

Crabel Re Ltd.

Condensed General Purpose Financial Statements

For the Years ended December 31, 2021 and 2020



INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Crabel Re Ltd.

Opinions

We have audited the accompanying condensed financial statements of Crabel Re Ltd. (the "Company"), which comprise the condensed balance sheets and condensed statements of capital and surplus as of December 31, 2021 and 2020, and the related condensed statements of income for the years then ended, including the related notes (collectively referred to as the "condensed financial statements").

Unmodified opinion on regulatory basis of accounting

In our opinion, the accompanying condensed financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations for the years then ended in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial Statements (the "Legislation").

Adverse opinion on U.S. generally accepted accounting principles

In our opinion, because of the significance of the matter discussed in the Basis for adverse opinion on U.S. generally accepted accounting principles section of our report, the accompanying condensed financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2021 and 2020, or the results of its operations for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the condensed 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for adverse opinion on U.S. generally accepted accounting principles

As described in Note 3 to the condensed financial statements, the condensed financial statements are prepared by the Company on the basis of the financial reporting provisions of the Legislation, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Bermuda Monetary Authority.

The effects on the condensed financial statements of the variances between the regulatory basis of accounting described in Note 3 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.



INDEPENDENT AUDITORS' REPORT *(continued)*

Responsibilities of management for the condensed financial statements

Management is responsible for the preparation and fair presentation of the condensed financial statements in accordance with the financial reporting provisions of the Legislation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the condensed financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed 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 for one year after the date the condensed financial statements are available to be issued.

Auditors' responsibilities for the audit of the condensed financial statements

Our objectives are to obtain reasonable assurance about whether the condensed 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 US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the condensed financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the condensed 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 condensed financial statements.
- Obtain an understanding of internal controls 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 condensed financial statements.
- Conclude whether, in our judgement, 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.

Mazars Limited

Chartered Professional Accountants
Hamilton, Bermuda
July 5, 2022

Independent auditors' report on the Condensed Financial Statements of Crabel Re Ltd. as of and for the years ended December 31, 2021 and 2020

CONDENSED BALANCE SHEET

Crabel Re Ltd

As at

expressed in ['000s]

December 31, 2021

United States Dollars

LINE No.

	2021	2020
1. CASH AND CASH EQUIVALENTS	7,824	5,347
2. QUOTED INVESTMENTS:		
(a) Bonds and Debentures		
i. Held to maturity	-	-
ii. Other	-	3,004
(b) Total Bonds and Debentures	-	3,004
(c) Equities		
i. Common stocks		
ii. Preferred stocks		
iii. Mutual funds		
(d) Total equities	-	-
(e) Other quoted investments	-	414
(f) Total quoted investments	-	3,418
3. UNQUOTED INVESTMENTS:		
(a) Bonds and Debentures		
i. Held to maturity		
ii. Other		
(b) Total Bonds and Debentures	-	-
(c) Equities		
i. Common stocks		
ii. Preferred stocks		
iii. Mutual funds		
(d) Total equities	-	-
(e) Other unquoted investments		
(f) Total unquoted investments	-	-
4. INVESTMENTS IN AND ADVANCES TO AFFILIATES		
(a) Unregulated entities that conduct ancillary services		
(b) Unregulated non-financial operating entities		
(c) Unregulated financial operating entities		
(d) Regulated non-insurance financial operating entities		
(e) Regulated insurance financial operating entities		
(f) Total investments in affiliates	-	-
(g) Advances to affiliates		
(h) Total investments in and advances to affiliates	-	-
5. INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a) First liens		
(b) Other than first liens		
(c) Total investments in mortgage loans on real estate	-	-
6. POLICY LOANS		
7. REAL ESTATE:		
(a) Occupied by the company (less encumbrances)		
(b) Other properties (less encumbrances)		
(c) Total real estate	-	-
8. COLLATERAL LOANS		
9. INVESTMENT INCOME DUE AND ACCRUED	-	-
10. ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a) In course of collection		
(b) Deferred - not yet due		
(c) Receivables from retrocessional contracts	-	-
(d) Total accounts and premiums receivable	-	-
11. REINSURANCE BALANCES RECEIVABLE:		
(a) Foreign affiliates		
(b) Domestic affiliates		
(c) Pools & associations		
(d) All other insurers		
(e) Total reinsurance balance receivable	-	-
12. FUNDS HELD BY CEDING REINSURERS	796	1,015
13. SUNDRY ASSETS:		
(a) Derivative instruments		17
(b) Segregated accounts companies - long-term business - variable annuities		

CONDENSED BALANCE SHEET

Crabel Re Ltd

As at

expressed in ['000s]

December 31, 2021

United States Dollars

LINE No.

- (c) Segregated accounts companies - long-term business - other
- (d) Segregated accounts companies - general business
- (e) Deposit assets
- (f) Deferred acquisition costs
- (g) Net receivables for investments sold
- (h) Broker rebates
- (i) Other Sundry Assets (Specify)
- (j) Other Sundry Assets (Specify)
- (k) Total sundry assets

2021	2020
	-
-	-
-	17

- 14. LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS
- (a) Letters of credit
- (b) Guarantees
- (c) Other instruments
- (e) Total letters of credit, guarantees and other instruments

-	-

- 15. TOTAL

8,620	9,797
-------	-------

TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS

- 16. UNEARNED PREMIUM RESERVE
- (a) Gross unearned premium reserves
- (b) Less: Ceded unearned premium reserve
 - i. Foreign affiliates
 - ii. Domestic affiliates
 - iii. Pools & associations
 - iv. All other insurers
- (c) Total ceded unearned premium reserve
- (d) Net unearned premium reserve

	-
-	-
-	-

- 17. LOSS AND LOSS EXPENSE PROVISIONS:
- (a) Gross loss and loss expense provisions
- (b) Less : Reinsurance recoverable balance
 - i. Foreign affiliates
 - ii. Domestic affiliates
 - iii. Pools & associations
 - iv. All other reinsurers
- (c) Total reinsurance recoverable balance
- (d) Net loss and loss expense provisions

446	968
-	-
446	968

- 18. OTHER GENERAL BUSINESS INSURANCE RESERVES

--	--

- 19. TOTAL GENERAL BUSINESS INSURANCE RESERVES

446	968
-----	-----

LONG-TERM BUSINESS INSURANCE RESERVES

- 20. RESERVE FOR REPORTED CLAIMS
- 21. RESERVE FOR UNREPORTED CLAIMS
- 22. POLICY RESERVES - LIFE
- 23. POLICY RESERVES - ACCIDENT AND HEALTH
- 24. POLICYHOLDERS' FUNDS ON DEPOSIT
- 25. LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS
- 26. OTHER LONG-TERM BUSINESS INSURANCE RESERVES
- 27. TOTAL LONG-TERM BUSINESS INSURANCE RESERVES
- (a) Total Gross Long-Term Business Insurance Reserves
- (b) Less: Reinsurance recoverable balance on long-term business
 - (i) Foreign Affiliates
 - (ii) Domestic Affiliates
 - (iii) Pools and Associations
 - (iv) All Other Insurers
- (c) Total Reinsurance Recoverable Balance
- (d) **Total Net Long-Term Business Insurance Reserves**

-	-
-	-
-	-

OTHER LIABILITIES

CONDENSED BALANCE SHEET

Crabell Re Ltd

As at

expressed in ['000s]

December 31, 2021

United States Dollars

LINE No.		2021	2020
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	252	558
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE		
30.	LOANS AND NOTES PAYABLE		
31.	(a) INCOME TAXES PAYABLE		
	(b) DEFERRED INCOME TAXES		
32.	AMOUNTS DUE TO AFFILIATES	300	308
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	80	490
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:		
35.	DIVIDENDS PAYABLE		
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments		-
(b)	Segregated accounts companies		
(c)	Deposit liabilities		
(d)	Net payable for investments purchased	-	-
(e)	Other sundry liabilities (specify)		
(f)	Other sundry liabilities (specify)		
(g)	Other sundry liabilities (specify)		
(h)	Total sundry liabilities	-	-
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS:		
(a)	Letters of credit		
(b)	Guarantees		
(c)	Other instruments		
(d)	Total letters of credit, guarantees and other instruments	-	-
38.	TOTAL OTHER LIABILITIES	632	1,356
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	1,078	2,324
	CAPITAL AND SURPLUS		
40.	TOTAL CAPITAL AND SURPLUS	7,542	7,473
41.	TOTAL	8,620	9,797

CONDENSED STATEMENT OF INCOME

Crabel Re Ltd

As at
expressed in ['000s]

December 31, 2021
United States Dollars

LINE No.		2021	2020
	GENERAL BUSINESS UNDERWRITING INCOME		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written	-	5
	(b) Assumed gross premiums written	-	5
	(c) Total gross premiums written	-	5
2.	REINSURANCE PREMIUMS CEDED		
3.	NET PREMIUMS WRITTEN	-	5
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	-	-
5.	NET PREMIUMS EARNED	-	5
6.	OTHER INSURANCE INCOME		
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	-	5
	GENERAL BUSINESS UNDERWRITING EXPENSES		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	(304)	(1,585)
9.	COMMISSIONS AND BROKERAGE	11	18
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	(293)	(1,567)
11.	NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS	293	1,572
	LONG-TERM BUSINESS INCOME		
12.	GROSS PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Direct gross premiums and other considerations	-	-
	(b) Assumed gross premiums and other considerations	-	-
	(c) Total gross premiums and other considerations	-	-
13.	PREMIUMS CEDED		
14.	NET PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Life	-	-
	(b) Annuities	-	-
	(c) Accident and health	-	-
	(d) Total net premiums and other considerations	-	-
15.	OTHER INSURANCE INCOME		
16.	TOTAL LONG-TERM BUSINESS INCOME	-	-
	LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES		
17.	CLAIMS - LIFE		
18.	POLICYHOLDERS' DIVIDENDS		
19.	SURRENDERS		
20.	MATURITIES		
21.	ANNUITIES		
22.	ACCIDENT AND HEALTH BENEFITS		
23.	COMMISSIONS		
24.	OTHER		
25.	TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES	-	-
26.	INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES):		
	(a) Life	-	-
	(b) Annuities	-	-
	(c) Accident and health	-	-
	(d) Total increase (decrease) in policy reserves	-	-

CONDENSED STATEMENT OF INCOME

Crabel Re Ltd

As at
expressed in ['000s]

December 31, 2021
United States Dollars

LINE No.		2021	2020
27.	TOTAL LONG-TERM BUSINESS EXPENSES	-	-
28.	NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS	-	-
29.	COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS	293	1,572
	UNDERNOTED ITEMS		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	185	633
	(b) Personnel cost		
	(c) Other		
	(d) Total combined operating expenses	185	633
31.	COMBINED INVESTMENT INCOME - NET	2	225
32.	COMBINED OTHER INCOME (DEDUCTIONS)		
33.	COMBINED INCOME BEFORE TAXES	110	1,164
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current		
	(b) Deferred		
	(c) Total	-	-
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	110	1,164
36.	COMBINED REALIZED GAINS (LOSSES)	(41)	1,564
37.	COMBINED INTEREST CHARGES		
38.	NET INCOME	69	2,728

CONDENSED STATEMENT OF CAPITAL AND SURPLUS

Crabel Re Ltd

As at **December 31, 2021**
expressed in ['000s] **United States Dollars**

LINE No.		2021	2020
1.	CAPITAL:		
(a)	Capital Stock		
	(i) Common Shares		
	authorized	120,000	
	value	\$ 1,000	
	fully paid	120,000	
		shares of par	
		each issued and	
		shares	
	(ii)		
	(A) Preferred shares:		
	authorized		
	value		
	fully paid		
		shares of par	
		each issued and	
		shares	
	aggregate liquidation value for —		
	2021		
	2020		
	(B) Preferred shares issued by a subsidiary:		
	authorized		
	value		
	fully paid		
		shares of par	
		each issued and	
		shares	
	aggregate liquidation value for —		
	2021		
	2020		
	(iii) Treasury Shares		
	repurchased		
	value		
		shares of par	
		each issued	
(b)	Contributed surplus	403	403
(c)	Any other fixed capital		
	(i) Hybrid capital instruments		
	(ii) Guarantees and others		
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	523	523
2.	SURPLUS:		
(a)	Surplus - Beginning of Year	6,950	8,222
(b)	Add: Income for the year	69	2,728
(c)	Less: Dividends paid and payable		(4,000)
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments		
(e)	Add (Deduct) change in any other surplus		
(f)	Surplus - End of Year	7,019	6,950
3.	MINORITY INTEREST		
4.	TOTAL CAPITAL AND SURPLUS	7,542	7,473

Crabel Re Ltd.
Notes to the Condensed General Purpose Financial Statements
For the years ended December 31, 2021 and 2020

Part 1: General Notes to the Financial Statements

1. Crabel Re Ltd. (the “Company”) was incorporated under the laws of Bermuda on November 20, 2014 and is licensed as a Class 3A insurer pursuant to The Insurance Act 1978 (“the Act”). The Company is immediately and ultimately owned by Crabel Capital Holdings Ltd., is managed and has its principal place of business in Bermuda.

2. The Company is part of a panel of participating reinsurers supported by and providing reinsurance to Multi-Strat Re Ltd. (“MSRe”) for all classes of property and casualty business and workers’ compensation business. MSRe is licensed as a Class 3A insurer under the Act and provides reinsurance for captives, insurance and reinsurance companies, managing general agencies, risk retention groups, run-off companies, and other insurance-related companies requiring surplus relief, risk capacity, and risk protection by assuming low loss volatility, loss portfolio transfers, and capped quota share business through multiple sources.

The Company and each of the other participating reinsurers have entered into: i) a Master Services Agreement with MSRe whereby MSRe provides certain underwriting and administrative services to the Company, ii) a Quota Share Retrocession Agreement whereby the Company agrees to assume a quota share percentage of the business written by MSRe, and iii) an Account Management Fee Agreement whereby the Company compensates MSRe for its role in providing underwriting, claims, and other services in respect to the business assumed by the Company from MSRe. The quota share percentage can vary over time based on the Company’s appetite for assuming the business risks written by MSRe. The account management fee is calculated and payable quarterly at an annual rate of 50 bps times’ insurance liabilities at the end of the quarter. Under the terms of its current license, the Company cannot write non-MSRe business without the prior approval of the Bermuda Monetary Authority.

3. The condensed general purpose financial statements have been prepared in conformity with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to Condensed General Purpose Financial Statements (the “Legislation”). The condensed general purpose financial statements are based upon accounting principles generally accepted in the United States of America (“US GAAP”) but are in accordance with the reporting requirements of the Legislation, which varies in certain respects from US GAAP. The more significant variances are as follows:

- A statement of cash flows is not included;
- A statement of comprehensive income is not included;
- The presentation and classification of financial statement line items is in accordance with Schedules IX and XI of the Insurance Account Rules 2016 and differ from the expected presentation and classification under US GAAP; and
- The notes included in the condensed general purpose financial statements have been prepared in accordance with Schedule X of the Insurance Account Rules 2016 and exclude certain information required under US GAAP.

4. Significant Accounting Policies

The accompanying condensed general purpose financial statements are prepared in conformity with the financial reporting provisions of The Act and reflect the following policies.

Use of Estimates

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

All estimates are subjective in nature and could materially influence the condensed general purpose 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 condensed general purpose 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 losses and loss adjustment expenses and fair value of investments.

Crabel Re Ltd.
Notes to the Condensed General Purpose Financial Statements
For the years ended December 31, 2021 and 2020

Part 1: General Notes to the Financial Statements – continued

4. Significant Accounting Policies - continued

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and other short-term highly liquid investments with a maturity of three months or less at the date of purchase. The carrying value approximates fair value because of the short-term nature and high liquidity of these assets.

Investments in Marketable Securities

Investments are classified as held for trading under the definition included in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 320 “Investments – Debt and Equity Securities”. The investment portfolio is recorded on the trade date and reported at fair value with unrealized gains and losses reflected in the condensed statement of income during the year. Debt securities are valued using the evaluated bid price from a third-party pricing service, equity securities are valued using the last trade price on the relevant exchange and exchange memberships are valued based on the last sale price as published by the CME Group Inc., or if a sale did not occur on the valuation date, the mean between the bid and the offer amount on the valuation date. Realized gains or losses on sales of investments are determined on a specific identification basis.

Derivative Financial Instruments

Derivative financial instruments derive their value from the underlying instrument and are subject to the same risks as that underlying instrument, including liquidity, credit, and market risk. Derivative financial instrument transactions are recorded on the trade date and are reported at fair value with the resulting unrealized gains and losses reflected in the condensed statement of income during the year. Open futures contracts are valued using the settlement value on the relevant exchange and open foreign exchange contracts are valued using exchange rates quoted by a third-party pricing service.

Derivative financial assets and liabilities are offset and the net amount is reported in the condensed balance sheet only to the extent there is a legally enforceable right-of-offset and there is an intention to settle on a net basis, or to realize the assets and liabilities simultaneously. Derivative financial assets and liabilities are derecognized when the Company has transferred substantially all of the risks and rewards of ownership or the liability is discharged, cancelled, or expired.

Securities Sold Short

The Company may sell a security it does not own in anticipation of a decline in the fair value of that security or as a hedge against related securities positions owned (long positions). Short sales are subject to the possibility of unlimited risk.

Revenue Recognition and Acquisition Costs

Insurance premiums for prospective reinsurance policies are earned over the loss exposure or coverage period of the underlying policies. Premiums for retroactive reinsurance policies are earned at the inception of the contracts, as all of the underlying loss events covered by the underlying policies occurred in the past. Any underwriting profit at inception related to retroactive exposures in a reinsurance contract is deferred and recognized over the estimated future payout period of the losses and loss adjustment expense reserves. Any underwriting loss at inception related to retroactive exposures in a reinsurance contract is recognized immediately. Premium adjustments are recorded in the periods in which they become known. Commissions and other costs incurred on the acquisition of new and renewal business are deferred and amortized over the terms of the policies or contracts of reinsurance to which they relate. The method followed in determining the deferred acquisition costs limits the amount of deferral to its realizable value by giving consideration to losses and expenses expected to be incurred as premiums are earned and also considers anticipated investment income.

Interest and Dividend Income

Interest and dividend income is recognized net of withholding taxes.

Crabel Re Ltd.
Notes to the Condensed General Purpose Financial Statements
For the years ended December 31, 2021 and 2020

Part 1: General Notes to the Financial Statements – continued

4. Significant Accounting Policies - continued

Losses and Loss Adjustment Expenses

Losses and loss adjustment expenses paid are recorded when advised by ceding companies. The liability for loss and loss expense provisions includes an amount determined from loss reports and individual cases and an amount, based on the recommendations of an independent actuary using the past loss 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.

Taxation

Under current Bermuda Law, the Company is not required to pay 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 such taxes being imposed, the Company will be exempted from taxation until the year 2035. However, certain U.S. dividend income and interest income may be subject to a maximum 30% withholding tax. Further, certain U.S. dividend income may be subject to a tax at prevailing treaty or standard withholding rates with an applicable country or local jurisdiction.

5. Income is recognized on the following basis:

Premium income – See Part 1 note 4

Commission income – N/A

Interest income – See Part 1, note 4

6-12. Not applicable

13. Fair Value Measurement

Investments and Derivative Assets at fair value, categorized by their respective valuation levels, were as follows:

December 31, 2021

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Quoted Investments (at fair value)				
U.S. treasury bills	-	-	-	-
Exchange membership interests	-	-	-	-
Total Quoted Investments	-	-	-	-
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Derivatives (at fair value)				
Futures	-	-	-	-
Forward foreign exchange contracts	-	-	-	-
Total Derivative Assets	-	-	-	-

Crabel Re Ltd.
Notes to the Condensed General Purpose Financial Statements
For the years ended December 31, 2021 and 2020

Part 1: General Notes to the Financial Statements – continued

13. Fair Value Measurement – continued

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Quoted Investments (at fair value)				
U.S. treasury bills	3,004	-	-	3,004
Exchange membership interests	-	414	-	414
Total Quoted Investments	3,004	414	-	3,418
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Derivatives (at fair value)				
Futures	-	17	-	17
Forward foreign exchange contracts	-	-	-	-
Total Derivative Assets	-	17	-	17

14. The Company's fixed maturity and short-term investments are all contractually due within one year.

15. Related Party Transactions

The Company has arrangements with subsidiaries of Crabel Holdings, LLC ("Crabel") to provide various investment management services. Fees of \$21,984 and \$408,251 were expensed during the years ended December 31, 2021 and 2020 respectively for allowed expenses under the arrangements and are included in general and administration expenses. \$21,984 and \$408,251 were payable to Crabel subsidiaries at December 31, 2021 and 2020 respectively.

Amount due to affiliates represents amounts due to its parent, is interest free and payable on demand.

16. N/A

17. On March 11, 2020, the World Health Organization declared the outbreak of coronavirus ("COVID-19") a pandemic. As a result, economic uncertainties have arisen that have had serious and adverse consequences to business conditions around the globe following. The COVID-19 outbreak has resulted in limitations on travel, transportation, education, production of goods, provision of services and businesses operations generally. Although the long-term economic fallout of COVID-19 is difficult to predict, the challenging business conditions currently faced by the Company are highly likely to have adverse effects on their financial performance and, as a result, likely to adversely impact valuations of the Company's investments for future periods, which may be material. At the current time, we are unable to quantify the potential effects of this pandemic on future condensed general purpose financial statements.

Crabel Re Ltd.
Notes to the Condensed General Purpose Financial Statements
For the years ended December 31, 2021 and 2020

Part 2: Notes to the Condensed Statement of Capital and Surplus

1(a). Capital Stock:

Authorised, issued and fully paid – 120,000 common shares of par value of \$1 each.

1(b). Contributed Surplus:

During the years ended December 31, 2021 and 2020 respectively, \$Nil and \$18,000,000 in contributed surplus was returned to the Company's parent.

2(c). During the years ended December 31, 2021 and 2020 respectively, the Company paid \$Nil and \$4,000,000 in dividends to its parent.

Part 3: Notes to the Condensed Balance Sheet

1. The Company has arranged letters of credit of \$921,259 and \$2,226,768 at December 31, 2021 and 2020 respectively, to secure liabilities pursuant to the Quota Share Retrocession Agreement with MSRe. Cash and deposits equal to this amount are restricted as collateral for these letters of credit.

2-3. *Investments in marketable securities and derivatives:* Debt securities are valued using the evaluated bid price from a third-party pricing service, equity securities are valued using the last trade price on the relevant exchange and exchange memberships are valued based on the last sale price as published by the CME Group Inc., or if a sale did not occur on the valuation date, the mean between the bid and the offer amount on the valuation date.

See Part 3 Note 1.

4-8. N/A

9. Accrued investment income amounts to \$100 at December 31, 2021 and 2020.

10. Reinsurance balances receivable amount to \$Nil at December 31, 2021 and 2020.

11-12. N/A

13. The Company engages in the speculative trade of U.S. and foreign futures contracts and forward contracts (collectively "derivatives"), which are designed as trading contracts and are not linked to specific assets and liabilities in the condensed balance sheet or to forecasting transactions in an accounting hedge relationship and therefore, do not qualify for hedge accounting.

The following tables presents derivative instruments with unrealized gains as assets and unrealized losses as liabilities at December 31, 2021 and 2020. The reported amount of cash collateral is limited to the net derivative assets and net derivative liabilities.

	December 31, 2021			
	Gross Notional Value of Derivative Assets	Gross Fair Value of Recognized Derivative Assets	Gross Amounts Offset in the Condensed Balance Sheet	Net Amounts of Derivative Assets Presented in the Condensed Balance Sheet
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Futures:				
Materials	-	-	-	-
	-	-	-	-
LIABILITIES				
	Gross Notional Value of Derivative Liabilities	Gross Fair Value of Recognized Derivative Liabilities	Gross Amounts Offset in the Condensed Balance Sheet	Net Amounts of Derivative Liabilities Presented in the Condensed Balance Sheet
	\$'000	\$'000	\$'000	\$'000
Futures:				
Materials	-	-	-	-
	-	-	-	-

Crabel Re Ltd.
Notes to the Condensed General Purpose Financial Statements
For the years ended December 31, 2021 and 2020

Part 3: Notes to the Condensed Balance Sheet – continued

13. Continued

December 31, 2020				
ASSETS	Gross Notional Value of Derivative Assets	Gross Fair Value of Recognized Derivative Assets	Gross Amounts Offset in the Condensed Balance Sheet	Net Amounts of Derivative Assets Presented in the Condensed Balance Sheet
	\$'000	\$'000	\$'000	\$'000
Futures:				
Materials	11,707	1,648	(1,631)	17
	<u>11,707</u>	<u>1,648</u>	<u>(1,631)</u>	<u>17</u>
LIABILITIES	Gross Notional Value of Derivative Liabilities	Gross Fair Value of Recognized Derivative Liabilities	Gross Amounts Offset in the Condensed Balance Sheet	Net Amounts of Derivative Liabilities Presented in the Condensed Balance Sheet
	\$'000	\$'000	\$'000	\$'000
Futures:				
Materials	11,724	1,630	(1,630)	-
	<u>11,724</u>	<u>1,630</u>	<u>(1,630)</u>	<u>-</u>

The following tables presents the number of derivative contracts executed during 2020 and 2019, which generate net realized gains/(losses) and the number of derivative contracts open as of December 31, 2021 and 2020, which contributed to the net unrealized gain/(loss).

December 31, 2021				
	Condensed Statement of Income		Number of Contracts	
	Net Change in		Net Realized Gain (Loss)	Net Unrealized Gain (Loss)
	Net Realized Gain (Loss)	Unrealized Gain (Loss)		
	\$'000	\$'000	'000	'000
Futures:				
Financials	-	-	-	-
Agricultural	-	-	-	-
Materials	18	(17)	-	-
Total futures contracts	<u>18</u>	<u>(17)</u>	<u>-</u>	<u>-</u>
Forward foreign exchange contract	<u>(1)</u>	<u>-</u>	N/A	N/A

December 31, 2020				
	Condensed Statement of Income		Number of Contracts	
	Net Change in		Net Realized Gain (Loss)	Net Unrealized Gain (Loss)
	Net Realized Gain (Loss)	Unrealized Gain (Loss)		
	\$'000	\$'000	'000	'000
Futures:				
Financials	1,356	52	411	-
Agricultural	46	(14)	36	-
Materials	1,213	(77)	74	-
Total futures contracts	<u>2,615</u>	<u>(39)</u>	<u>521</u>	<u>-</u>
Forward foreign exchange contracts	<u>(1,125)</u>	<u>(56)</u>	N/A	N/A

Crabel Re Ltd.
Notes to the Condensed General Purpose Financial Statements
For the years ended December 31, 2021 and 2020

Part 3: Notes to the Condensed Balance Sheet - continued

14-16. N/A

17. Loss and Loss Provisions

(a) Movement in the year:

	2021	2020
	\$'000	\$'000
Gross loss and loss expense provisions at beginning of year	968	3,208
Less: Reinsurance recoverable at beginning of year	-	-
Net loss and loss expense provisions at beginning of year	968	3,208
Net losses and loss expenses incurred related to:		
Current year	-	-
Prior years	(304)	(1,585)
Total net incurred losses and loss expenses	(304)	(1,585)
Net losses and loss expenses paid or payable related to:		
Current year	-	-
Prior years	(218)	(655)
Total losses and loss expenses paid or payable	(218)	(655)
Net loss and loss expense provisions at end of year	446	968
Add: Reinsurance recoverable at end of year	-	-
Gross loss and loss expense provisions at end of year	446	968

(b) Management believes that the assumptions used in establishing its provision for loss and loss adjustment expenses represent a realistic and appropriate basis for estimating those reserves as of December 31, 2021 and 2020. However, these assumptions are subject to change and the Company continually reviews and adjusts its reserve estimates taking into account all currently known information and updated assumptions related to unknown information. While management believes it has made a reasonable estimate of loss expenses occurring up to the condensed balance sheet date, the ultimate costs of claims incurred could exceed the Company's reserves and have a materially adverse effect on its future results of operations and financial condition. No premium adjustments were made during the years ended December 31, 2021 and 2020.

(c) (i) See Part 3 Note 1.

(c) (ii) N/A

20-31. N/A

32. Amounts due to affiliates are interest free and payable on demand.

33. At December 31, 2021, accounts payable amounted to \$24,961 (2020: \$419,693) and accrued liabilities amounted to \$55,300 (2020: \$70,800).

Part 3: Notes to the Condensed Balance Sheet - continued

34-37. N/A

Crabel Re Ltd.
Notes to the Condensed General Purpose Financial Statements
For the years ended December 31, 2021 and 2020

Part 4: Notes to the Condensed Statement of Income

6. N/A

15-32. N/A

36. Combined realized gains and losses for the years ended December 31, 2021 and 2020 are:

	2021	2020
	\$'000	\$'000
Net realized gain/(loss) on derivatives	17	1,490
Net realized gain/(loss) on marketable securities	(378)	96
Net change in unrealised gain/(loss) on derivatives	(17)	(95)
Net change in unrealised gain/(loss) on marketable securities	337	73
	<u>(41)</u>	<u>1,564</u>