R.V.I. Guaranty Co., Ltd. and subsidiaries

Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020

Tel: 212-885-8000
Fax: 212-697-1299
www.bdo.com

100 Park Avenue
New York, NY 10017

Independent Auditor's Report
Shareholder and Board of Directors
R.V.I. Guaranty Co., Ltd.
201 Broad Street, Sixth Floor
Stamford, Connecticut 06901

Opinion

We have audited the consolidated financial statements of R.V.I. Guaranty Co., Ltd. and subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income and comprehensive income, changes in stockholder equity and cash flows for the year ended December 31, 2021, for the period from May 12, 2020 to December 31, 2020 (Successor), and the period from January 1, 2020 to May 11, 2020 (Predecessor) and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as December 31, 2021, and 2020, and the results of its operations and its cash flows for the year ended December 31, 2021, the period from May 12, 2020 to December 31, 2020 (Successor), and the period from January 1, 2020 to May 11, 2020 (Predecessor) in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

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

BDO USA, LLP

New York, NY
February 25, 2022

R.V.I. Guaranty Co., Ltd. and subsidiaries
Consolidated Balance Sheets
December 31, 2021 and 2020
(Dollars in thousands)

	2021	2020
Assets		
Cash and cash equivalents	$ 34,616	$ 24,438
Investment securities, available-for-sale, at fair value (amortized cost; $147,586 - 2021; $159,856 - 2020)	146,868	160,267
Other invested assets	4,993	-
Accrued investment income	686	861
Premiums receivable	8,095	2,353
Reinsurance recoverable	738	997
Deferred policy acquisition costs	1,937	367
Mortgages receivable	588	1,489
Assets held for sale	23,222	3,216
Federal taxes recoverable, net	767	1,701
Deferred tax assets, net	2,466	2,298
Property and equipment, net	175	151
Property on operating lease, net	-	23,331
Intangible assets	13,081	16,377
Goodwill	30,105	30,105
Other assets	7,127	2,137
Total assets	**$275,464**	**$270,088**
Liabilities		
Accounts payable and accrued liabilities	$ 9,268	$ 7,775
Unpaid losses and loss adjustment expenses	4,543	3,422
Unearned premiums	12,973	6,282
Derivatives		
Unearned derivative fee revenue	59,709	68,239
Accumulated fair value losses	10,322	17,028
Derivatives, total	70,031	85,267
Junior subordinated debentures	15,464	15,464
Total liabilities	**112,279**	**118,210**
Commitments and contingencies (Notes 16 and 22)		
Stockholder equity		
Common stock, one dollar par value (100,000,000 shares authorized, 50,000,000 issued and outstanding – 2020)	50,000	50,000
Additional paid in capital	95,000	95,000
Retained earnings	18,752	6,553
Accumulated other comprehensive (loss)/income	(567)	325
Total stockholder equity	**163,185**	**151,878**
Total liabilities and stockholder equity	**$275,464**	**$270,088**

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

R.V.I. Guaranty Co., Ltd. and subsidiaries
Consolidated Statements of Income and Comprehensive Income
Years Ended December 31, 2021 and 2020
(Dollars in thousands)

		Successor	Predecessor
	December 31, 2021	May 12, 2020 Through December 31, 2020	January 1, 2020 Through May 11, 2020
Revenue			
Net premiums earned	$ 6,399	$ 902	$ 860
Net realized and unrealized gains on derivatives	27,392	18,480	10,937
Net investment income	3,595	1,720	1,478
Net realized investment (losses)/gains	(321)	(8)	3
Rental income	-	1,760	802
Fee income	2,921	3,879	520
Income related to assets held for sale	3,054	-	-
Total revenue	**43,040**	**26,733**	**14,600**
Costs and expenses			
Insurance loss provision	1,536	2,041	461
Policy acquisition expenses	860	21	167
Other operating and general expenses	23,434	16,407	7,258
Acquisition related expenses	-	-	4,813
Interest expense, net	662	444	249
Expenses related to assets held for sale	1,815	352	54
Total costs and expenses	**28,307**	**19,265**	**13,002**
Income from operations before income taxes	14,733	7,468	1,598
Income taxes	2,534	915	318
Net income	**12,199**	**6,553**	**1,280**
Other comprehensive income, net of tax			
Change in unrealized (losses)/gains on securities	(1,146)	319	374
Reclassification adjustment for investment losses/(gains) included in net income	254	6	(2)
Other comprehensive income	(892)	325	372
Comprehensive income	**$ 11,307**	**$ 6,878**	**$ 1,652**

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

R.V.I. Guaranty Co., Ltd. and subsidiaries
Consolidated Statements of Changes in Stockholder Equity
Years Ended December 31, 2021 and 2020
(Dollars in thousands)

	Predecessor				
	Common Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Stockholder Equity
Balance, at December 31, 2019	**$ 50,000**	**$ -**	**$ 54,794**	**$ 1,028**	**$105,822**
Net income			1,280		1,280
Change in unrealized losses on investment securities, net of deferred taxes of $101				374	374
Reclassification adjustment for investment securities gains included in net income, net of deferred taxes of $1				(2)	(2)
Balance, at May 11, 2020	**$ 50,000**	**$ -**	**$ 56,074**	**$ 1,400**	**$107,474**
	Successor				
Investment in the Company on May12, 2020	**$ 50,000**	**$ 95,000**	**$ -**	**$ -**	**$145,000**
Net income			6,553		6,553
Change in unrealized gains on investment securities, net of deferred taxes of $85				319	319
Reclassification adjustment for investment securities losses included in net income, net of deferred taxes of $2				6	6
Balance, at December 31, 2020	**$ 50,000**	**$ 95,000**	**$ 6,553**	**$ 325**	**$151,878**
Net income			12,199		12,199
Change in unrealized losses on investment securities, net of deferred taxes of $170				(1,146)	(1,146)
Reclassification adjustment for investment securities losses included in net income, net of deferred taxes of ($67)				254	254
Balance, at December 31, 2021	**$ 50,000**	**$ 95,000**	**$ 18,752**	**$ (567)**	**$163,185**

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

R.V.I. Guaranty Co., Ltd. and subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020
(Dollars in thousands)

	Year Ended December 31, 2021	SUCCESSOR May 12, 2020 Through December 31, 2020	PREDECESSOR January 1, 2020 Through May 12, 2020
Cash flows - operating activities			
Premiums and sale of derivatives	$ 25,620	$ 20,596	$ 8,402
Losses and loss adjustment expenses paid, net of recoveries	(5,591)	(17,252)	(470)
Cost to acquire derivatives	(932)	(865)	(494)
Rental income	-	1,648	729
Fee income	3,553	3,444	454
Federal income taxes paid	(1,530)	-	-
Income from assets held for sale	3,125	-	-
Proceeds from sale of assets held for sale	2,895	-	-
Acquisition of assets held for sale	-	(1,681)	-
Proceeds from mortgages receivable	995	778	280
Acquisition of mortgages receivable	(95)	(853)	(982)
Net investment income	3,770	1,746	1,514
Interest expense	(661)	(876)	204
Other operating expenses	(22,623)	(26,055)	(10,002)
Net cash provided by/(used in) operating activities	8,526	(19,370)	(365)
Cash flows - investing activities			
Purchases of investments securities - available-for-sale	(121,246)	(125,058)	(73,272)
Purchases of other invested assets	(4,993)	-	-
Sales/maturities of investments securities - available-for-sale	128,196	150,291	45,524
Acquisition of property and equipment and property on operating lease	(119)	(523)	(80)
Capitalized improvements to assets held for sale	(186)	-	-
Net cash provided by/(used in) investing activities	1,652	24,710	(27,828)
Net increase/(decrease) in cash and cash equivalents	10,178	5,340	(28,193)
Cash and cash equivalents			
Beginning of period	24,438	19,098	47,291
End of period	$ 34,616	$ 24,438	$ 19,098
Reconciliation of net income to cash flows - operating activities			
Net income	$ 12,199	$ 6,553	$ 1,280
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Net unrealized gains on derivatives	(6,706)	(16,652)	(2,168)
Other derivative components	(8,530)	(3,684)	(870)
Depreciation and amortization	94	268	296
Amortization, intangible assets	3,296	2,198	-
Realized investment securities losses/(gains)	321	8	(3)
Deferred income taxes	69	587	2,576
Change in:			
Premiums receivable and other receivables	(5,567)	2,114	(609)
Deferred policy acquisition costs	(1,570)	(369)	159
Mortgages receivable	901	(77)	(702)
Asset held for sale	3,511	(1,431)	-
Other assets	10	(870)	(30)
Accounts payable and accrued liabilities	1,493	(11,650)	1,924
Unpaid losses and loss adjustment expenses, net	1,380	1,826	474
Unearned premiums	6,691	1,475	(808)
Federal taxes recoverable, net	934	334	(1,884)
Net cash provided by/(used in) operating activities	$ 8,526	$ (19,370)	$ (365)

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

1. Organization and Description of Business

R.V.I. Guaranty Co., Ltd. ("the Company") was formed and incorporated in Bermuda in 1989. On May 12, 2020 100% of the Company was acquired in a business combination by R.V.I. Acquisition Holdings LLC ("RVIAH"), a wholly owned subsidiary of R.V.I. Holdings, LLC ("RVIH"), which is an affiliate of Group1001 as detailed in Note 11.

The Company is licensed as a property and casualty insurer and primarily underwrites residual value insurance for risks on a worldwide basis. The insurance is purchased by participants in asset finance transactions to obtain third-party financial support for regulatory, catastrophic coverage and accounting treatment. The insurance provides coverage for unexpected declines in value of insured assets. Products are offered with varying degrees of residual value coverage with terms varying from 1 to 27 years. The Company focuses on four classes of assets: commercial equipment, real estate, passenger vehicles and aircraft. The Company markets business directly and through insurance brokers. The Company's issued policies are classified for these consolidated financial statements as either insurance or derivatives based on the individual contract language; however, all the contracts are considered insurance for state insurance regulatory purposes as well as Federal income tax purposes. As of December 31, 2021, all of the in force commercial real estate business, approximately 8% and 21% of the in force commercial equipment / aircraft business and in force passenger vehicle business, respectively, are classified as insurance for these consolidated financial statements. Approximately 79% of the in force passenger vehicle business and approximately 92% of the in force commercial equipment / aircraft business are classified as derivative contracts for these consolidated financial statements.

The risk of loss varies by contract. The terms and conditions of an incurred loss are defined in the contracts. Underwriting guidelines include, but are not limited to, exclusions of certain types of assets and take into consideration the availability of a secondary market for insured assets.

Independent Management Ltd., a company incorporated in Bermuda, is the Company's Principal Representative for purposes prescribed or permitted under Bermuda's The Insurance Act 1978 ("The Act").

2. Summary of Significant Accounting Policies

Basis of Presentation

These consolidated financial statements are prepared in conformity with U.S. Generally Accepted Accounting Principles ("U.S. GAAP").

Predecessor and Successor Reporting

On May 12, 2020, the Company was acquired by RVIAH and now owns 100% of the Company and its wholly owned subsidiaries. This business combination is accounted for under the scope of Financial Accounting Standards Board's Accounting ("FASB") Standards Codification ("ASC") Topic 805, "Business Combinations ("ASC 805") as RVIAH was deemed the accounting acquirer ("Successor") while Quantum Strategic Partners Ltd. ("QSP") was deemed the seller ("Predecessor"). Accordingly, the business combination is accounted for using the acquisition method which requires the Company to record the fair value of assets acquired and liabilities assumed, see Note 11.

The 2020 financial statements separate the Company's presentation into two distinct periods. The period before the closing of the business combination (labeled "Predecessor Period") depicts the financial statements of R.V.I. Guaranty Co., Ltd., and the period after the closing (labeled "Successor Period") depicts the financial statements of the Company, and application of acquisition method of accounting. As a result of the application of the acquisition method of accounting as of the closing, the financial statements for the Predecessor Periods and for the Successor Period are presented on different base of accounting and are, therefore, not comparable.

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates
The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates. Material estimates are particularly susceptible to significant change in the near term including accumulated fair value losses on derivatives and unpaid losses and loss adjustment expenses.

In the ordinary course of accounting for the items discussed above, management will revise its estimates as more current information becomes available. Such changes in estimates and refinements or estimation methodologies are recorded in the period in which the changes are made and, if material, are disclosed in the notes to the consolidated financial statements.

Premiums
Net premiums written are recorded on the accrual basis in accordance with the insurance policies and reinsurance agreements written. Direct and assumed premiums are earned ratably over the term of the contract and ceded premiums reduce gross revenue ratably over the term of the contract. Unearned premiums and prepaid reinsurance premiums represent the portion of premiums written and written premiums ceded which are applicable to the unexpired terms of insurance and reinsurance contracts.

Derivatives
In accordance with U.S. GAAP, insurance contracts that pay claims or settle to third-party published values meet the derivative requirements under ASC 815, "Derivatives and Hedging". These instruments are valued using the net present value of expected future cash flows. The change in fair value of these instruments appears on the consolidated statements of income and comprehensive income as net realized and unrealized gains or losses on derivatives.

Net realized and unrealized gains or losses on derivatives include net revenues earned, acquisition costs incurred, ceding commissions received, claims paid and realized and unrealized gains and losses pursuant to the Company's pricing models. Derivative fee revenues are recorded as income ratably as they are earned over the life of the transaction. Gross assets and gross liabilities for all derivatives are recorded on the consolidated balance sheets.

The Company establishes derivative liabilities for unearned derivative fee income related to the unexpired terms of the risks undertaken and derivative assets for the unearned fees related to the portion of the risk that has been shared with various counterparties. Estimates of losses and loss adjustment expenses are included in the fair value of the derivatives.

Losses and Loss Adjustment Expenses
The Company provides residual value insurance contracts assuming the risk of the unexpected decline in value of certain assets. For the insurance business not recorded as derivatives, losses and loss adjustment expenses are based upon estimates of the ultimate aggregate losses inherent in the residual value insurance portfolio as of the reporting date. The evaluation process for determining the level of reserves is subject to certain estimates and judgments. Incurred claims estimates are forecast in advance of a claim notice as a result of active surveillance of the insured assets.

The in force insurance business not recorded as derivatives comprises the entire insured real estate portfolio and approximately 8% and 21% of the insured commercial equipment / aircraft portfolio and passenger vehicle portfolio derived from China, respectively. These portfolios are insurance contracts and losses are recorded when they become probable and can be reasonably estimated. The Company routinely performs surveillance on these portfolios to identify specific estimated claim reserves. For real estate, the Company considers appraised versus insured values, vacancy rates, tenant credits and market conditions. For commercial equipment / aircraft and the passenger vehicle portfolio derived from China, the Company considers specific probable asset values, probability of asset returns and other market conditions.

Deferred Policy Acquisition Costs
Acquisition costs represent direct costs, such as ceded and third-party commissions, premium taxes, employee compensation and other underwriting expenses, that vary with and are primarily related to the acquisition of successful new insurance premium written. These costs are deferred and amortized over the period in which the premiums written are earned. These deferred costs are reviewed for recoverability based on the profitability of the underlying insurance contracts.

Investment income is not anticipated in the recoverability of deferred policy acquisition costs.

For business recorded as derivatives, all policy acquisition costs are expensed as incurred.

Cash and Cash Equivalents
Cash equivalents include all investments with original maturities of three months or less and are stated at cost, which approximates fair value.

Investment Securities
The Company reports investments in fixed income and equity securities as available-for-sale and at fair value based on quoted market prices, or, if quoted market prices are not available, discounted expected cash flows using market rates commensurate with the credit quality and expected maturity of the investment. Temporary unrealized gains and losses on available-for-sale securities are included in stockholder equity, net of applicable taxes. The investment securities are regularly reviewed for impairment based on both quantitative and qualitative criteria that include the extent to which cost exceeds market value, the maturity date, the expected duration of that market decline and the financial position of the issuer and whether it is more likely than not that the Company will not sell the security

until maturity or until it recovers in value. Unrealized losses that are considered other than temporary are recognized in earnings. For debt securities an other than temporary loss is recognized in the consolidated statement of income and comprehensive income when the Company determines that there is a credit loss. For these debt securities, the amount representing the credit loss is reported as an impairment loss in the consolidated statements of income and comprehensive income and the amount related to all other factors will be reported in accumulated other comprehensive income/(loss). Realized gains and losses are accounted for on the specific identification method.

Investment income is recognized on the interest method. Amortization of bond premiums and accretion of bond discounts is calculated using the effective interest method and included in investment income.

Short-term investments are recorded at fair value. Short-term investments are those with original maturities greater than three months but less than one year.

Other Invested Assets
The Company accounts for investments in limited liability companies using the equity method of accounting unless its interest is so minor that the Company has no influence over partnership operating and financial policies. In those instances, the Company records such investments at cost and evaluate them for impairment at each reporting period.

Property and Equipment
Property and equipment are recorded at cost and are depreciated on a straight-line basis over the estimated economic life of the asset. The Company generally capitalizes property and equipment expenditures which are greater than one thousand dollars. Furniture and fixtures and computer equipment are depreciated over five and three years, respectively.

Property on Operating Lease
Property on operating lease is recorded at cost and is depreciated on a straight-line basis over the estimated useful life of the building. Tenant improvements are amortized over the shorter of the useful life of the improvement or the remaining term of the lease.

Assets Held for Sale
Assets classified as held for sale are primarily non-current assets expected to be realized principally through a sale rather than through continuing use. These are measured at the lower of their carrying amount of fair value less costs to sell. Assets classified as held for sale are not depreciated.

Internal Use Software Costs
The Company develops various aspects of its proprietary technology platform. The primary applications relate to (1) a transactional platform which provides the Company with the ability to perform policy processing, client and asset analysis, production tracking, asset portfolio management, premium booking, cash collection, and (2) the internal use database that is designed to support the analysis and reporting needs of the Company. The software and related costs of developing the transactional platform and database have been capitalized in accordance with ASC 350-40, “Internal Use Software”, and are included with property and equipment. The Company tests the software each year for impairment and will write off any impairments. The internal use software is amortized on a straight-line basis over three years.

Income Taxes
The Company accounts for income taxes using the liability method in accordance with ASC 740, "Income Taxes". The liability method measures the expected future tax effects of temporary differences at the enacted tax rates applicable for the period in which the deferred tax asset or liability is expected to be realized or settled. Temporary differences are differences between the tax basis of an asset or liability and its reported amount in the consolidated financial statements that will result in future increases or decreases in taxes owed on a tax return compared to amounts already recognized in the consolidated statements of income and comprehensive income. The Company evaluates the need for a valuation allowance against its deferred tax assets on a regular basis. In the course of its review, the Company assesses all available evidence, both positive and negative, including future sources of income, tax planning strategies, future contractual cash flows and reversing temporary differences. Additional valuation allowance benefits or charges could be recognized in the future due to changes in management's expectations regarding the realization of tax benefits. Uncertain tax positions taken or expected to be taken in a tax return by the Company are recognized in the consolidated financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. As of December 31, 2021 and 2020, the Company had recognized all its tax benefits.

Goodwill and Identifiable Intangible Assets, Net
Goodwill represents the excess of purchase price over the value assigned to the tangible and identifiable intangible assets, net of liabilities assumed of acquired businesses. Goodwill is not subject to amortization but is tested for impairment annually through a qualitative or quantitative assessment and when events and circumstances indicate that the estimated fair value of the Company may no longer exceed its carrying value. The qualitative factors include economic environment, business climate, market capitalization, operating performance and competition. The Company has the option to proceed directly to the quantitative test without performing the qualitative test. The Company has identified one operating segment or reporting units for the purposes of goodwill impairment testing. If goodwill is quantitatively assessed for impairment and the reporting unit's carrying value exceeds its fair value, the difference is recorded as an impairment.

Identifiable intangible assets consist of state insurance licenses, proprietary software, customer relationships and trade name. The Company amortizes finite lived identifiable assets over their estimated useful lives, ranging from three to ten years, on a straight-line basis. Such assets are tested annually for impairment.

Impairment of Identifiable Intangible Assets
The Company reviews its finite-lived intangible assets, for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. For these assets, an impairment loss is indicated when the undiscounted future cash flows estimated to be generated by the asset group are not sufficient to recover the unamortized balance of the asset group. If indicators exist, the loss is measured as the excess of carrying value over the asset groups' fair value, as determined based on discounted future cash flows, asset appraisals or market values of similar assets.

Rental Income and Expense
Rental income and expense are recognized on a straight-line basis over the term of the lease.

(Dollars in thousands)

Accumulated Other Comprehensive Income/(Loss)
Accumulated other comprehensive income/(loss) represents temporary unrealized gains and losses on investment securities.

Foreign Currency
The U.S. dollar is the functional currency of the Company's operations. Exchange gains and losses arising from transactions of foreign currency-denominated monetary assets and liabilities are included in the consolidated statements of income and comprehensive income in the period in which they occur.

Fee Income
The Company has adopted ASC 606, "Revenue from Contracts with Customers" using the modified retrospective method. The guidance excludes revenue from insurance contracts, investments, derivatives and financial instruments from its scope. Under ASC 606, the Company continues to recognize fee income as services are provided to the customers.

3. Investment Securities

The amortized cost, estimated gross unrealized gains and losses and estimated fair value of investments at December 31, 2021 and 2020 are as follows:

		Estimated		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2021				
Investment securities, available-for-sale				
U.S. government and other government agencies	$ 7,100	$ -	$ (131)	$ 6,969
Municipal bonds	4,598	30	-	4,628
Asset-backed securities	44,610	79	(412)	44,277
Mortgage-backed securities	58,792	35	(925)	57,902
Private securities	10,273	358	-	10,631
Corporate bonds	22,213	395	(147)	22,461
Short-term deposits	-	-	-	-
Total at December 31, 2021	**$147,586**	**$ 897**	**$ (1,615)**	**$146,868**
2020				
Investment securities, available-for-sale				
U.S. government and other government agencies	$ 4,095	$ 63	$ -	$ 4,158
Municipal bonds	6,671	73	-	6,744
Asset-backed securities	25,266	66	(31)	25,301
Mortgage-backed securities	59,846	229	(90)	59,985
Private securities	13,256	-	-	13,256
Corporate bonds	28,639	108	(10)	28,737
Short-term deposits	22,083	4	(1)	22,086
Total at December 31, 2020	**$159,856**	**$ 543**	**$ (132)**	**$160,267**

(Dollars in thousands)

Estimated fair values approximate market values. As of December 31, 2021 and 2020, approximately $4,500 and $4,700, respectively, of the investment portfolio are restricted assets on deposit with U.S. government authorities as required to comply with U.S. statutory requirements. Investments with estimated fair values of approximately $51,000 and $55,200 as of December 31, 2021 and 2020, respectively, are maintained in a required trust for the benefit of the Company's insurance subsidiary. The Company is not exposed to significant concentrations of credit risk within its investment portfolio.

The following tables summarize all securities in an unrealized loss position as of December 31, 2021 and 2020, the aggregate estimated fair value and gross unrealized loss by length of time the amounts have continuously been in an unrealized loss position.

	In Loss Position For					
	Less than 12 Months		12 Months or More		Total	
2021	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
Fixed income securities						
U.S. government and other government agencies	$ 6,969	$ (131)	$ -	$ -	$ 6,969	$ (131)
Asset-backed securities	34,693	(412)	-	-	34,693	(412)
Mortgage-backed securities	47,748	(819)	4,434	(106)	52,182	(925)
Corporate bonds	12,306	(147)	-	-	12,306	(147)
Short-term deposits	-	-	-	-	-	-
Total at December 31, 2021	**$101,716**	**$ (1,509)**	**$ 4,434**	**$ (106)**	**$106,150**	**$ (1,615)**
2020						
Fixed income securities						
U.S. government and other government agencies	$ -	$ -	$ -	$ -	$ -	$ -
Asset-backed securities	6,146	(31)	-	-	6,146	(31)
Mortgage-backed securities	28,211	(90)	-	-	28,211	(90)
Corporate bonds	6,787	(10)	-	-	6,787	(10)
Short-term deposits	940	(1)	-	-	940	(1)
Total at December 31, 2020	**$ 42,084**	**$ (132)**	**$ -**	**$ -**	**$ 42,084**	**$ (132)**

The Company owned 107 and 30 securities with an unrealized loss position as of December 31, 2021 and 2020, respectively.

Investment income, including amortization of premiums and accretion of discounts, and (losses)/gains on sale of investments for December 31, 2021, May 12 through December 31, 2020, and January 1 through May 11, 2020 were derived from:

(Dollars in thousands)

	December 31, 2021	Successor May 12, 2020 Through December 31, 2020	Predecessor January 1, 2020 Through May 11, 2020
Net investment income			
Interest and dividends			
Cash and short-term investments	$ 34	$ 330	$ 350
U.S. government and other government agencies	160	100	152
Municipal bonds	70	12	80
Mortgage and asset-backed securities	1,450	690	379
Private securities	1,507	289	-
Corporate bonds	653	457	631
Floating rate common securities	20	18	5
Total investment income	3,894	1,896	1,597
Expenses			
Investment expenses	(299)	(176)	(119)
Net investment income	**$ 3,595**	**$ 1,720**	**$ 1,478**
Net realized investment (losses)/gains			
Cash and short-term investments	$ -	$ 3	$ 3
U.S. government and other government agencies	-	(5)	-
Mortgage and asset-backed securities	(223)	-	-
Corporate bonds	(98)	(6)	-
Net realized investment (losses)/gains	**$ (321)**	**$ (8)**	**$ 3**

Proceeds from the sale of investments were $77,103 and $57,553 for the years ended December 31, 2021 and 2020, respectively. Original cost of the sale of these investments was $78,581 and $57,414 for years end December 31, 2021 and 2020, respectively.

Liquidity
Business risks for the Company include the matching of the cash flows of the investment portfolio with the expected payment of policy liabilities and to assure that there is adequate unrestricted cash to meet the Company's operating obligations. The amortized cost and estimated fair value of the fixed income securities as of December 31, 2021 by effective maturity are presented below. Actual maturities may differ from effective maturities as certain investments may be subject to call or prepayment risk, with or without call or prepayment penalties:

(Dollars in thousands)

Due In	Amortized Cost	Estimated Fair Value
2022	$ 4,780	$ 4,790
2023 – 2026	26,620	26,970
2027 – 2031	11,562	11,706
2032 and later	1,222	1,223
Mortgage and asset-backed securities	103,402	102,179
Total	**$147,586**	**$146,868**

There are statutory insurance restrictions on the investments owned by the Company and its insurance subsidiary. Management believes that there is adequate liquidity to meet the ongoing obligations of the Company while continuing to comply with the statutory regulations.

4. Mortgages Receivable

In 2019, the Company was assigned a mortgage note receivable for the purpose of mitigating losses on the Company's residual value insurance policy supporting the financing of the related property. During 2021, the Company received title to and sold the property and no gain or loss was recorded.

In 2020, the Company was assigned two mortgage notes receivable for the purpose of mitigating losses on the Company's residual value insurance policies supporting the financing of these properties. In 2020, the underlying collateral on one of these mortgage notes receivable was sold. During the year ended December 31, 2020, the Company capitalized costs primarily of overhead and property taxes of $589 on the remaining mortgage note receivable, which are included in mortgages receivable and no impairment loss was required. During 2021, the Company incurred additional expenses of $28 on this property, which are included in other operating and general expenses. The building is currently available for sale by the owner and is expected to be sold within one year.

5. Fair Value Measurements

The Company has adopted ASC 820, "Fair Value Measurement", for all financial instruments accounted for at fair value on a recurring basis. ASC 820 requires fair value to be determined based on the exchange price that would be received for assets or paid to transfer liabilities (an exit price) in the principal or most advantageous market for the assets or liabilities in an orderly transaction between market participants. ASC 820 emphasizes that an entity's valuation technique for measuring fair value should maximize observable inputs and minimize unobservable inputs.

ASC 820 established a fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of the fair value hierarchy as defined by ASC 820 are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active and model derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Unobservable significant inputs to the valuation model.

(Dollars in thousands)

The following tables show, by level within the fair value hierarchy, the Company's financial assets and liabilities that are accounted for at fair value on a recurring basis as of December 31, 2021 and 2020. The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the asset's or liability's placement within the fair value hierarchy levels.

Recurring Fair Value Measurements by Level:

	December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Investment securities, available-for-sale:				
U.S. government and other government agencies	$ 1,643	$ 5,326	$ -	$ 6,969
Municipal bonds	-	4,628	-	4,628
Asset-backed securities	-	42,777	1,500	44,277
Mortgage-backed securities	-	57,902	-	57,902
Private securities	-	-	10,631	10,631
Corporate bonds	-	22,461	-	22,461
Short-term deposits	-	-	-	-
Total investment securities, available for sale	**$ 1,643**	**$133,094**	**$ 12,131**	**$146,868**
Liabilities:				
Derivative liabilities:				
Commercial equipment/aircraft	$ -	$ -	$ 54,760	$ 54,760
Passenger vehicle	-	-	15,271	15,271
Total derivative liabilities	$ -	$ -	$ 70,031	$ 70,031

	December 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Investment securities, available-for-sale:				
U.S. government and other government agencies	$ 1,304	$ 2,854	$ -	$ 4,158
Municipal bonds	-	6,744	-	6,744
Asset-backed securities	-	25,301	-	25,301
Mortgage-backed securities	-	59,985	-	59,985
Private securities	-	-	13,256	13,256
Corporate bonds	-	28,737	-	28,737
Short-term deposits	-	22,086	-	22,086
Total investment securities, available for sale	**$ 1,304**	**$145,707**	**$ 13,256**	**$160,267**
Liabilities:				
Derivative liabilities:				
Commercial equipment/aircraft	$ -	$ -	$ 66,792	$ 66,792
Passenger vehicle	-	-	18,475	18,475
Total derivative liabilities	$ -	$ -	$ 85,267	$ 85,267

(Dollars in thousands)

The following tables provide additional information about the significant unobservable (Level 3) inputs developed internally by the Company to determine accumulated fair value losses and gains of derivative policies as of December 31, 2021 and 2020:

December 31, 2021

Fair Value Losses	Valuation Technique	Unobservable Input	Range
$10,322	Future probable value	Unemployment forecasts	3.5 – 4.3%
		GDP growth rate forecasts	1.8 – 6.2%
		Light vehicle sales forecasts (million)	15.7 – 17.8
		Lease Supply index	0.1 – 0.2
		Used vehicle stock forecasts	0.6 – 2.3
		Used vehicle competitive index forecasts	0.2 – 9.1
		Market incentive level	5.9 – 8.8
		Gasoline spending per household income	0.7 – 0.9%
		Inventory to sales forecasts	1.6 – 2.5

December 31, 2020

Fair Value Losses	Valuation Technique	Unobservable Input	Range
$17,028	Future probable value	Unemployment forecasts	4.6% – 9.8%
		GDP growth rate forecasts	(0.2%) – 8.7%
		Light vehicle sales forecasts (million)	14.8 – 18.1
		Lease Supply index	0.2 – 0.3
		Used vehicle stock forecasts	0.3 – 3.2
		Used vehicle competitive index forecasts	0.2 – 4.2
		Market incentive level	8.7 – 10.6
		Gasoline spending per household income	0.7 – 0.9%
		S&P 500 volatility index range	14 – 21

Investment Securities
The Company uses the market approach for recurring fair value measurements and the valuation techniques use inputs that are observable, or can be corroborated by observable data, in an active marketplace.

The following information relates to the classification into the fair value hierarchy:

Fixed Income - Short-term investments are classified as Level 1 of the fair value hierarchy. For securities classified as Level 2 of the fair value hierarchy, the Company uses third-party pricing models. Such pricing models use standard inputs including, but not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities and other reference data.

Derivative Liabilities - The derivative liabilities include unrealized gains and losses in the fair value calculation of certain of the Company's residual value contracts. The Company has determined that contracts that pay claims or settle to third-party published values meet the requirements under ASC 815 to be recorded as derivatives. The fair value calculation uses a valuation model that was internally developed and uses an income approach. Many of the assumption inputs are obtained from independent third parties such as Black Book, Moody's, specific guidebook asset values and appraisals. Additional assumptions include, but are not limited to, unemployment forecasts, gasoline spending per household income, used vehicle stock and competitive index forecasts, lease supply index, light vehicle sales forecasts, external appraisals and Gross Domestic Product ("GDP") growth rate. These forecasts are included in the internally developed model to calculate the future probable values of passenger vehicles. Specific guidebook asset values and appraisals are used in calculating probable values for the commercial equipment accounted for as derivatives. The probable values are then compared to the insured values and the fair value of the liabilities is then determined using an income approach. These liabilities were classified as Level 3 of the fair value hierarchy.

(Dollars in thousands)

The following tables present the changes in Level 3 derivatives measured on a recurring basis for the year ended December 31, 2021, May 12 through December 31, 2020, and January 1 through May 11, 2020, respectively. The Level 3 balances consist of certain Company contracts recorded as derivatives under ASC 820:

	January 1, 2021	Net Realized /Unrealized Losses Included in Earnings	Purchases and Issuances	Sales and Settlements	December 31, 2021
Derivative liability, net by asset class:					
Commercial equipment/aircraft	$ 66,792	$ (21,799)	$ 9,767	$ -	$ 54,760
Passenger vehicle	18,475	(11,710)	8,506	-	15,271
Net derivative liability	**$ 85,267**	**$ (33,509)**	**$ 18,273**	**$ -**	**$ 70,031**

	Successor				
	May 12, 2020	Net Realized /Unrealized Losses Included in Earnings	Purchases and Issuances	Sales and Settlements	December 31, 2020
Derivative liability, net by asset class:					
Commercial equipment/aircraft	$ 84,329	$ (25,773)	$ 8,236	$ -	$ 66,792
Passenger vehicle	21,274	(10,824)	8,025	-	18,475
Net derivative liability	**$105,603**	**$ (36,597)**	**$ 16,261**	**$ -**	**$ 85,267**

	Predecessor				
	January 1, 2020	Net Realized /Unrealized Losses Included in Earnings	Purchases and Issuances	Sales and Settlements	May 11, 2020
Derivative liability, net by asset class:					
Commercial equipment/aircraft	$ 90,136	$ (10,511)	$ 4,704	$ -	$ 84,329
Passenger vehicle	18,504	(1,390)	4,159	-	21,273
Net derivative liability	**$108,640**	**$ (11,901)**	**$ 8,863**	**$ -**	**$105,602**

There were no transfers between levels during the years ended December 31, 2021 and 2020.

(Dollars in thousands)

6. Assets Held for Sale

As of December 31, 2021 and 2020, assets held for sale are stated at the lower of depreciated cost or fair value less costs to sell. Occasionally, the Company will take deed of a real estate property for the purpose of mitigating any potential losses on the Company's residual value insurance policy supporting the financing of the property.

In 2016, the Company purchased a real estate property for the purpose of mitigating any potential losses on the Company's residual value insurance policy supporting the financing of the property. This property was recorded as property on operating lease, net (Note 8) through November 30, 2021 when it was reclassified to assets held for sale. The property is expected to be sold in 2022.

In 2019, the Company took deed of a property and classified it as real estate held for sale. During the years ended December 31, 2021 and 2020, the Company did not capitalize any costs. This property was sold in 2021 at book value.

In 2020, the Company took deed of another property and classified it as real estate held for sale. During 2020, the Company capitalized costs of $1,681 for this property. This property was sold in 2021 at book value.

At December 31, 2021 and 2020, the assets relating to the real estate properties held for sale are presented below. There were no liabilities relating to the real estate properties held for sale.

	2021	**2020**
Assets held for sale		
Property and equipment	$ 23,222	$ 3,216
Total assets held for sale	**$ 23,222**	**$ 3,216**

Income and expenses for the real estate properties held for sale for the year ended December 31, 2021, May 12 through December 31, 2020, and January 1 through May 11, 2020, are as follows:

		Successor	**Predecessor**
	December 31, 2021	**May 12, 2020 Through December 31, 2020**	**January 1, 2020 Through May 11, 2020**
Income related to assets held for sale			
Rental income	$ 3,054	$ -	$ -
Total income related to assets held for sale	**$ 3,054**	**$ -**	**$ -**
Expenses related to assets held for sale			
Impairment loss	$ -	$ -	$ -
Operating and general expenses	1,815	352	54
Total expenses related to assets held for sale	**$ 1,815**	**$ 352**	**$ 54**

(Dollars in thousands)

7. Property and Equipment, Net

At December 31, 2021 and 2020, property and equipment, net consist of the following after purchase price allocation in 2020:

	2021	2020
Office furniture and equipment	$ 11	$ 11
Computer equipment	116	66
Internally developed software	206	138
	333	215
Less, accumulated depreciation and amortization	158	64
Total property and equipment, net	**$ 175**	**$ 151**

Depreciation and amortization expense for property and equipment are as follows:

		Successor	Predecessor
	December 31, 2021	May 12, 2020 Through December 31, 2020	January 1, 2020 Through May 11, 2020
Depreciation and amortization expense	$ 94	$ 64	$ 40

During December 31, 2021, May 12 through December 31, 2020, and January 1 through May 11, 2020, the Company did not dispose of any fully depreciated assets no longer in use.

8. Property on Operating Lease, Net

During 2016, the Company purchased real estate property for the purpose of mitigating any potential losses on the Company's residual value insurance policy supporting the financing of the property. During 2021, this property was reclassed to assets held for sale, as it is actively being sold and expected to sell in 2022 (Note 6). At December 31, 2021 and 2020, the property on operating lease after purchase price allocation was as follows:

	2021	2020
Property on operating lease	$ -	$ 23,535
Less, accumulated depreciation and amortization	-	204
Total property on operating lease, net	**$ -**	**$ 23,331**

For May 12 through December 31, 2020, and January 1 through May 11, 2020, operating expenses, including depreciation and amortization, for the property on operating lease were $998 and $942, respectively. During 2021, this property incurred expenses of $1,786 which are included in expenses related to assets held for sale.

9. Trust Preferred Securities

In November, 2002 the Company established a Grantor Trust, R.V.I.G. Preferred Securities, L.L.T. ("The Grantor Trust"), under the laws of Connecticut. In December, 2002 the Company purchased

(Dollars in thousands)

100% of the Floating Rate Common Securities (the "Common Securities") from The Grantor Trust for $464. The Grantor Trust issued and sold 15,000,000 of The Grantor Trust's Floating Rate Capital Securities, with a liquidation amount of one dollar per capital security (the "Capital Securities"), to an unaffiliated pool of investors, and received proceeds of $15,000. The entire proceeds from the sale by The Grantor Trust to the holders of the Capital Securities were combined with the entire proceeds from the sale by The Grantor Trust to the Company of the Common Securities. These funds were used by The Grantor Trust to purchase $15,464 in principal amount of Floating Rate Junior Subordinated Deferrable Interest Debentures (the "Debentures") from the Company. The net outstanding debt of the Company to external parties is $15,000.

The Debentures accrue cash distributions and bear interest at a rate equal to the 3-month Libor plus 4.0% per annum. Interest is paid quarterly in arrears. Interest expense was $653, $481 and $273 for December 31, 2021, May 12 through December 31, 2020, and January 1 through May 11, 2020, respectively.

At the option of the Company, interest payments can be deferred for up to twenty consecutive quarterly periods and no interest will be due or payable. The deferral of interest subjects the Company to certain restrictions, such as the declaration of dividends, or the repayment, repurchase or redemption of debt, junior to the Debentures. As of December 31, 2021 and 2020, respectively, the Company did not defer interest payments and does not plan to defer future interest payments. The Debentures can be redeemed by the Company, in whole or in part, but in all cases in a principal amount with integral multiples of one thousand dollars on any March 4, June 4, September 4 or December 4, with a final maturity date of December 4, 2032.

10. Intangible Assets

The Company identified intangible assets as a result of the acquisition of the Company on May 12, 2020. These intangible assets consist of both indefinite lived state insurance licenses, which are not subject to amortization, as well as finite lived assets which are amortized on a straight-line basis over the useful life of the finite lived assets.

The following table summarizes these intangible assets, net of accumulated amortization as of December 31, 2021 and 2020:

	2021	2020
Intangible assets:		
State insurance licenses	$ 6,375	$ 6,375
Software	2,200	2,200
Trade name	1,100	1,100
Customer relationships	8,900	8,900
Sub-total	18,575	18,575
Less, accumulated amortization	5,494	2,198
Total intangible assets, net	**$ 13,081**	**$ 16,377**

The intangible assets are tested annually for impairment and no impairment loss was recorded. In 2020, a fair value purchase price allocation of $1,875 was added to the previously held insurance licenses.

(Dollars in thousands)

11. Acquisition and Goodwill

On May 12, 2020, RVIG and all of its subsidiaries were acquired by RVIAH a wholly owned subsidiary of RVIH, for consideration of $145,000 in cash. A portion of the purchase price, $18,125, was held in escrow pursuant to an escrow agreement until the 24-month anniversary of the closing.

This transaction was accounted for under ASC 805 as a business combination. RVIG constitutes a business with inputs, processes and outputs. Accordingly, the acquisition of RVIG constitutes the acquisition of a business for purposes of ASC 805 and was accounted for using the acquisition method. The Company elected pushdown accounting and RVIG recorded the fair value of its assets and liabilities purchased by RVIAH.

The following represents the purchase price allocation of this business combination.

Total consideration	$145,000
Cash and cash equivalents	19,098
Fixed maturity investments, available for sale, at fair value	184,716
Accrued investment income	1,018
Premiums receivable	4,309
Reinsurance recoverable	1,016
Mortgages receivable	1,413
Assets held for sale	1,535
Federal taxes recoverable	2,037
Deferred tax assets, net	2,971
Property and equipment, net	135
Property on operating lease	23,400
State insurance licenses	6,375
Intangible assets – software	2,200
Intangible assets – trade name	1,100
Intangible assets – customer relationships	8,900
Other assets	1,335
Total identifiable assets acquired	**261,558**
Accounts payable and accrued liabilities	19,424
Unpaid losses and loss adjustment expenses	1,365
Unearned premium	4,807
Derivatives:	
Unearned derivative fee revenue	71,923
Accumulated fair value losses	33,680
Derivatives, total	105,603
Junior subordinated debentures	15,464
Net identifiable liabilities acquired	**146,663**
Goodwill	**$ 30,105**

12. Revolving Line of Credit

The Company entered into a financing agreement with a bank that permitted it to borrow for general business purposes, at any time through May, 2020, thereafter renewable annually in the Bank's sole discretion, up to $15,000 at an interest rate of 90 day Libor plus 2.75%. Amortization of any outstanding balance was interest only with principal due at maturity. A one-time commitment fee of .50% was paid at time of note closing. There was an unused commitment fee equal to .50% per annum unless the Company maintained a minimum average of $1,500 in depository balances during any quarter. This financing agreement expired in May 2020 and there were no unused commitment fees incurred.

This revolving line of credit was secured by a first mortgage lien and a conditional assignment of rents and leases on a Company owned property leased to others. Interest expense, including amortization of cost to secure the debt was $32 for 2020.

On November 30, 2020 this agreement was replaced with another financing agreement with a related party (see Note 23) that permits the Company to borrow for general purposes, at any time through November 30, 2023, up to $20,000 at an interest rate of 90 day Libor plus 1.5%. The Company will repay the amount of each revolving loan advance in full within 364 days of the date on which such amount is borrowed. There is an unused commitment fee of 0.25% per annum. Unused commitment fee incurred was $46 and $4 for the years ending December 31, 2021 and 2020.

13. Unpaid Losses and Loss Adjustment Expenses on Insurance Contracts

The following table provides a reconciliation of the beginning and ending balances of reserves for losses and loss adjustment expenses:

(Dollars in thousands)

		Successor	Predecessor
	December 31, 2021	May 12, 2020 Through December 31, 2020	January 1, 2020 Through May 11, 2020
Gross unpaid losses and loss adjustment expenses, beginning of period	$ 3,422	$ 1,365	$ 1,150
Less, reinsurance recoverable	997	1,016	1,025
Net balance, beginning of period	2,425	349	125
Changes to loss provision:			
Provision	1,535	2,116	497
Recovery on real estate	(179)	(35)	(14)
Gross change to loss provision	1,356	2,081	483
Less, recoverable	(180)	40	22
Net change to loss provision	1,536	2,041	461
Less, paid claims and loss adjustment expenses:			
Gross paid	(664)	(59)	(32)
Recovery on real estate	179	35	14
Gross paid claims and loss adjustment expenses	(485)	(24)	(18)
Less, recoverable on paid	(79)	(59)	(31)
Net paid claims and loss adjustment expenses	(406)	35	13
Less, impairment reclassification	(250)	-	250
Gross unpaid losses and loss adjustment expenses, end of period	4,543	3,422	1,365
Less, reinsurance recoverable	738	997	1,016
Net balance, end of period	**$ 3,805**	**$ 2,425**	**$ 349**

14. Derivatives

Although the Company and its insurance subsidiary are licensed as property and casualty insurers by the Bermuda and Connecticut insurance regulators, respectively, certain of its products, in accordance with U.S. GAAP, are recorded as derivatives. The Company has determined that contracts that pay claims or settle to third-party published values meet the requirements under ASC 815 to be recorded as derivatives. Under ASC 815, contracts that have as part of the settlement process reference to third-party indexes are not eligible for the ASC 815 scope exception for insurance accounting and, accordingly, are accounted for as derivatives.

The fair value is estimated using a valuation model that was internally developed and uses an income approach. The model includes, among other things, projected future claims, probable estimated asset values at contract end date using third-party published values and market surveillance. For assets in which the probable future values during a reporting period either increase or decrease premium is calculated which generates the fair value adjustment to mark to market. The model and the related assumptions are updated quarterly with current market information. The fair value of insurance contracts accounted for as derivatives reflects the estimated value of the contracts at that reporting date.

(Dollars in thousands)

Net realized and unrealized gains and losses on insurance contracts accounted for as derivatives include the mark to market fair value adjustment, the total of the earned derivative fee revenue, losses paid and the costs to acquire these contracts. Changes in net realized and unrealized gains and losses on derivative financial instruments are reflected in the consolidated statements of income and comprehensive income. If a derivative has an increase in estimated fair value during a period, the increase will add to the Company's total revenue for that period. Conversely, if a derivative has a decline in estimated fair value during the period, the decline will be deducted from the Company's total revenue for that period. Cumulative unrealized gains and losses are reflected in either derivative assets or derivative liabilities in the Company's consolidated balance sheets. Unrealized gains and losses resulting from changes in the fair value of derivatives occur because of the related impact on estimated pricing of a contract.

The Company recorded net realized and unrealized gains before income taxes on derivative financial instruments of $27,392, $18,480 and $10,937, for December 31, 2021, May 12 through December 31, 2020, and January 1 through May 11, 2020, respectively. The components of net realized and unrealized gains on derivatives are as follows:

		Successor	**Predecessor**
	December 31, 2021	**May 12, 2020 Through December 31, 2020**	**January 1, 2020 Through May 11, 2020**
Derivative fee revenue	$ 26,803	$ 19,945	$ 9,733
Fair value adjustment gains	6,706	16,652	2,168
Net realized/unrealized gains included in earnings	33,509	36,597	11,901
Cost to acquire derivatives	(932)	(865)	(494)
Losses paid	(5,185)	(17,252)	(470)
Net realized and unrealized gains on Derivatives	$ 27,392	$ 18,480	$ 10,937

During December 31, 2021, May 12 through December 31, 2020, and January 1 through May 11, 2020, the Company recorded loss provisions of approximately $(1,241), $3,155 and $(825), respectively related to its insured aircraft portfolio. These provisions are included in the fair value adjustment losses above.

The derivative liabilities represent the gross unearned revenue and cumulative unrealized gains and losses on the derivative contracts. The derivative assets represent the portion of unearned revenue and cumulative unrealized gains and losses shared with third-party reinsurers. There were no derivative assets at December 31, 2021 and 2020, respectively. The components of the Company's derivative liabilities are as follows at December 31:

(Dollars in thousands)

	2021	2020
Derivative Liabilities		
Unearned derivative fee revenue	$ 59,709	$ 68,239
Accumulated fair value losses	10,322	17,028
Total derivative liabilities	**$ 70,031**	**$ 85,267**

15. Estimated Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosure for financial instruments. These determinations were based on available market information and appropriate valuation methodologies. Considerable judgment is required to interpret market data to develop the estimates and, therefore, the estimates may not necessarily be indicative of the amount the Company could realize in a current market exchange. Due to the relatively short-term nature of cash and cash equivalents, short-term investments, premiums receivable and accrued investment income, their carrying amounts are reasonable estimates of fair value.

	Carrying Value	Fair Value
December 31, 2021		
Assets		
Cash and cash equivalents	$ 34,616	$ 34,616
Fixed maturity investments, available-for-sale	146,868	146,868
Other invested assets	4,993	4,993
Mortgages receivable	588	588
Liabilities		
Derivative liabilities	$ 70,031	$ 70,031
Trust preferred securities	15,464	15,464
December 31, 2020		
Assets		
Cash and cash equivalents	$ 24,438	$ 24,438
Fixed maturity investments, available-for-sale	160,267	160,267
Other invested assets	-	-
Mortgages receivable	1,489	1,489
Liabilities		
Derivative liabilities	$ 85,267	$ 85,267
Trust preferred securities	15,464	15,464

Investment Securities
The fair values of investment securities, shown in Note 3, approximate market values, which are based on quoted market prices or model derived valuations.

Derivative Contracts
The Company's insurance contracts recorded as derivatives are recorded at fair value (see Note 14).

(Dollars in thousands)

16. Commitments and Contingencies

Operating Leases
The lease on the corporate office space, located in Stamford, Connecticut, expires December 31, 2023. The future minimum lease payments for this lease are as follows:

Year	Future Minimum Lease Payments
2022	$ 713
2023	730

The Company also leases office equipment and a small office under various month to month operating leases. Total rent expense incurred by the Company was $678, $392, and $297, for December 31, 2021, May 12 through December 31, 2020, and January 1 through May 11, 2020, respectively.

17. Stockholder Equity

Preferred Stock
In accordance with the Purchase Agreement dated May 8, 1997, a Series A non-voting mandatorily redeemable preference share ("Series A") was authorized, issued and fully paid. This share was redeemable for one dollar together with any accrued but unpaid dividends. The share was redeemed on May 12, 2020.

Dividends Paid to Shareholders
There were no dividends declared and paid in 2021 and 2020.

Accumulated Other Comprehensive Income/(Loss)
Balances of related after-tax components comprising other comprehensive income/(loss) included in stockholder equity at December 31, 2021 and 2020 are as follows:

	Unrealized Gains/(Losses) On Securities	Accumulated Other Comprehensive Income/(Loss)
Balance at December 31, 2020	$ 325	$ 325
Net change for 2021	(892)	(892)
Balance at December 31, 2021	**$ (567)**	**$ (567)**

18. Statutory Requirements

These consolidated financial statements are prepared on a U.S. GAAP basis, which differs in certain respects from accounting practices prescribed or permitted by the insurance regulatory authorities of the Connecticut State Insurance Department ("CID") and the statutory requirements of the Bermuda Monetary Authority ("BMA"). The significant differences between statutory accounting practices and U.S. GAAP are as follows:

- contracts accounted for as derivatives under U.S. GAAP are treated as insurance for statutory purposes;

- acquisition costs and ceding commissions and allowances are charged/credited to operations incurred for statutory reporting and deferred and amortized as the related insurance premiums are earned for U.S. GAAP;
- fixed-maturity investments are generally reported at amortized cost for statutory and fair value for U.S. GAAP;
- certain changes in net deferred income taxes are recognized as a separate component of gains and losses in surplus for statutory purposes. Under U.S. GAAP, certain changes in the Company's net deferred income tax balances are recorded as income tax expense or benefit;
- unpaid losses, loss adjustment expenses and unearned premiums are presented net of reinsurance for statutory reporting and gross for U.S. GAAP; and
- certain assets designated as "non-admitted assets" are charged directly to surplus for statutory purposes but are reflected as assets under U.S. GAAP.

The Company is a Bermuda regulated Class 3A insurer and prepares its statutory financial statements in conformity with the accounting principles set forth in The Act, amendments thereto and related regulations. Premiums assumed from its affiliates were $18,288, $15,200, and $7,200 for December 31, 2021, May 12 through December 31, 2020, and January 1 through May 11, 2020, respectively.

As of December 31, 2021 and 2020, the Company's statutory capital and surplus has exceeded the minimum statutory capital and surplus required by The Act. The Company is prohibited from declaring or paying any dividends during any financial year if it would cause the Company to fail to meet its solvency margin and minimum liquidity ratio. Under The Act, if a company fails to meet its solvency margin and minimum liquidity ratio on the last day of any financial year, it shall not, without the approval of the BMA, declare or pay any dividends during the next financial year. The Company has met both the solvency margin and the minimum liquidity ratio since its inception. The amount of dividends which can be paid by the Company is restricted to 15% of the previous year's total statutory capital and surplus by The Act without prior approval of the BMA.

The Company's insurance subsidiary is subject to comprehensive regulation by its state of domicile, Connecticut. Under these regulations, there are certain limits on dividend payments and intercompany transactions. The maximum amount of dividends that can be paid to shareholders without prior approval of the Connecticut Insurance Commissioner is subject to restrictions relating to statutory surplus and net income and further restricted to an insurance company's earned surplus. The maximum dividend is limited to the greater of (1) 10% of statutory surplus or (2) net income. No dividends were paid or declared during the years ended December 31, 2021 and 2020, respectively.

In addition to the Connecticut comprehensive regulations, the Connecticut Insurance Commissioner as a stipulation of the approval of the acquisition, has ordered that for a two year period from the date of acquisition prior approval of the Commissioner will be required with respect to any dividends paid by the domestic insurer.

The insurance subsidiary is also required to adhere to minimum risk-based capital ("RBC") requirements developed by the National Association of Insurance Commissioners. As of December 31, 2021 and 2020, the insurance subsidiary's capital exceeded these minimum RBC requirements.

The statutory amounts for each of the statutory companies are below:

(in millions)	Statutory Gross Written Premiums	Statutory Capital and Surplus	Statutory Net Income
December 31, 2021			
R.V.I. Guaranty Co., Ltd. (Bermuda)	$ 27.2	$128.4	$ 11.6
R.V.I. America Insurance Company (Connecticut)	22.4	82.9	2.7
December 31, 2020			
R.V.I. Guaranty Co., Ltd. (Bermuda)	$ 22.6	$105.9	$ 7.3
R.V.I. America Insurance Company (Connecticut)	27.3	79.9	4.2

19. Taxes

The Company and its consolidated affiliates (the "Consolidated Group") are subject to U.S. taxation and file a consolidated Federal tax return. The Consolidated Group participates in an agreement that the tax attributes of each subsidiary are determined as if each such subsidiary were filing a separate Federal income tax return on a stand-alone basis. Each subsidiary will be timely paid the tax effect of any losses or credits used by the Consolidated Group in computing the tax liability on the consolidated Federal income tax return filed by the Parent.

The Company has recognized all its tax benefits. The Company classifies interest on tax deficiencies as interest expense and income tax penalties are included in other operating and general expenses. For the year ended December 31, 2021, May 12 through December 31, 2020 and January 1 through May 11, 2020, respectively, no interest or penalties were recognized in the consolidated statements of comprehensive income.

The components of the provision for income taxes are as follows:

		Successor	Predecessor
	December 31, 2021	May 12, 2020 Through December 31, 2020	January 1, 2020 Through May 11, 2020
Current tax expense/(benefit)	$ 2,465	$ 328	$ (1,886)
Deferred tax expense	69	587	2,204
Total	$ 2,534	$ 915	$ 318

A reconciliation of the U.S. Federal statutory rate to the Company's effective tax are as follows:

(Dollars in thousands)

		Successor	Predecessor
	December 31, 2021	May 12, 2020 Through December 31, 2020	January 1, 2020 Through May 11, 2020
U.S. statutory tax	21.0%	21.0%	21.0%
Non-taxable investment income	(0.1)	(0.7)	(0.5)
Tax rate differential on tax net operating loss carryback	(3.7)	(8.0)	-
Other – net	-	-	(0.6)
Effective income tax rate	17.2%	12.3%	19.9%

For the period January 1, 2020 through May 11, 2020, the Predecessor incurred a Federal tax net operating loss ("NOL") of approximately $7,900. This Federal tax NOL was carried back to the year ended December 31, 2015. This carryback resulted in a Federal tax rate differential of 14% as the Federal tax rate in 2015 was 35% versus the current enacted Federal tax rate of 21%. For the periods ended December 31, 2021 and 2020, the Company recorded a tax rate deferential on this Federal tax NOL of $542 and $623, respectively.

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. The Company evaluates the recoverability of these future tax deductions by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences.

The components of the net deferred tax assets as of December 31, 2021 and 2020 are comprised of the following:

	2021	2020
Assets:		
Unearned premiums and derivative fee revenue	$ 3,053	$ 3,130
Unpaid losses and loss adjustment expenses	24	50
Derivative components	1,883	1,937
Leasing commissions	76	248
Deferred compensation	200	-
Accrued rent receivable	106	372
Unrealized losses on investments	151	-
Other	160	185
Total deferred tax assets	**5,653**	**5,922**
Liabilities:		
Intangible assets	2,747	3,439
Deferred policy acquisition costs	407	78
Unrealized gains on investments	-	86
Other	33	21
Total deferred tax liabilities	3,187	3,624
Net deferred tax assets	**$ 2,466**	**$ 2,298**

(Dollars in thousands)

The Company is not under examination by the Internal Revenue Service but remains subject to examination for tax years 2018 through 2021.

20. Reinsurance and Risk Syndication

In the normal course of business, the Company has entered into reinsurance agreements and reinsured exposures to limit losses and increase capacity. This risk sharing does not relieve the Company from primary liability to the holders of its contracts and, to the extent that a counterparty would be unable to meet its obligations, the Company would be liable. Management believes its counterparties are financially sound and will continue to meet their obligations. The Company did not cede premium during 2021 and 2020.

The following table illustrates the effect of reinsurance on the insurance contracts for year ended December 31, 2021, and May 12 through December 31, 2020 and January 1 through May 11, 2020, respectively

		Successor	Predecessor
	December 31, 2021	May 12, 2020 Through December 31, 2020	January 1, 2020 Through May 11, 2020
Premiums written			
Direct	$ 4,205	$ 2,377	$ 53
Assumed	8,884	-	-
Ceded	-	-	-
Net premiums written	**$ 13,089**	**$ 2,377**	**$ 53**
Premiums earned			
Direct	$ 1,579	$ 819	$ 818
Assumed	4,820	83	42
Ceded	-	-	-
Net premiums earned	**$ 6,399**	**$ 902**	**$ 860**
Income and loss adjustment provision changes			
Direct	$ 651	$ 2,081	$ 483
Assumed	705	-	-
Ceded	180	(40)	(22)
Net income and loss adjustment provision changes	**$ 1,536**	**$ 2,041**	**$ 461**
Unearned premiums			
Direct	$ 8,185	$ 5,558	$ 3,999
Assumed	4,788	724	808
Ceded	-	-	-
Net unearned premiums	**$ 12,973**	**$ 6,282**	**$ 4,807**

21. Cash and Deferred Bonus Plan

Effective January 1, 2021, the Compensation Committee ("the Committee") of the Board of Directors ("BOD") approved the 2021 RVI Group Cash and Deferred Bonus Plan (the "2021 Plan"). The 2021 Plan is intended to be a "bonus program" as defined under the Employee Retirement Income Security Act of 1974, as amended, ("ERISA") and shall at all times be unfunded until payment is made. The 2021 Plan provides for the award of both cash and deferred bonuses. All employees are eligible to receive a cash bonus award, the value of which is based upon individual, departmental and overall Company performance. The 2021 Plan also provides, that certain employees are eligible to receive a deferred bonus award. The deferred bonus award is credited to the participant's account and the account is subject to adjustment annually based upon Company performance. The deferred bonus awards vest in four equal installments of 25% of the original award on each of the first four anniversaries of the grant date. The vested account amounts for each deferred bonus award will be paid as follows: 25% of the applicable vested account on the first year anniversary of the applicable vesting date; 33 1/3% of the remaining applicable vested account on the second anniversary, 50% of the remaining applicable vested account on the third anniversary and 100% of the remaining applicable vested account on the fourth anniversary.

The amount granted under the 2021 Plan will be determined by the Committee in its sole discretion. The 2021 Plan expense for the deferred bonus award was $600.

22. Other Employee Benefit Plans

Variable Compensation Plan

Effective January 1, 2020, the Variable Compensation Plan that was previously in effect for the years ending December 31, 2020 has been terminated.

Defined Contribution Plan

The Company has a defined contribution 401(k) Savings Plan ("The 401(k)"). The 401(k) is subject to the provisions of ERISA.

The Plan's eligibility requirements for employees include a minimum of one month of service and a minimum age requirement of 21 years. Eligible employees may contribute up to 100% of their eligible compensation subject to certain limitations in the Internal Revenue Code of 1986, as amended. The Company makes a contribution at a rate of 3% of base salary plus the Company matches 70% of employee contributions up to an additional 3% of base salary to each employee. Employees are fully vested in their voluntary contributions and in the employer match. Company contributions of approximately $388, $218, and $131, were made during December 31, 2021, May 12 through December 31, 2020, and January 1 through May 11, 2020, respectively.

2012 RVI Group Performance Award and Cash Bonus Plan

Effective May 12, 2020, the 2012 RVI Group Performance Award and Cash Bonus Plan was terminated due to the purchase of the Company and all outstanding units became fully vested and were paid in June 2020.

23. Risks and Uncertainties

The following is a description of the most significant risks facing the Company and how the Company mitigates those risks:

Legal/Regulatory Risk is the risk that changes in the legal or regulatory environment in which an insurer operates will occur and create additional claims costs or expenses not anticipated by the insurer in pricing its products. These changes could include regulatory initiatives designed to reduce insurer profits or new legal theories which may create costs for the insurer beyond those recorded in the consolidated financial statements. The risk is reduced by underwriting and loss adjusting practices that identify and minimize the adverse impact of these risks. In addition, although the Company is not currently a party to any litigation where the outcome would have a material adverse effect on its financial condition, the Company's status as an insurance carrier places it at an increased risk of litigation.

Credit Risk is the risk that issuers of securities owned by the Company will default or other parties, including reinsurers, will not pay. The Company minimizes this risk by adhering to a conservative investment strategy and by maintaining reinsurance and credit and collection policies.

Interest Rate and Liquidity Risk is the risk that interest rates will change and cause a change in the value of an insurer's investments and that current liabilities are greater than positive cash flows. The Company mitigates this risk by attempting to match the maturity schedule of its assets with the expected payouts of its liabilities. To the extent that liabilities come due more quickly than assets mature, the Company may have to sell assets prior to maturity and recognize a loss.

For the years ended December 31, 2021 and 2020, the Company's five largest clients comprised approximately 73% and 72% of statutory gross written premiums, respectively. None of the five clients had the same percentages in both years. Should the Company discontinue doing business with these clients, the impact may be significant.

Concentration of Credit Risk
The areas where significant concentrations of credit risk may exist include reinsurance recoverable on paid and unpaid losses and loss adjustment expenses and prepaid reinsurance premiums (collectively "reinsurance assets"), investments, cash and cash equivalents and premiums receivable. The Company's reinsurance assets at December 31, 2021 and 2020 amounted to $740 and $1,000 and resulted from reinsurance arrangements in the normal course of its operations. A credit exposure exists with respect to reinsurance assets as they may be uncollectible. The Company manages its credit risk in its reinsurance relationships by transacting with reinsurers that it considers financially sound and, if necessary, the Company may hold collateral in the form of trust accounts. This collateral can be drawn on for the amounts that remain unpaid beyond specified time periods on an individual reinsurer basis.

The Company's available-for-sale investment portfolio is managed by external managers in accordance with guidelines that have been tailored to meet specific investment strategies, including standards of diversification, which limits among other things, the allowable holdings of any single issue. The Company did not have an aggregate investment in a single entity, in excess of 10% of its statutory admitted assets at December 31, 2021 or 2020.

The Company maintains a substantial portion of its cash and cash equivalents in one financial institution that the Company considers high quality. Premiums receivable consist of amounts relating to insurance and derivative contracts. The Company extends credit to its customers in the normal course of business and monitors the balances of individual accounts to assess any collectability issues. The Company has not experienced significant losses related to receivables in the past.

Impact of Coronavirus ("COVID-19") Pandemic
As a result of the impact of COVID-19 the Company implemented a work-from-home policy and continues enforcement to varying degrees, based on state government regulations where the Company maintains offices. The Company has been able to maintain its operations at very-close-to-normal levels. Management does not believe that COVID-19 will have a significant impact on its business. The outbreak of COVID-19 has significantly affected the U.S. economy and financial markets. However, the Company has been able to absorb any minimal incremental losses associated with the economic impact of the COVD-19 pandemic. The full extent to which the COVID-19 pandemic will impact the Company business, results of operations, financial condition and its cash flows will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information that may emerge concerning COVID-19 and the actions to contain it or treat its impact and the economic impact on local, regional, national and international markets.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Action ("CARES Act") was enacted. The CARES Act, among other things, included provisions relating to refundable payroll tax credits, deferment of employer-side social security payments, net operating loss carryback periods, for up to five years, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. As a result of temporary tax differences reversing after the acquisition, the Company incurred a Federal tax net operating loss of approximately $7,900. This tax loss carryback resulted in a reduction to the Company's effective tax rate of approximately 3.7% and 8.0% in 2021 and 2020, respectively. The Company continues to examine the impacts this CARES Act may have on our business, but the Company does not expect that they will be material.

24. Related Party

Revolving Line of Credit
On November 30, 2020, the Company entered into a financing agreement with Delaware Life Insurance Company ("DLIC") of Group1001. Under this financing agreement, DLIC permits the Company to borrow, for general purposes, at any time through November 30, 2023 up to $20,000 at an interest rate of 90 day Libor plus 1.5%. The Company will repay the amount of each revolving loan advance in full within 364 days of the date on which such amount is borrowed. There is an unused commitment fee equal to .25% per annum. Unused commitment fee incurred was $46 and $4 for the periods ending December 31, 2021 and 2020.

25. Subsequent Events

The Company's management has performed subsequent events procedures through February 25, 2022, which is the date the consolidated financial statements were available to be issued and there were no subsequent events requiring adjustment to the consolidated financial statements or disclosures as stated herein.