ALIMCO RE LTD.

FINANCIAL STATEMENTS

(AND INDEPENDENT AUDITORS' REPORT THEREON)

FOR THE YEAR ENDED DECEMBER 31, 2021 AND FOR THE PERIOD FROM OCTOBER 18, 2019

(DATE OF INCORPORATION) TO DECEMBER 31, 2020

ALIMCO RE LTD.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND FOR THE PERIOD FROM OCTOBER 18, 2019 (DATE OF INCORPORATION) TO DECEMBER 31, 2020
CONTENTS

mazars

INDEPENDENT AUDITORS' REPORT

To the Shareholder,
Alimco Re Ltd.

Opinion

We have audited the accompanying financial statements of Alimco Re Ltd. (the "Company"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of comprehensive income, changes in shareholder's equity, and cash flows for the year ended December 31, 2021 and for the period from October 18, 2019 (date of incorporation) to December 31, 2020, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alimco Re Ltd. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the year ended December 31, 2021 and for the period from October 18, 2019 (date of incorporation) to December 31, 2020 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. Our responsibilities under those standards are further described in the *Auditors' 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements, including omissions, 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 financial statements.

A.S. Cooper Building, 4th Floor, 26 Reid Street, Hamilton HM11, Bermuda
P.O. Box HM 1614, Hamilton, HM GX, Bermuda
Tel: 441 292 3862 - Fax: 441 295 1349 Email: info@mazars.bm

mazars

INDEPENDENT AUDITORS' REPORT *(continued)*

Auditors' Responsibilities for the Audit of the Financial Statements *(continued)*

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the 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 financial statements.
- Obtain an understanding of internal control relevant to the audits 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 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Mazars Limited

Chartered Professional Accountants
Hamilton, Bermuda
May 30, 2022

ALIMCO RE LTD.
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021 and 2020
(Expressed in United States Dollars)

	Note	December 31, 2021 $	December 31, 2020 $
ASSETS:			
Cash and cash equivalents	4	38,884,110	29,984,292
Restricted cash and cash equivalents	4	7,565,788	-
Investments	4,5,6	142,625,997	50,828,743
Restricted investments	4,5,6	18,133,689	-
Pending trades receivable, net		10,142	-
Dividends receivable		9,085	45,071
Accrued investment income		232,411	235,066
Reinsurance balances receivable		15,527,437	12,516,677
Unearned ceded premiums		1,268,611	-
Deferred acquisition costs		7,747,494	-
Prepaid expenses		6,179	9,674
Total assets		232,010,943	93,619,523
LIABILITIES:			
Unearned premium reserves		30,905,697	-
Outstanding losses and loss expenses	8	28,891,249	13,148,975
Reinsurance balances payable		444,489	-
Commissions payable		470,393	40,320
Deferred tax liability	12	4,990,155	1,644,617
Amounts due to affiliates	9	12,407,142	9,305,693
Accounts payable and accrued expenses	9	413,036	74,132
Total liabilities		78,522,161	24,213,737
SHAREHOLDER'S EQUITY			
Share capital	11	120,000	120,000
Additional paid-in-capital	11	124,691,457	59,362,469
Accumulated other comprehensive income		1,050,227	471,269
Retained earnings		27,627,098	9,452,048
Total shareholder's equity		153,488,782	69,405,786
Total liabilities and shareholder's equity		232,010,943	93,619,523

The accompanying notes should be read in conjunction with these financial statements

APPROVED BY THE DIRECTORS:

Director **Director**

ALIMCO RE LTD.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021 AND FOR THE PERIOD FROM OCTOBER 18, 2019 (DATE OF INCORPORATION) TO DECEMBER 31, 2020
(Expressed in United States Dollars)

	Note	December 31 2021 $	December 31 2020 $
REVENUES			
Direct and assumed premiums		59,660,290	13,750,000
Ceded premiums written		(2,283,500)	-
Net Premiums Assumed		57,376,790	13,750,000
Change in unearned premiums		(30,905,697)	-
Change in unearned premiums ceded		1,268,611	-
Net Premiums Earned		27,739,704	13,750,000
INCURRED LOSSES AND UNDERWRITING EXPENSES			
Net losses paid	8	6,432,433	820,823
Net movement in reserves	8	15,742,274	13,148,975
Acquisition costs		4,447,023	412,500
AMF and UPI commissions		1,119,296	40,320
Total incurred losses and underwriting expenses		27,741,026	14,422,618
NET UNDERWRITING LOSS		(1,322)	(672,618)
Net investment income	7,9	22,061,966	14,716,884
General and administrative expenses	9	(798,819)	(335,081)
NET INCOME FOR THE YEAR/PERIOD – BEFORE TAX		21,261,825	13,709,185
Federal income tax	12	104,863	(2,737,795)
Change in deferred tax	12	(3,191,638)	(1,519,342)
NET INCOME FOR THE YEAR/PERIOD – AFTER TAX		18,175,050	9,452,048
OTHER COMPREHENSIVE INCOME (LOSS)			
Net unrealized holding gains during the year/period		732,858	596,544
Deferred taxation on investments		(153,900)	(125,275)
COMPREHENSIVE INCOME		18,754,008	9,923,317

The accompanying notes should be read in conjunction with these financial statements

ALIMCO RE LTD.
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021 AND FOR THE PERIOD FROM OCTOBER 18, 2019 (DATE OF INCORPORATION) TO DECEMBER 31, 2020
(Expressed in United States Dollars)

	Note	Share Capital $	Additional Paid-In Capital $	Accumulated Other Comprehensive Income $	Retained Earnings $	Total $
Capital contributions	11	120,000	59,362,469	-	-	59,482,469
Net income for the period		-	-	-	9,452,048	9,452,048
Other comprehensive income		-	-	471,269	-	471,269
As at December 31, 2020		120,000	59,362,469	471,269	9,452,048	69,405,786
Capital contributions	11	-	65,328,988	-	-	65,328,988
Net income for the year		-	-	-	18,175,050	18,175,050
Other comprehensive income		-	-	578,958	-	578,958
As at December 31, 2021		120,000	124,691,457	1,050,227	27,627,098	153,488,782

The accompanying notes should be read in conjunction with these financial statements

ALIMCO RE LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND FOR THE PERIOD FROM OCTOBER 18, 2019 (DATE OF INCORPORATION) TO DECEMBER 31, 2020
(Expressed in United States Dollars)

	December 31, 2021 $	December 31, 2020 $
OPERATING ACTIVITIES:		
Net income for the year/period	18,175,050	9,452,048
Adjustments to reconcile net income to net cash, cash equivalents and restricted cash provided by operating activities:		
Unrealized gains on investments	(22,629,160)	(8,342,211)
Realized gains on sale of investments	(3,532,875)	(5,796,881)
Accrued loan interest	(362,915)	(284,893)
Amortisation	(71,948)	(165,088)
Net change in operating assets and liabilities:		
Dividends receivable	35,986	(45,071)
Pending trades receivable	(10,142)	-
Unearned ceded premiums	(1,268,611)	-
Accrued investment income	2,655	(235,066)
Reinsurance balance receivable	(3,010,760)	(12,516,677)
Prepaid expenses	3,495	(9,674)
Deferred acquisition costs	(7,747,494)	-
Unearned premium reserves	30,905,697	-
Outstanding losses and loss expenses	15,742,274	13,148,975
Reinsurance balances payable	444,489	-
Commissions payable	430,073	40,320
Deferred tax liability	3,345,538	1,519,342
Amounts due to affiliates	3,101,449	9,305,693
Accounts payable and accrued expenses	338,904	74,132
Cash and cash equivalents provided by operating activities	33,891,705	6,144,949
INVESTNG ACTIVITIES:		
Proceeds on sales and maturities of investments	66,498,839	49,349,975
Purchases of investments	(104,826,789)	(62,062,540)
Cash and cash equivalents used in investing activities	(38,327,950)	(12,712,565)
FINANCING ACTIVITIES:		
Proceeds from capital contributions, **being net cash and cash equivalents provided by financing activities**	20,901,851	36,551,908
Net change in cash, cash equivalents and restricted cash and cash equivalents	16,465,606	29,984,292
Cash, cash equivalents and restricted cash and cash equivalents, beginning of period/year	29,984,292	-
Cash, cash equivalents and restricted cash and cash equivalents, end of period/year	46,449,898	29,984,292
Comprised of:		
Cash and cash equivalents	38,884,110	29,984,292
Restricted cash and cash equivalents	7,565,788	-
Supplemental information:		
Investments contributed as capital	44,427,137	22,930,561

The accompanying notes should be read in conjunction with these financial statements

1. Operations

Alimco Re Ltd. ("the Company") was incorporated on October 18, 2019 and is licensed under the Insurance Act 1978 of Bermuda as a Class 3A insurer. The Company is a wholly owned subsidiary of Alimco Financial Corporation ("AFC"), a holding company registered in Delaware, USA. The Company is managed and has its principal place of business in Bermuda.

The Company sources all reinsurance business through MultiStrat Advisors Ltd. ("MultiStrat"), an Insurance Agent established in Bermuda for the purpose of sourcing business for investor-based segregated accounts and other reinsurance vehicles, such as the Company.

As at December 31, 2021, the Company had entered into seven reinsurance agreements (2020: one), including six quota share agreements across several lines of business including workers' compensation, general liability, casualty and automotive. During 2020, the Company entered into one loss portfolio transfer ("LPT") to reinsure a legacy portfolio of general construction liability risks.

2. Significant Accounting Policies

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), denominated in U.S. dollars, which is the Company's functional currency, and which apply the following significant accounting policies adopted by the Company:

a) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks, time deposits and short term investments with an original maturity of three months or less.

b) Investments and Net Investment Income

The Company invests in an available-for-sale portfolio of fixed maturity, short-term investments and equity investments. The Company also has a participation in a hedge fund, various direct investments and private investment loans. Fixed income securities and the equity securities are recorded at fair value on the statements of financial position with investment loans recorded at amortized cost. Direct investments are carried at fair value with any change in unrealized gains or losses recognized in the income statement and included in net investment income.

For available-for-sale portfolios, the unrealized gain or loss (other than credit losses) on fixed income securities is excluded from net earnings and reported as a separate component of accumulated other comprehensive income. Investment transactions are recorded on the trade date. The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity using the effective interest rate method. Such amortization is included in investment income.

Realized gains and losses on securities are included in investment income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in investment income and are recorded on the accrual basis and the ex-dividend date, respectively. Investment income is presented net of investment expenses.

2. Significant Accounting Policies *(continued)*

b) Investments and Net Investment Income *(continued)*

Securities that experience a decline in value, which is considered to be other-than-temporary, are written down to their estimated realizable value. Investments are reviewed periodically to determine if they have sustained an impairment of value that is considered to be other-than-temporary. The identification of potentially impaired investments involves significant management judgment, which includes the determination of their fair value and the assessment of whether any decline in value is other-than-temporary.

An impairment on an investment is considered other-than-temporary if; (i) the Company intends to sell the security or it has sold the security subsequent to the financial reporting date; (ii) if it is more likely than not that the Company will be required to sell the security before its anticipated recovery, or; (iii) a credit loss exists that would cause the Company to receive less cash flows in the future than the present amortized cost basis of the security. If investments are determined to be other-than-temporarily impaired, a loss is charged to the statements of comprehensive income in that period.

c) Fair Value of Financial Instruments

The Company records its investment in financial instruments in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements* ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures regarding fair value measurements.

Fair value is defined as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 provides guidance on how to measure the fair value of financial instruments according to a fair value hierarchy that prioritizes the information used to measure fair value into three broad levels.

d) Derivative Instruments

Derivative instruments are recognized on the issuance on certain warrants and contingent value rights granted to the Company. Changes in the fair value as well as realized gains or losses on derivative instruments are recognized in net income as they are not designated as qualifying hedging instruments and they do not create a hedging relationship for net investment hedges.

e) Use of Estimates

To prepare the financial statements, management must make estimates and assumptions that affect the book value of assets and liabilities, income and expenses, and data disclosed in the notes to the financial statements.

All estimates are subjective in nature and could materially influence the financial statements. Accordingly, management makes these estimates and assessments on an ongoing basis according to past experience and various factors that are deemed reasonable and which constitute the basis for these assessments. The amounts shown in the Company's future financial statements are likely to differ from these estimates in accordance with changes in assumptions or different conditions. The principal significant estimates made by the Company's management primarily affect the provision for outstanding losses and loss expenses, fair value of investments and determination of other than temporary impairment ("OTTI") of investments.

2. Significant Accounting Policies *(continued)*

f) Losses and Loss Expenses

Losses and loss expenses paid are recorded when advised by ceding companies. The liability for losses and loss expense provisions includes an amount determined from loss reports and individual cases and an amount, based on past experience and industry loss development factors, for losses incurred but not reported. These estimates are continually reviewed and are necessarily subject to the impact of future changes in such factors as claims severity and frequency. While management believes that the amount is adequate, the ultimate liability is subject to inherent uncertainty given the nature of the reinsurance coverage in place and may be materially in excess of, or less than, the amounts provided and any adjustments will be reflected in the periods in which they become known.

g) Foreign Exchange

The Company maintains assets and liabilities in foreign currencies related to the operation of its business. All transactions denominated in foreign currency are translated at the average rate for the month. At period end, the Company re-measures non-US currency financial assets and liabilities to their current US dollar equivalent using the month end rate. All resulting gains or losses on foreign denominated investments is reflected separately in the statements of comprehensive income.

h) Premiums and Acquisition Costs

Premiums written and acquisition costs are reported as earned on a pro-rata basis over the applicable policy period.

Acquisition costs, consisting principally of commission expenses incurred at the time a contract or policy is issued, are deferred and amortized over the period in which the related premiums are earned.

Where contracts contain a variable feature based on ultimate loss experience, adjustments are recorded against earned premium in the period in which the related loss experience is recognized.

Other fees incurred include Account Management Fees (“AMF”), calculated on rolling average annual net loss reserves and paid monthly as well as Underwriting Performance Incentive (“UPI”) fees calculated on a sliding scale basis dependent on contract performance.

i) Taxation

The Company provides for income taxes in accordance with applicable accounting guidance. The Company has a tax sharing agreement in place with AFC. The Company records its share of allocated tax expense in accordance with the terms of the agreement.

The Company’s deferred tax liability primarily results from temporary differences between the amounts recorded in the financial statements and the tax basis of the Company’s assets and liabilities. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The deferred tax liability balance is analyzed regularly by management. This assessment requires significant judgment and considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of carryforward periods, and tax planning strategies and/or actions.

Refer to Note 12 for a discussion of the Company’s tax uncertainties.

2. Significant Accounting Policies *(continued)*

j) Going Concern

The accompanying financial statements and notes have been prepared in conformity with GAAP, assuming that the Company will continue as a going concern. No conditions or events have been identified which raise substantial doubt about the Company's ability to continue as a going concern.

k) New Accounting Standards Adopted During the Year

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The amendments simplify and expand the eligible hedging strategies for financial and nonfinancial risks and enhance the transparency of how hedging results are presented and disclosed. Further, the amendments provide partial relief on the timing of certain aspects of hedge documentation and eliminates the requirement to recognize hedge ineffectiveness separately in earnings.

In October 2018, the FASB issued ASU 2018-16, Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes. The amendments in this update permit use of the OIS rate based on SOFR as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815.

In January 2021, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848). The amendments in this update clarify that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition.

The adoption of these amendments did not have a material effect on the financial statements of the Company.

l) New Accounting Standards to be Adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2021 and have not been applied in the preparation of these financial statements. Those which may be relevant to the financial statements of the Company are as follows:

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this update significantly change the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model. The update also provides for recording credit losses on available-for-sale debt securities through an allowance account. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2022.

In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*. This update defers the implementation date of the new credit loss standard for nonpublic entities by one year, and clarifies that operating lease receivables are not within its scope. The amendments are effective upon adoption of the amendments in ASU 2016-13.

2. Significant Accounting Policies *(continued)*

l) New Accounting Standards to be Adopted (continued)

In May 2019, the FASB issued ASU 2019-05, Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief. This update provides transition relief by providing entities with an alternative to irrevocably elect the fair value option for eligible financial assets measured at amortized cost upon adoption of the credit losses standard. The amendments are effective upon adoption of the amendments in ASU 2016-13.

In November 2019, the FASB issued ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*. This update was issued to clarify the new credit impairment guidance in ASC 326 based on implementation issues raised by stakeholders. The amendments are effective upon adoption of the amendments in ASU 2016-13.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The amendments in this update simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2021.

In January 2020, the FASB issued ASU 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*. This update clarifies the interaction among the accounting standards for equity securities, equity method investments and certain derivatives. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2021.

In March 2020, the FASB issued ASU 2020-03, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments in this update make narrow-scope improvements to various financial instruments Topics, including the current expected credit losses standard. The amendments are effective upon adoption of the amendments in ASU 2016-13.

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. The amendments in this update simplify the accounting for convertible instruments by eliminating large sections of the existing guidance in this area. It also eliminates several triggers for derivative accounting, including a requirement to settle certain contracts by delivering registered shares. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2023.

In October 2020, the FASB issued ASU 2020-08, *Codification Improvements to Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs*. The amendments in this update clarify that an entity should reevaluate whether a callable debt security is within the scope of paragraph 310-20-35-33 for each reporting period. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2021.

In October 2020, the FASB issued ASU 2020-10, *Codification Improvements*. The amendments in this update contain improvements that vary in nature and enhance the consistency of the Codification. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2021.

(Expressed in United States Dollars)

2. Significant Accounting Policies *(continued)*

l) New Accounting Standards to be Adopted *(continued)*

Management is currently assessing the impact of the adoption of the above standards and amendments on the financial statements of the Company.

3. Fair Value of Financial Instruments

Fair value disclosures with respect to certain financial instruments are included separately herein where appropriate. The carrying values of restricted and unrestricted cash and cash equivalents, reinsurance balances receivable, accrued investment income, reinsurance balances payable, unearned premium and ceded reserves, deferred acquisition costs and accounts payable and accrued expenses approximate their fair values due to the short-term nature of the balances.

4. Pledged Assets

The Company has negotiated a letter of credit facility in an amount not to exceed $50,000,000 (2020 - $30,000,000) with a United States financial institution. The Company has pledged certain cash and securities in support of the facility.

As of December 31, 2021, three letters of credit had been issued under the facility (2020 - none). The Company has placed cash equivalents of $26,107,289 (2020 - $29,572,569) and investments with a fair value of $73,776,081 (2020 - $29,780,964) in a designated account to support the credit facility.

As of December 31, 2021, two trust accounts had been established in favor of certain ceding insurance companies (2020 - none). The Company held cash equivalents of $7,565,788 (2020 - $nil) and investments with a fair value of $18,133,689 (2020 - $nil) in these accounts.

5. Investments

The following is a summary of investments held as at December 31, 2021:

	Cost or Amortized Cost $	Gross Unrealized Gains $	Gross Unrealized Losses $	Fair Value $
Corporate debt securities	5,124,182	1,253,349	(105,447)	6,272,084
Mortgage-backed and asset-backed securities	20,775,017	283,207	(101,708)	20,956,516
Equity securities	92,491,039	29,937,600	(2,663,659)	119,764,980
Notes/loans receivable	2,583,641	72,393	-	2,656,034
Limited partnership interests	6,992,647	481,473	(113,972)	7,360,148
Other investments	419,995	3,329,929	-	3,749,924
Total	128,386,521	35,357,951	(2,984,786)	160,759,686

(Expressed in United States Dollars)

5. Investments *(continued)*

The following is a summary of investments held as at December 31, 2020:

	Cost or Amortized Cost $	Gross Unrealized Gains $	Gross Unrealized Losses $	Fair Value $
Corporate debt securities	7,647,591	1,130,209	(352,438)	8,425,362
Mortgage-backed and asset-backed securities	7,395,578	95,159	(276,387)	7,214,350
Equity securities	11,222,583	4,530,848	(1,327,930)	14,425,501
Notes/loans receivable	3,060,377	-	-	3,060,377
Limited partnership interests	11,818,238	393,574	-	12,211,812
Other investments	745,621	4,745,720	-	5,491,341
Total	41,889,988	10,895,510	(1,956,755)	50,828,743

For the year ended December 31, 2021, the gross unrealized gains included in other comprehensive income were $1,536,556 (2020 - $1,225,369) and gross unrealized losses for the same period were $207,155 (2020 - $628,825).

Other fair value disclosures are provided in Note 6.

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

	Less than 12 Months		12 Months Or Greater		Total	
December 31, 2021	Fair Value $	Unrealized Losses $	Fair Value $	Unrealized Losses $	Fair Value $	Unrealized Losses $
Corporate debt securities	55,578	(52,883)	246,329	(52,564)	301,907	(105,447)
Mortgage-backed and asset-backed securities	157,441	(5,851)	1,260,838	(95,857)	1,418,279	(101,708)
Equity securities	33,519,689	(2,462,026)	1,565,863	(201,633)	35,085,552	(2,663,659)
Limited partnership interests	-	-	4,838,526	(113,972)	4,838,526	(113,972)
Total	33,732,708	(2,520,760)	7,911,556	(464,026)	41,644,264	(2,984,786)

(Expressed in United States Dollars)

5. Investments *(continued)*

December 31, 2020	Less than 12 Months Fair Value $	Less than 12 Months Unrealized Losses $	12 Months Or Greater Fair Value $	12 Months Or Greater Unrealized Losses $	Total Fair Value $	Total Unrealized Losses $
Corporate debt securities	57,014	(352,438)	-	-	57,014	(352,438)
Mortgage-backed and asset-backed securities	4,957,834	(276,387)	-	-	4,957,834	(276,387)
Equity securities	973,810	(1,327,930)	-	-	973,810	(1,327,930)
Total	5,988,658	(1,956,755)	-	-	5,988,658	(1,956,755)

At December 31, 2021, there were 68 securities in an unrealized loss position (2020 - 110 securities) of which 45 had been in an unrealized loss position for 12 months or greater (2020 - none).

The amortized cost and estimated fair value of securities at December 31, 2021 and 2020, by contractual maturity, are shown below:

	December 31, 2021 Fair Value $	December 31, 2021 Cost or Amortized Cost $	December 31, 2020 Fair Value $	December 31, 2020 Cost or Amortized Cost $
Corporate debt securities				
In one year or less	246,329	298,937	250,125	244,816
After one year through five years	5,962,153	4,708,804	1,098,750	1,265,739
After five years through ten years	-	-	7,019,473	6,024,512
After ten years through twenty-five years	8,024	7,979	-	-
After twenty-five years	55,578	108,462	57,014	112,524
Total corporate debt securities	6,272,084	5,124,182	8,425,362	7,647,591
Mortgage-backed and asset backed securities	20,956,516	20,775,017	7,214,350	7,395,578
Equity securities	119,764,980	92,491,039	14,425,501	11,222,583
Notes/loans receivable				
In one year or less	384,344	311,952	733,801	733,801
After one year through five years	2,271,690	2,271,689	2,326,576	2,326,576
Total notes/loans receivable	2,656,034	2,583,641	3,060,377	3,060,377
Limited partnership interests	7,360,148	6,992,647	12,211,812	11,818,238
Other	3,749,924	419,995	5,491,341	745,621
Total	160,759,686	128,386,521	50,828,743	41,889,988

(Expressed in United States Dollars)

5. Investments *(continued)*

The contractual maturities in the foregoing table may differ from the actual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

The following table sets forth certain information regarding the investment ratings of the Company's available-for-sale fixed maturity securities as at December 31, 2021 and 2020. Ratings are the lower of those assigned by Standard & Poor's or Moody's.

	December 31, 2021		December 31, 2020	
	Amortized Cost/Cost $	Percent of Total %	Amortized Cost/Cost $	Percent of Total %
AAA	94,839	0.4	124,745	0.9
AA	20,680,178	79.8	7,509,397	49.9
A	-	-	-	-
BBB	-	-	889,617	5.9
BB+ and lower	5,124,182	19.8	6,519,410	43.3
Total	25,899,199	100.0	15,043,169	100.0

Proceeds from sales and maturities of investments during the year ended December 31, 2021 were $59,614,464 and $6,884,375, respectively (2020 - $43,962,110 and $5,387,865, respectively). Gross gains of $5,177,504 (2020 - $9,377,227) and gross losses of $1,644,629 (2020 - $3,580,346) were realized on the sales. There were no other-than-temporary losses recognized in the statements of comprehensive income during the year ended December 31, 2021 or the period from October 18, 2019 (date of incorporation) to December 31, 2020.

Included within other investments are derivative instruments which were granted to the Company as part of loan issuances. It grants the Company a number of contingent value rights based on performance.

There were no other-than-temporary losses recognized in accumulated other comprehensive income during the year ended December 31, 2021 or the period from October 18, 2019 (date of incorporation) to December 31, 2020.

6. Fair Value Measurements

The Company has adopted ASC 820, *Fair Value Measurements* ("ASC 820"). ASC 820 clarifies the definition of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

In accordance with ASC 820, a company must determine the appropriate level in the fair value hierarchy for each fair value measurement. The fair value hierarchy in ASC 820 prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or liability, into three levels, which are described in detail below. The hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the hierarchy are as follows:

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

Level 2 – Quoted prices for similar assets in markets that are active, quoted prices for identical or similar assets in markets that are not active or inputs that are observable either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities other than quoted prices in Level 1; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and are significant to the fair value measurement of the assets or liabilities. Unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In accordance with ASC 820, the Company maximizes the use of observable inputs in its valuation techniques and applies unobservable inputs only to the extent that observable inputs are unavailable.

6. Fair Value Measurements *(continued)*

The major classes of assets and liabilities carried at fair value by the Company as at December 31, 2021 and 2020 included corporate debt securities, mortgage and asset-backed securities, and equity securities including mutual funds.

The determination of fair values in the absence of quoted market prices is based on: (i) valuation methodologies; (ii) securities management deems to be comparable; and (iii) assumptions deemed appropriate given the circumstances. The fair value estimates are made at a specific point in time, based on available market information and judgments about financial instruments, including estimates of the timing and amounts of expected future cash flows, and the credit standing of the issuer or counterparty.

Factors considered in estimating fair value include coupon rate, maturity, estimated duration, call provisions, credit rating, and industry sector of the issuer, and quoted market prices of comparable securities.

While the Company believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such investments existed, or had such investments been liquidated, and these differences could be material to the financial statements.

The Company's available-for-sale investments are comprised of a variety of different securities, which are leveled based on the valuation technique and inputs used in their valuation. The valuation of U.S. Treasury securities and equity (common stock, preferred stock and some mutual funds) securities are generally based on Level 1 inputs, which use the market approach valuation technique. The valuation of the Company's other available-for-sale investments, including obligations of U.S. government corporations and agencies, non-agency mortgage, corporate debt and asset-backed securities generally incorporate significant Level 2 inputs using the market, and income approach techniques, and are categorized as Level 2 in fair value hierarchy.

The Company has adopted ASU 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent*). As a result of this adoption, instruments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient, which includes some of the Company's investment in mutual funds, have not been categorized within the fair value hierarchy.

(Expressed in United States Dollars)

6. Fair Value Measurements *(continued)*

The following tables set forth the Company's investments categorized by the level within the ASC 820 hierarchy in which the fair value measurements fall, on a recurring basis as at December 31, 2021 and 2020.

December 31, 2021	Total $	Level 1 Quoted Prices $	Level 2 Other Significant Observable Inputs $	Level 3 Significant Unobservable Inputs $	Investments Valued Using NAV As Practical Expedient $
Equity securities	90,283,283	72,627,459	17,655,824	-	-
Preferred shares	29,481,697	-	29,481,697	-	-
Corporate debt securities	6,272,084	-	6,272,084	-	-
Mortgage-backed and asset-backed securities	20,956,516	-	20,956,516	-	-
Notes/loans receivable	2,656,034	-	-	2,656,034	-
Limited partnership interests	7,360,148	-	-	-	7,360,148
Other	3,749,924	-	-	3,749,924	-
Total	160,759,686	72,627,459	74,366,121	6,405,958	7,360,148

December 31, 2020	Total $	Level 1 Quoted Prices $	Level 2 Other Significant Observable Inputs $	Level 3 Significant Unobservable Inputs $	Investments Valued Using NAV As Practical Expedient $
Equity securities	14,425,501	14,425,501	-	-	-
Corporate debt securities	8,425,362	-	8,425,362	-	-
Mortgage-backed and asset-backed securities	7,214,350	-	7,214,350	-	-
Notes/loans receivable	3,060,377	-	-	3,060,377	-
Limited partnership interests	12,211,821	-	-	-	12,211,821
Other	5,491,341	-	-	5,491,341	-
Total	50,828,743	14,425,501	15,639,712	8,551,718	12,211,821

(Expressed in United States Dollars)

6. Fair Value Measurements *(continued)*

Level 3 Measurements

The following table presents a reconciliation of the beginning and ending balances for all investments measured at fair value on a recurring basis using Level 3 inputs during the year ended December 31, 2021 and the period from October 18, 2019 (date of incorporation) to December 31, 2020:

	Notes/Loans Receivable $	**Other $**	**Total $**
Purchases	2,673,317	745,621	3,418,938
Accretion	102,167	-	102,167
Accrued loan interest	284,893	-	284,893
Unrealized gains	-	4,745,720	4,745,720
Period ending fair value, December 31, 2020	3,060,377	5,491,341	8,551,718
Purchases	500,000	-	500,000
Sales	-	(325,626)	(325,626)
Paydowns	(1,581,258)	-	(1,581,259)
Accretion	314,000	-	314,000
Accrued loan interest	362,915	-	362,916
Unrealized losses	-	(1,415,791)	(1,415,791)
Year ending fair value, December 31, 2021	2,656,034	3,749,924	6,405,958

Net realized and unrealized gains related to Level 3 assets in the table above are included in net realized and unrealized gains in the statements of comprehensive income.

The Convertible Note, included within Notes/Loans receivables, relates to a private US company and convert if there is a qualified offering prior to the maturity date. As at December 31, 2021 no such qualifying event has occurred with no secondary market transactions in the Notes, therefore it is carried at cost.

The Warrants held at December 31, 2020 which were provided by a US listed company were exercised on February 11, 2021 at the exercise price of $0.01. therefore there were no remaining Warrants outstanding as at December 31, 2021.

The Contingent Value Right ("CVR"), included within Other above, relates to a US listed company and were provided as part of a private loan. The CVR represents a 10.4% interest in each of the entity's operating subsidiaries' note payable. The Company engaged an independent valuation specialist, Valuescope Inc., to perform a valuation of the CVR as at December 31, 2021 and 2020. The valuation methodologies used in the valuation of the CVR included:

6. Fair Value Measurements *(continued)*

Residual Value Method

This determines the value of the entity utilizing appropriate business valuation methodologies including:

Income approach – This directly measures the value of a company by estimating the expected cash flows derived from the business.

Market approach – Provides an indication of value of each company's shares by observing the market value of guideline companies based on various pricing measures or transactions.

Cost approach – This was considered and excluded for the valuation of the entity as this approach tends to misstate the fundamental economic value of an ongoing business enterprise.

Once the value of the business was calculated per the above, subtractions for the value of debt, the market capitalization of equity and the value of the warrants and options were applied. The amount remaining, the residual, is the value of the CVR.

Option Pricing Method

The CVR has a contingent claim on the value of the entity, whereby their claim is contingent upon the occurrence of a sale. A Monte Carlo simulation model to simulate the value of the entity and the occurrence of a transaction was created.

Black-Scholes Option Pricing Model

This model is used for determining the value of options on stocks. The call value is calculated as the difference between the benefit of acquiring the stock outright, given the stock price exceeds the exercise price and the present value of the payment of the exercise price at expiration.

The Binomial Option Pricing Model

This uses a step procedure, allowing for the specification of nodes during the time span between the Valuation Date and the options expiration date. Each node represents a step of the model and each step contains a decision between one possible upward and one possible downward movement.

This model reduces possibilities of price changes, arbitrage, assumes a perfectly efficient market and shortens the duration of the option. It also provides a stream of valuations for a derivative at each node in a span of time which is useful for valuing derivatives such as American options which allow the owner to exercise the option at any point in time until expiration.

6. Fair Value Measurements *(continued)*

The following are pricing model inputs utilized in the above models:

1) Stock price
2) Strike price or exercise price
3) Risk-free rate
4) Expected dividend yield
5) Volatility of stock returns
6) Time to expiration

The investments in funds measured at net asset value as a practical expedient includes units held in Limited partnership interests which are all entities that calculate net asset value per share. The following are the details of these funds.

Investment	Redemption Frequency and Restrictions	Redemption Notice Period	Investment Strategy	Liquidity Restrictions
Broadbill Partners II, LP (Class C)	Annually on investment anniversary	90 days	Hedge Fund - Distressed and Special Situations - U.S. & Global *	Manager Discretion
Broadbill Partners II, LP (Class D)	Annually on investment anniversary	90 days	Hedge Fund - Distressed and Special Situations - U.S. & Global *	Manager Discretion
MILFAM CI LLC Series G Membership Interest	Manager discretion	Manager discretion	Holding Company - Private Investments - U.S. & Global **	Manager Discretion
CI Series G is a Subscriber in Yield Capital Partners IX, L.P.	None	None	Venture Capital - Seed Stage - U.S. & Global **	No Partner shall have the right to withdraw its capital and profits from the Partnership

*Note 1 - The investment objective of the Fund is to seek growth of capital by investing in, and disposing of, securities and loans, claims and other obligations that are not securities. The Fund anticipates that its portfolio will include securities of financially leveraged or troubled companies and companies undergoing financial or operational restructurings or reorganizations, as well as similar non-corporate entities or governments. The Fund will utilize both long and short securities positions and may sell and purchase put and call options

**Note 2 - The primary objective of the Partnership is to generate significant returns for its Partners, principally through long-term capital appreciation, by making, holding and disposing of investments, directly or indirectly, in Ridecell, Inc.

(Expressed in United States Dollars)

7. Net Investment Income

The net investment income for the year ended December 31, 2021 and for the period from October 18, 2019 (date of incorporation) to December 31, 2020 consists of the following items:

	December 31, 2021 $	December 31, 2020 $
Interest income	1,234,065	1,824,133
Dividend income	4,596,763	5,203,472
Net realized gains on investments	3,532,875	5,796,881
Change in unrealized gains on investments	22,629,160	8,342,211
Investment fees	(10,002,845)	(6,614,900)
Accretion	71,948	165,087
Total	22,061,966	14,716,884

8. Losses and Loss Expenses

The liability for losses and loss adjustment expenses comprises:

	December 31, 2021 $	December 31, 2020 $
Outstanding losses	14,397,485	7,341,734
Losses incurred but not reported (“IBNR”)	14,493,764	5,807,241
Total	28,891,249	13,148,975

(Expressed in United States Dollars)

8. Losses and Loss Expenses *(continued)*

a) Activity in the liability for losses and loss expenses is summarized as follows:

	December 31, 2021 $	December 31, 2020 $
Balance, beginning of year/period	13,148,975	-
Less: Reinsurance recoverable	-	-
	13,148,975	-
Incurred losses relating to:		
Current year	23,531,727	-
Prior years	(1,357,020)	13,969,798
Total incurred losses	22,174,707	13,969,798
Less losses paid relating to:		
Current year	3,878,744	-
Prior years	2,553,689	820,823
Total paid losses	6,432,433	820,823
Net balance, end of year/period	28,891,249	13,148,975
Add: Reinsurance recoverable	-	-
Balance, end of period	28,891,249	13,148,975

The liability for losses and loss expenses is established at management's best estimate of expected losses having regard to the advice from the Company's third-party consulting actuary.

During the year ended December 31, 2021, there was favorable development on prior year incurred losses. The changes in the prior years' provision for outstanding losses and loss expenses was primarily due to the ongoing analysis of loss development trends across all accident years and not attributable to any specific occurrence or event.

b) Methodologies for determining incurred but not reported claims ("IBNR") and expected development on reported claims and significant changes to those methodologies

The following methods are used in determining IBNR and expected development on reported claims:

Indicated ultimate losses and allocated loss adjustment expenses by program year on a gross basis are developed for each line of coverage based on five commonly used actuarial methodologies set out below:

Paid Loss Development (Paid LDF)

Ultimate losses are estimated by calculating past paid loss development factors and applying them to exposure periods with further expected paid loss development.

8. Losses and Loss Expenses *(continued)*

The paid loss development method assumes that losses are paid at a consistent rate. It provides an objective test of reported loss projections because paid losses contain no reserve estimates. Thus, paid loss estimates are not influenced as heavily by changes in claims reserving policies and procedures, as are reported loss estimates.

In some circumstances, paid losses for recent periods may be too immature or erratic for accurate predictions. In many coverages, claim payments are made very slowly and it may take years for claims to be fully reported and settled. Payments may be erratic because of shifts in settlement patterns or large settlements in the early stages of development. Choosing an appropriate "tail factor" to determine the amount of payments from the latest development period to ultimate may also require considerable judgment, especially for coverages which have long payment patterns. In these cases, alternate methods are relied upon in selecting ultimate losses.

Reported Loss Development (Reported LDF)

Ultimate losses are estimated by calculating past reported loss development factors and applying them to exposure periods with further expected reported loss development.

Since reported losses include payments and case loss reserves, changes in both of these amounts are incorporated in this method. This provides a larger volume of data than just payments to estimate ultimate losses. Thus, reported loss patterns may be less erratic than paid loss patterns, especially for coverages that have a long payout pattern but for which claims are reported relatively early and case loss reserve estimates are established.

This method assumes that those who have been setting reserves have been following consistent practices over the historical period that is reviewed. Changes in claims handling procedures, large claims, or significant numbers of claims of an unusual nature may cause results to be erratic. Also, choosing an appropriate "tail factor" to determine the change in reported loss from the latest development period to ultimate may require considerable judgment, especially for coverages which have long reporting patterns.

Bornhuetter-Ferguson Paid Loss Method (Paid B-F)

The Bornhuetter-Ferguson paid loss method is a combination of the paid loss development method and a loss ratio method. The amount of losses yet to be paid is based on expected ratio of losses to standard premiums. These expected loss ratios are then modified to the extent that paid losses to date differ from what would have been expected based on the selected paid loss development pattern.

The formula used to estimate reserves for unreported claims and for any additional development on case reserves are estimated as the product of expected losses (ultimate payrolls x the loss rates) and [1 - (1/CLDF)], where CLDF is the appropriate cumulative paid loss development factor. These reserves are added to cumulative paid losses to produce the ultimate loss estimates.

This method avoids some of the distortion that could result if a large development factor were applied to a small base of paid losses to calculate ultimate loss. This method will react slowly if actual loss ratios develop differently because of major changes in rate levels, retentions or deductibles, the forms and conditions of reinsurance coverage, the types of risks covered or a variety of other changes.

(Expressed in United States Dollars)

8. Losses and Loss Expenses *(continued)*

Bornhuetter-Ferguson Reported Loss Method (Reported B-F)

The Bornhuetter-Ferguson reported loss method is similar to Bornhuetter-Ferguson paid loss method with the exception that it uses reported loss and reported loss development factors.

Frequency-Severity

This method develops the number of ultimate claims as well as the expected average amount of these claims separately using triangular methods for each accident year. The total expected ultimate loss is derived as the ultimate number of claims multiplied by the expected average amount of these claims.

The following is information about incurred and paid claims development as of December 31, 2021, as well as cumulative claim frequency and the total of incurred but not reported liabilities plus expected development on reported claims included within the net incurred claims amounts.

General liability:

	Incurred claims and allocated claim adjustment expenses, net of reinsurance for the years ended December 31		Total IBNR Plus Expected Development on	Cumulative Number of Reported
Accident year	**2020**	**2021**	**Reported Claims**	**Claims**
	$	**$**	**$**	
2008	-	-	-	-
2009	149,342	99,021	23,808	292
2010	412,611	251,313	58,835	396
2011	621,881	381,556	91,456	450
2012	1,513,711	1,190,031	222,612	574
2013	2,392,729	2,065,503	351,883	698
2014	4,107,253	4,152,279	604,027	745
2015	3,149,985	3,360,728	463,248	495
2016	1,477,521	1,074,845	217,289	151
2017	144,765	37,502	21,290	10
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021		5,804,732	4,401,573	77
		18,417,510	6,456,021	

(Expressed in United States Dollars)

8. Losses and Loss Expenses *(continued)*

General liability *(continued)*:

Accident year	Paid claims and claims expenses, net of reinsurance for the years ended December 31 2020 $	2021 $
2008	-	-
2009	6,768	69,931
2010	23,361	128,778
2011	17,101	173,760
2012	112,973	277,085
2013	136,402	533,528
2014	263,279	1,289,223
2015	231,295	775,639
2016	29,644	126,568
2017	-	-
2018	-	-
2019	-	-
2020	-	-
2021		-
		3,374,512
Liability for losses and loss expenses, net of reinsurance		15,042,998

Workers compensation:

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance for the year ended December 31 2021 $	Total IBNR Plus Expected Development on Reported Claims $	Cumulative Number of Reported Claims
2021	9,159,251	5,556,816	1,965
	9,159,251	5,556,816	

Accident year	Paid claims and claims expenses, net of reinsurance for the year ended December 31 2021 $
2021	1,732,575
	1,732,575
Liability for losses and loss expenses, net of reinsurance	7,426,676

(Expressed in United States Dollars)

8. Losses and Loss Expenses *(continued)*

Commercial auto:

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance for the year ended December 31 2021 $	Total IBNR Plus Expected Development on Reported Claims $	Cumulative Number of Reported Claims
2021	8,485,302	2,399,985	382
	8,485,302	2,399,985	

Accident year	Paid claims and claims expenses, net of reinsurance for the year ended December 31 2021 $
2021	2,146,169
	2,146,169
Liability for losses and loss expenses, net of reinsurance	6,339,133

Professional liability:

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance for the year ended December 31 2021 $	Total IBNR Plus Expected Development on Reported Claims $	Cumulative Number of Reported Claims
2021	82,442	80,942	1
	82,442	80,942	

Accident year	Paid claims and claims expenses, net of reinsurance for the year ended December 31 2021 $
2021	-
	-
Liability for losses and loss expenses, net of reinsurance	82,442

(Expressed in United States Dollars)

8. Losses and Loss Expenses *(continued)*

The reconciliation of the incurred and paid claims development tables to the liability for losses and loss adjustment expenses in the statements of financial position is as follows:

	December 31, 2021 $	December 31, 2020 $
Net outstanding liabilities:		
General liability	15,042,998	13,148,975
Workers compensation	7,426,676	-
Commercial auto	6,339,133	-
Professional liability	82,442	-
	28,891,249	13,148,975

The following table is unaudited supplementary information for average annual historical duration of claims:

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance
Unaudited

Years	1	2
General liability	0.4%	6.3%
Workers compensation	21.5%	21.8%
Commercial auto	5.4%	31.1%
Professional liability	9.6%	21.5%

9. Amounts Due to Affiliates

The following transactions were conducted in the normal course of operations and are measured at the exchange amount, which is the consideration established and agreed to by the related parties:

Ocmila Advisors Inc. ("Ocmila"), an investment manager who shares directors and ultimate beneficial shareholders in common with the Company, has been retained by the Company to act as an investment manager. Under the terms of the investment management agreement, Ocmila is entitled to a fee that includes an incentive provision equal to 30% of the net appreciation of the investment portfolio over specified time periods. As at December 31, 2021, the investment management fees accrued under the agreement amounted to $9,769,210 (2020 - $6,562,898). The fee is payable upon demand by Ocmila and is included within 'amounts due to affiliates' on the statements of financial position.

As at December 31, 2021, amounts due to affiliates include $5,000 (2020- $5,000) owing to AFC which was interest free and repayable on demand.

The Company has entered into a tax sharing agreement with AFC. Under the terms of the agreement, at December 31, 2021, the Company has recorded a net liability payable to AFC of $2,632,932 (2020 - $2,737,795) for current tax expense, included within 'amounts due to affiliates' on the statements of financial position.

(Expressed in United States Dollars)

9. Amounts Due to Affiliates *(continued)*

Milfam LLC ("Milfam"), a company that shares directors in common with the Company and is one of the Company's ultimate beneficial shareholders, provides ancillary investment support functions related to the Company's investment portfolio. Under the agreement with Milfam, the Company incurs a quarterly fee of 2.5 basis points on assets under management at the end of each quarter. During the year ended December 31, 2021, fees of $135,079 (period from October 18, 2019 (date of incorporation) to December 31, 2020 - $33,723) were charged and are included within 'general and administrative expenses' on the statements of comprehensive income, of which $45,000 remained owing to Milfam as at December 31, 2021 (2020 - $17,491) and is included within 'Accounts payable and accrued expenses' on the statements of financial position.

Certain directors of the Company also hold positions as directors or officers of other entities in which the Company may be invested in either through public market participation or private placements.

10. Concentration of Credit Risks

Credit risk arises from the failure of the counterparty to perform according to the terms of a contract.

The Company is a party to financial instruments with concentration of credit risk. These financial instruments include cash and cash equivalents and investments.

The Company's investment portfolio is managed pursuant to guidelines that follow prudent standards of diversification. The guidelines limit the allowable holdings of a single issue and issuers. The Company believes that there are no significant concentrations of credit risk associated with its investment portfolio.

As of December 31, 2021 and 2020, all cash and cash equivalents are held with two financial institutions located the United States and one financial institution located in Bermuda.

The Company does not require collateral or other security to support financial instruments with credit risk.

Insurance balances receivable primarily consist of net premiums due from insureds and reinsured. The Company believes that the counterparties to these receivables are able to meet, and will meet, all of their obligations. The Company's credit risk is further reduced by the contractual right to offset loss obligations or unearned premiums against premiums receivable. The insurance balances receivable that are outstanding for more than 90 days are nil as of December 31, 2021 and December 31, 2020.

11. Shareholder's Equity

Share Capital

	December 31, 2021	December 31, 2020
Authorized:		
120,000 common shares of par value $1 each	$ 120,000	$ 120,000
Issued and fully paid:		
120,000 common shares of a par value of $1 each	$ 120,000	$ 120,000

(Expressed in United States Dollars)

11. Shareholder's Equity *(continued)*

Additional Paid-in Capital

Additional paid-in capital represents additional contributions to capital made by the shareholder less returnable amounts declared by the Company. The total additional paid in capital during the year ended December 31, 2021 was $65,328,988 (2020 - $59,362,469), representing cash and investment contributions of $20,901,851 and $44,427,137, respectively (2020 - $36,551,908 and $22,930,561, respectively).

12. Taxation

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 from taxation until the year 2035.

On March 30, 2021, the Company made an irrevocable election under Section 953(d) of the Internal Revenue Code, as amended, to treat the Company as a United States ("U.S.") domestic insurance company for U.S. federal income tax purposes. As a result of the "domestic election", the Company will be subject to U.S. taxation on its worldwide income as if it were a U.S. corporation. The Company's filing is made as part of a consolidated filing with that of its parent company.

The Company has made provision for obligations under the tax sharing agreement with AFC as follows:

	December 31, 2021	December 31, 2020
	$	$
Current tax expense (benefit) at statutory rate of 21%	(104,863)	2,737,795
Net changes in deferred tax liability	3,191,638	1,519,342
Net tax expense	3,086,775	4,257,137

As a result of the tax sharing agreement in place with AFC, the Company has recorded a current tax payable to AFC of $2,632,932 (2020 - $2,737,795) and is included within 'amounts due from affiliates' on the statements of financial position. The Company's effective tax rate for the year ended December 31, 2021 was 14.5% (2020 - 31.1%).

The expected tax provision has been calculated using the pre-tax accounting income in each jurisdiction multiplied by that jurisdiction's applicable statutory tax rate. The statutory tax rates for the Company's Bermuda and U.S. operations are: 0% and 21% respectively.

(Expressed in United States Dollars)

12. Taxation *(continued)*

Deferred tax expense/benefits are based upon temporary differences between the financial statements and tax basis of assets and liabilities. The following deferred taxes are recorded:

	December 31, 2021 $	December 31, 2020 $
Deferred Tax Assets		
Unearned premium reserve	1,244,758	-
Discounted reserves	548,250	232,522
	1,793,008	232,522
Deferred Tax Liabilities		
Unrealized gains on equity securities	(6,503,988)	(1,751,864)
Unrealized investment gains – other comprehensive income	(279,175)	(125,275)
Total deferred tax liabilities	(6,783,163)	(1,877,139)
Net deferred tax liability	(4,990,155)	(1,644,617)

The Company has open tax years that are potentially subject to examinations by local tax authorities in the following major tax jurisdictions: the U.S., 2020 to 2021. The Company does not believe it has any uncertain tax positions and the Company is not currently under any tax audits.

13. Statutory Requirements

The Bermuda Insurance Act 1978 and Related Regulations requires the Company to maintain a minimum statutory capital and surplus (Enhanced Capital Requirement or "ECR") at least equal to the greater of a minimum solvency margin or the Bermuda Solvency Capital Requirement ("BSCR"). The BSCR is calculated based on a standardized risk-based capital model. Statutory capital and surplus at December 31, 2021 was $142,148,464 (2020 - $74,561,000) and the amount required to be maintained by the Company was $64,531,240 (2020 - $22,379,000).

A reconciliation of the statutory capital and surplus to GAAP equity is below:

	December 31 2021 $	December 31 2020 $
Shareholder's equity in accordance with U.S. GAAP	153,488,782	69,405,786
Less: Non-admitted assets		
Prepaid expenses	(6,179)	(9,674)
Statutory capital and surplus	153,482,603	69,396,112

The Company met the minimum solvency margin at December 31, 2021 and exceeded minimum solvency requirements by $137,349,654 (2020 - $69,970,000).

13. Statutory Requirements *(continued)*

In this regard, distributions from retained earnings and additional paid-in capital are limited to the extent that the above requirements are met. At December 31, 2021, retained earnings and additional paid-in capital amounting to $17,348,882 (2020 - $7,723,000) was available for distribution.

14. Legal/Regulatory Risk

Legal/regulatory risk is the risk that the legal or regulatory environment in which an insurer operates will change and create additional loss costs or expenses not anticipated by the insurer in pricing its products. That is, regulatory initiatives designed to reduce insurer profits or new legal theories may create costs for the insurer beyond those recorded in the financial statements. The Company mitigates this risk through its underwriting and loss adjusting practices which identify and minimize the adverse impact of this risk.

15. Market Risk

The novel coronavirus ("COVID-19"), a global pandemic, continues to substantially impact the global economy, including significant volatility in the financial markets. The COVID-19 pandemic and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as of the ultimate material adverse impact of COVID-19. Although the Company cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Company's results of future operations and financial position.

16. Subsequent Events

Subsequent events were evaluated to May 30, 2022, the date the financial statements were available to be issued. No subsequent events were noted that would have a material impact on the financial statements.