Company has investments in a number of corporate bonds, independently managed mutual funds consisting of equity and debt portfolios as well as treasury notes. There are no restrictions on the Company's ability to make further investments in, or withdrawals from, the funds at any time. In addition, the Company has invested in preferred shares of a related party.

*(ii) Interest rate risk*

Interest rate risk is the potential for financial loss arising from changes in interest rates. The Company is exposed to interest rate price risk on monetary assets that have a fixed interest rate. Interest income is earned at rates which fluctuate in relation to relevant interest rate benchmark rates.

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**4. Management of insurance and financial risk** (continued)

**4.3 Financial risk management** (continued)

*(ii) Interest rate risk* (continued)

The Company's exposure to interest rate risks is detailed below, as follows:

<b>Fixed income security</b>	<b>Market value</b>
Corporate & Sovereign bonds	36,616,676

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**36,616,676**

The Company assumes exposure to the effects of fluctuations in the prevailing levels of market interest rates, both in its fair value risk and in its cash flow risk. The Company conservatively select high-rated securities to mitigate the interest rate risk. Interest margins may increase as a result of such changes, but may decrease or create losses in the event of unexpected movements. On a monthly basis, the Board of Directors of the Company reviews the behaviour of interest rates on assets and liabilities, measures the impact of the mismatch on the Group's results and takes the appropriate measures to minimize negative repercussions on the Group's financial results.

*(b) Credit risk*

Credit risk may arise out of a failure to pay (interest and/or capital repayment) or change in the credit status (rating downgrade) of issuers of securities. The Company attaches vital importance to credit assessment conducted on the basis of the quality criteria set out in the Company's investment guidelines.

The Company is also exposed to credit risk through its receivable balances due from its parent company, ASSA Holding Company, S.A., representing a significant portion of total assets. In addition, the Company is exposed to reinsurance credit risk considering that the Company's reinsurers may not fulfil their contractual obligations to indemnify the Company's losses.

Monitoring of credit risk exposures are performed on a periodic basis and reports are submitted to the Board of the parent company for review.

The Company's maximum exposure to credit risk is the carrying value of all assets net of any allowances for doubtful debts. As at December 31, 2021, an allowance of \$52,538 (2020: \$176,927) has been made for expected credit losses.

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**4. Management of insurance and financial risk** (continued)

**4.3 Financial risk management** (continued)

(ii) *Interest rate risk* (continued)

An analysis of the Company's major exposures to counterparty credit risk, based on S&P or equivalent rating is provided below:

	<u>2021</u>					
	<u>AAA / AA</u>	<u>A+ / A-</u>	<u>BBB+ / BBB</u>	<u>BB+ / BB-</u>	<u>Other/ not rated</u>	<u>Total</u>
Cash at bank	\$ 79,133	\$ 53,383	\$ 941,411	\$ —	\$ —	\$ 1,073,927
Treasury Bonds	1,709,982	—	—	—	—	1,709,982
Investments:						
Investments – FVPL	5,939,874	—	1,866,287	—	—	7,806,161
Investments – FVOCI	—	1,182,219	26,265,119	9,429,557	242,100	37,118,995
Accrued investment income	1,351	7,508	289,157	89,178	2,063	389,257
Reinsurance balances receivable	<u>1,531,716</u>	<u>756,142</u>	<u>—</u>	<u>—</u>	<u>3,078,030</u>	<u>5,365,888</u>
Total	<u>\$ 9,262,056</u>	<u>\$ 1,999,252</u>	<u>\$ 29,361,974</u>	<u>\$ 9,518,735</u>	<u>\$ 3,322,193</u>	<u>\$ 53,464,210</u>

The following table analyses the aging of the Company's receivables:

	<u>Less than 120 days</u>	<u>121-240</u>	<u>241-360</u>	<u>More than 361 days</u>	<u>Total</u>
Reinsurance balances receivable	\$ <u>5,364,569</u>	\$ <u>1,319</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>5,365,888</u>
	\$ <u>5,364,569</u>	\$ <u>1,319</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>5,365,888</u>

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**4. Management of insurance and financial risk** (continued)

**4.3 Financial risk management** (continued)

(b) *Credit risk* (continued)

	<u>2020</u>						
	<u>AAA / AA</u>	<u>A+ / A-</u>	<u>BBB+ / BBB</u>	<u>BB+ / BB-</u>	<u>Other/ not rated</u>		<u>Total</u>
Cash at bank	\$ 53,733	\$ 248,317	\$ 540,156	\$ –	\$ –		\$ 842,206
Investments:							
Investments – FVPL	6,124,548	–	1,898,725	–	–		8,023,273
Investments – FVOCI	499,822	519,720	30,144,651	5,373,648	–		36,537,841
Accrued investment income	3,428	590	324,908	50,648	–		379,574
Reinsurance balances receivable	<u>1,011,628</u>	<u>1,004,903</u>	<u>–</u>	<u>–</u>	<u>3,417,429</u>		<u>5,433,960</u>
Total	<u>\$ 7,693,159</u>	<u>\$ 1,773,530</u>	<u>\$ 32,908,440</u>	<u>\$ 5,424,296</u>	<u>\$ 3,417,429</u>		<u>\$ 51,216,854</u>

The following table analyses the aging of the Company's receivables:

	<u>Less than 120 days</u>	<u>121-240</u>	<u>241-360</u>	<u>More than 361 days</u>	<u>Total</u>
Reinsurance balances receivable	\$ <u>5,348,947</u>	\$ <u>85,013</u>	\$ <u>–</u>	\$ <u>–</u>	\$ <u>5,433,960</u>
	\$ <u>5,348,947</u>	\$ <u>85,013</u>	\$ <u>–</u>	\$ <u>–</u>	\$ <u>5,433,960</u>

(c) *Liquidity risk*

Liquidity risk is the risk of having insufficient cash resources to meet financial obligations as they fall due and it arises from general business activities in the course of managing assets and liabilities. The parent company's board reviews counterparty exposures. Policy is set and monitored on a regular basis to ensure that the Company is able to make the necessary payments at all times. The liquidity requirements of the Company's business have been met primarily by funds generated by operations, and income and other returns received on cash and cash equivalents and receivable balances. Management believes the Company has sufficient funds to meet its liabilities and to satisfy regulatory capital requirements. Financial liabilities are reinsurance payable and accounts payable which are settled in less than 91 days due to the terms of the contracts.

(d) *Capital risk management*

The Company's objectives when managing capital are:

- To comply with the insurance capital requirements required by the Bermuda insurance regulator;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders; and
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

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**4. Management of insurance and financial risk** (continued)

**4.3 Financial risk management** (continued)

*(d) Capital risk management* (continued)

The Company may from time to time, by the directors' and shareholder's resolution, increase its capital by issuing new shares or accept contributed surplus from existing shareholder's.

The Company is required, at all times in and during the course of each financial year it carries on insurance business, to meet and maintain the relevant solvency margin and liquidity ratio applicable under Bermuda law.

The Company monitors its capital and surplus level on a regular basis. Any transactions that may potentially affect the Company's solvency position will immediately be reported to the directors and shareholder for resolution prior to notifying the Bermuda Monetary of Authority.

*(e) Commitments*

Grupo ASSA S.A., ultimate parent of the Company, has signed a commitment letter for an amount up to US\$5,000,000 to guarantee any obligation payable by the Company to any creditor. This irrevocable commitment was in place from December 22, 2011 until December 31, 2017. In March 1, 2020, the company signed an undefined agreement of guarantee with its Parent Company, ASSA Compania Tenedora, whereby Grupo ASSA S.A. will be the guarantor of the financial obligations of Lion Reinsurance Company, Ltd. arising out of such agreement. This Agreement covers any financial liabilities with regards to any third parties, including insurer, clients, policyholders, claimants against Lion Reinsurance Company, Ltd. as guarantee.

**5. Measurement of fair values**

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Parent Company has an established control framework with respect to the measurement of fair values of all its subsidiaries, including the Company. This control framework requires management to oversee all significant fair value measurements.

The Company's available for sale investments are mutual funds, the fair values of which are based on the quoted prices and the net asset values of the mutual funds. Their fair values are independently provided by the investment custodian and investment managers.

Management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level of fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Group Audit Committee.

The table below analyses financial instruments carried at fair value, by levels in the fair value hierarchy. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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**5. Measurement of fair values** (continued)

**5.1 Fair value hierarchy** (continued)

The following table shows the carrying amounts and fair values of the financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

2021

	<u>Carrying amount</u> \$	<u>Level 1</u> \$	<u>Level 2</u> \$	<u>Level 3</u> \$	<u>Total</u> \$
<b>Financial asset measured at fair value:</b>					
Investments – FVOCI					
Preferred shares	502,320	–	–	502,320	502,320
Corporate bonds	36,616,676	–	36,616,676	–	36,616,676
Investments – FVPL					
Mutual funds	<u>7,806,161</u>	<u>–</u>	<u>7,806,161</u>	<u>–</u>	<u>7,806,161</u>
	<u>44,925,157</u>	<u>–</u>	<u>44,422,837</u>	<u>502,320</u>	<u>44,925,157</u>
<b>Financial asset not measured at fair value</b>					
Cash and cash equivalents	2,783,909				
Accrued investment income	389,256				
Reinsurance balances receivable	<u>5,365,888</u>				
	<u>8,539,053</u>				
<b>Financial liability not measured at fair value</b>					
Reinsurance balances payable	4,032,822				
Accrued liabilities	<u>61,930</u>				
	<u>4,094,752</u>				



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**5. Measurement of fair values** (continued)

**5.1 Fair value hierarchy** (continued)

2020

	<u>Carrying amount</u> \$	<u>Level 1</u> \$	<u>Level 2</u> \$	<u>Level 3</u> \$	<u>Total</u> \$
<b>Financial asset measured at fair value:</b>					
Investments – FVOCI					
Preferred shares	499,822	–	–	499,822	499,822
Corporate bonds	36,038,019	–	36,038,019	–	36,038,019
Investments – FVPL					
Mutual funds	<u>8,023,273</u>	<u>–</u>	<u>8,023,273</u>	<u>–</u>	<u>8,023,273</u>
	<u>44,561,114</u>	<u>–</u>	<u>44,061,292</u>	<u>499,822</u>	<u>44,561,114</u>
<b>Financial asset not measured at fair value</b>					
Cash at bank	842,206				
Accrued investment income	379,574				
Reinsurance balances receivable	<u>5,433,960</u>				
	<u>6,655,740</u>				
<b>Financial liability not measured at fair value</b>					
Reinsurance balances payable	3,366,108				
Accrued liabilities	<u>65,864</u>				
	<u>3,431,972</u>				

The Company invests in corporate bonds and open-ended funds incorporated in countries such as USA, Luxembourg, among others. The funds have an objective which is publicly disclosed for investors. The funds' Management has to achieve such objective and the valuation of the funds will be based on how it was managed. Nevertheless, even though the funds hold multiple holdings that are publicly traded companies, there is a percentage of holdings that are valued using indirect market inputs provided by the appointed person/committee/board in doing so.

The units of account that are valued by the Company are its interests in the funds and not the underlying holdings of such funds. Thus, the inputs used by the Company to value its investments in each of the funds may differ from the inputs used to value the underlying holdings of such funds. These funds are stated at fair value, which ordinarily will be the most recently reported net asset value as provided by the fund manager or administrator. These net asset values are publicly available, and interests in the funds may be purchased and/or redeemed at their net asset values. As such, these funds are classified as Level 2.

The Company has an investment in preferred shares categorized as Level 3 as these are listed on a stock exchange but the market is not considered to be active.

There have been no changes to the of the Company's investment in preferred shares classified as Level 3. The sensitivity to changes in the measurement of the investment is not considered material.

There have been no movements on the Company's Level 3 investments during the year.

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**6. Related parties**

The Company exclusively underwrites the risk of its holding and related corporations and premiums are received from, and claims are paid to those related corporations. Therefore, the following assets, liabilities and transactions are conducted with related parties: reinsurance balances receivable, reinsurance premiums paid in advance, loss and loss expense reserves (net of reinsurance), reinsurance balances payable, net premiums assumed, loss and loss expenses incurred and net acquisition costs.

The Company has a \$500,000 investment in Series C preferred shares of La Hipotecaria (Holding) Inc. ("La Hipotecaria"), an entity under common control by Grupo ASSA, S.A. Dividend income of \$33,750 (2020: \$33,842) from La Hipotecaria was recorded during the year, \$1,387 (2020: \$1,387) of which are presented as part of "Accrued Investment Income".

**7. Investments**

The Company classifies and measures its investments based on management's intention.

**7.1 Amortized cost, unrealized gains and losses and fair value on the portfolio investments**

2021

(a) Investments – FVOCI	<u>Cost</u>	<u>Unrealized gains</u>	<u>Unrealized losses</u>	<u>Fair value</u>
Corporate bonds	\$ 35,765,593	\$ 1,027,834	\$ (176,751)	\$ 36,616,676
Preferred shares	<u>500,000</u>	<u>2,320</u>	<u>–</u>	<u>502,320</u>
	\$ 36,265,593	\$ 1,030,154	\$ (176,751)	\$ 37,118,996
	=====	=====	=====	=====
(b) Investments – FVPL				
Mutual Funds	\$ 7,885,520	\$ –	\$ (79,359)	\$ 7,806,161
	<u>7,885,520</u>	<u>–</u>	<u>(79,359)</u>	<u>7,806,161</u>
	=====	=====	=====	=====
Total investments	\$ 44,151,113	\$ 1,030,154	\$ (256,110)	\$ 44,925,157
	=====	=====	=====	=====

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**7. Investments** (continued)

**7.1 Amortized cost, unrealized gains and losses and fair value on the portfolio investments** (continued)

2020

(a) Investments – FVOCI	<u>Cost</u>	<u>Unrealized gains</u>	<u>Unrealized losses</u>	<u>Fair value</u>
Corporate bonds	\$ 33,869,731	\$ 2,244,087	\$ (75,799)	\$ 36,038,019
Preferred shares	<u>500,000</u>	<u>–</u>	<u>(178)</u>	<u>499,822</u>
	\$ 34,369,731	\$ 2,244,087	\$ (75,977)	\$ 36,537,841
	=====	=====	=====	=====
(b) Investments – FVPL				
Mutual funds	\$ <u>7,431,331</u>	\$ <u>1,932,781</u>	\$ <u>(1,340,839)</u>	\$ <u>8,023,273</u>
	\$ 7,431,331	\$ 1,932,781	\$ (1,340,839)	\$ 8,023,273
	=====	=====	=====	=====
Total investments	\$ <u>41,951,202</u>	\$ <u>4,024,828</u>	\$ <u>(1,414,916)</u>	\$ <u>44,561,114</u>
	=====	=====	=====	=====

The following table shows the investment movement during the year ended December 31, 2021:

	<u>2021</u>	<u>2020</u>
<b>Balance at beginning of year</b>	\$ 44,561,114	\$ 33,235,823
Purchases	15,288,228	20,799,789
Proceeds from the sale of mutual funds & Treasury Notes	(13,705,453)	(12,183,793)
Unrealized (loss) on investments FVOCI	(1,314,722)	2,017,984
Net change in fair value on investments – FVPL	(229,461)	332,490
Realized gain (loss) on Investments	557,839	556,635
Amortization	(232,387)	(197,814)
	=====	=====
<b>Balance at end of year</b>	\$ <u>44,925,157</u>	\$ <u>44,561,114</u>
	=====	=====

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**8. Loss and loss expense reserves**

The summary of changes in claims and claims adjustment expenses is summarized below:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	\$ 11,327,065	\$ 9,518,794
Less: Reinsurance recoverable at beginning of year	932,113	971,147
Net loss and loss expense provisions at beginning of year	10,394,952	8,547,647
Incurred losses relating to:		
Current year	20,242,787	15,977,443
Prior year	<u>(4,771,848)</u>	<u>(4,692,795)</u>
Total incurred	<u>15,470,939</u>	<u>11,284,648</u>
Paid losses related to:		
Current year	(11,124,463)	(8,003,049)
Prior year	<u>(2,696,218)</u>	<u>(1,434,294)</u>
	<u>(13,820,681)</u>	<u>(9,437,343)</u>
Net loss and loss expense provisions at end of year	12,045,210	10,394,952
Add: Reinsurance recoverable at end of year	222,742	932,113
Balance at end of year	\$ <u>12,267,952</u>	\$ <u>11,327,065</u>

As a result of the change in estimate of insured events and payments in prior years (mainly in automobile and casualty lines of business), the provision for claims and claims expenses decreased by \$4,771,848 (2020: decrease by \$(4,692,795) in 2021).

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**8. Loss and loss expense reserves** (continued)

Gross claims development on all of the coverage is shown below:

Ultimate Claims	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
At end of year	2,032,611	2,713,025	2,656,034	3,568,187	4,731,748	5,346,291	10,002,693	16,671,822	15,977,443	20,242,787	20,242,787
One year later	2,032,611	2,713,025	2,656,034	5,392,760	5,663,244	4,760,681	9,031,278	13,021,337	11,652,493		11,652,493
Two years later	2,378,485	2,559,160	3,242,408	4,054,161	4,650,255	3,069,922	8,399,941	12,697,120	–		12,697,120
Three years later	2,390,753	2,849,437	1,612,208	4,021,899	4,744,314	5,446,791	8,311,457	–	–		8,311,457
Four years later	2,390,753	2,849,437	1,610,931	4,071,732	4,419,515	5,413,685	–	–	–		5,413,685
Five years later	2,390,753	2,846,136	1,662,442	4,496,591	4,403,962	–	–	–	–		4,403,962
Six years later	2,391,129	2,806,152	2,506,917	4,422,281	–	–	–	–	–		4,422,281
Seven years later	2,379,458	2,773,103	2,537,319	–	–	–	–	–	–		2,537,319
Eight years later	2,058,380	2,835,606	–	–	–	–	–	–	–		2,835,606
Nine years later	2,054,588	–	–	–	–	–	–	–	–		2,054,588
Current estimate of ultimate claims	2,054,588	2,835,606	2,537,319	4,422,281	4,403,962	5,413,685	8,311,457	12,697,120	11,652,493	20,242,787	74,571,298
Less: Cumulative Paid	(2,053,439)	(2,330,022)	(2,520,089)	(4,396,431)	(4,383,021)	(5,333,468)	(7,962,266)	(12,117,288)	(10,275,382)	(11,154,735)	(62,526,141)
Add: reserves from older years											53
Remaining Liability	1,149	505,583	17,230	25,850	20,941	80,217	349,191	579,832	1,377,111	9,088,052	12,045,210
IBNR Recoverable	–	–	–	–	1,963	14,196	37,118	40,890	129,704	(1,130)	222,742
Remaining Gross Liability	1,149	505,583	17,230	25,850	22,903	94,413	386,310	620,722	1,506,816	9,086,922	12,267,952

**LION REINSURANCE COMPANY, LTD.**  
**(A wholly-owned subsidiary of ASSA Holding Company, S.A.)**

Notes to Financial Statements

December 31, 2021  
*(Expressed in United States Dollars)*

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**9. Income tax**

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being imposed, the Company will be exempted until March 31, 2035.

**10. Shareholder's equity**

Shareholder's equity is shown as a separate component of the financial statement in accordance with IAS 1 "Presentation of Financial Statements". The change in shareholder's equity comprises of the net income derived from the statement of operations. The 4,000,000 common shares of \$1 par value represent the total authorized, issued and fully paid share capital of the Company.

**11. Statutory requirements**

The Company is required by its license to maintain a solvency margin and an enhanced capital requirement in accordance with the provisions of the Insurance Act. Each year the Company is required to file with the Bermuda Monetary Authority (the "Authority") a capital and solvency return within four months of its relevant financial year end (unless specifically extended).

The prescribed form of capital and solvency return, which was revised under new legislation enacted in 2011, comprises the insurer's Bermuda Solvency Capital Requirement ("BSCR") model, a schedule of fixed income investments by rating category, a schedule of net loss and loss expense provision by line of business, a schedule of premiums written by line of business, a schedule of risk management and a schedule of fixed income securities. The BSCR includes a standardized model used to measure the risk associated with an insurer's assets, liabilities and premiums, and a formula to take account of catastrophe risk exposure. The Authority has provided for the use of pre-approved internally developed company models in lieu of the standardized BSCR. The Authority requires all Class 3A insurers to maintain their capital at a target level which is 120% of the minimum amount calculated in accordance with the BSCR or the Company's approved internal model (the Enhanced Capital Requirement or "ECR").

The Company is required by its license to maintain capital and surplus greater than a minimum statutory amount determined as the greatest of \$1,000,000, a percentage of outstanding losses or a given fraction of net written premiums, and 25% of ECR. At December 31, 2021, the Company met the required minimum statutory capital and surplus.

The Company is also required to maintain a minimum liquidity ratio, whereby the value of its relevant assets is not less than 75% of the amount of its relevant liabilities. Relevant assets include cash and cash equivalents and reinsurance balances receivable. Certain categories of assets do not qualify as relevant assets under the statute. The relevant liabilities are total general business insurance reserves (net of reinsurance recoverable) and total other liabilities, less sundry liabilities. At December 31, 2021, the Company met the minimum liquidity ratio.

**12. Covid-19**

As of December 31, 2021, the impact has not been significant. However, during the period after the date of the consolidated financial statements, management continues to monitor and analyse the effects that the situation is having on its operations and those of its customers. The main impacts that could affect the Lion Re are described below:

Lion Re continues to experience growth in claims, mainly generated by auto and health insurance. Specifically in the case of the car, this increase is closely related to the return of vehicular mobility. For its part in health insurance, the increase in claims continues to be largely affected by procedures and treatments due to the COVID-19 pandemic. Additionally, in the life insurance line there was an increase in the accident rate in line with the curves of infected, morbidity and mortality in each of the countries. It is expected that, to the extent that the insured population completes its full vaccination schedule, these results would return to their most normal levels prior to the pandemic.

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**13. Subsequent events**

No subsequent events were noted by management as of the date the issuance of the financial statements.