

# **Lumen Re Ltd.**

Financial Statements  
**December 31, 2021**  
(expressed in U.S. dollars)



## Independent auditor's report

To the Board of Directors and Shareholders of Lumen Re Ltd.

### Our opinion

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

### What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2021;
- the statement of income and comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.



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## **Responsibilities of management for the financial statements**

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

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

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

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

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

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



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

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**Chartered Professional Accountants**

**Hamilton, Bermuda**

**April 11, 2022**

**Lumen Re Ltd.**  
**Statement of Financial Position**  
**As at December 31, 2021**

(expressed in U.S. dollars)

	<b>2021 USD</b>	<b>2020 USD</b>
<b>Assets</b>		
Cash and cash equivalents (Note 3)	48,533,462	117,375,510
Restricted cash and cash equivalents (Note 4, 13)	374,315,472	524,081,997
Investments	112,830,000	155,811,458
Restricted investments (Note 5, 13)	2,590,260,964	320,695,894
Deferred acquisition costs	3,103,026	3,176,227
Premium receivable	41,105,022	39,971,206
Reinsurance recoverable (Note 8, 13)	746,549,834	374,654,801
Deferred reinsurance premiums (Note 13)	21,144,432	20,219,605
Prepaid expenses	39,905	39,905
<b>Total assets</b>	<b>3,937,882,117</b>	<b>1,556,026,603</b>
<b>Liabilities</b>		
Unearned premiums	25,333,903	24,045,551
Loss reserves (Note 8)	841,516,223	426,016,808
Reinsurance balances payable (Note 9, 13)	2,752,328,389	755,309,873
Accounts payable and accrued liabilities	1,061,060	667,960
<b>Total liabilities</b>	<b>3,620,239,575</b>	<b>1,206,040,192</b>
<b>Shareholder's Equity</b>		
Common shares (Note 12)	310,000,001	310,000,001
Retained earnings	7,642,541	39,986,410
<b>Total shareholder's equity</b>	<b>317,642,542</b>	<b>349,986,411</b>
<b>Total liabilities and shareholder's equity</b>	<b>3,937,882,117</b>	<b>1,556,026,603</b>

**Approved by the Board of Directors**



*Pascal Koller*

Pascal Koller

**Director**

*Scott Cobon*

Scott Cobon

**Director**

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

# Lumen Re Ltd.

## Statement of Income and Comprehensive Income For the year ended December 31, 2021

(expressed in U.S. dollars)

	<b>2021 USD</b>	<b>2020 USD</b>
<b>Underwriting income</b>		
Gross written premiums	336,982,024	293,563,991
Reinsurance premiums ceded (Note 13)	<u>(297,216,260)</u>	<u>(250,258,302)</u>
<b>Net premiums written</b>	39,765,764	43,305,689
Change in unearned premiums	(1,288,351)	815,785
Change in unearned premium ceded (Note 13)	<u>924,828</u>	<u>(1,668,375)</u>
<b>Net premiums earned</b>	39,402,241	42,453,099
<b>Loss and loss adjusted expenses</b>		
Change in loss reserves	(434,714,158)	(1,058,895)
Change in loss reserves ceded (Note 13)	390,091,000	(20,274,532)
Losses paid	(171,548,315)	(237,396,469)
Reinsurance recoveries (Note 13)	<u>140,649,802</u>	<u>218,837,590</u>
<b>Total loss and loss adjusted expenses</b>	(75,521,671)	(39,892,306)
<b>Underwriting expenses and fees</b>		
Commissions and brokerage	(30,145,441)	(26,907,981)
Commissions and brokerage ceded (Note 13)	26,530,366	22,701,929
FET expenses	(2,037,924)	(1,874,413)
FET expenses ceded (Note 13)	1,811,429	1,551,673
Collateralisation expenses	(2,010,469)	(584,686)
Collateralisation expenses ceded (Note 13)	1,658,200	224,535
Fee related income	<u>11,490,993</u>	<u>9,577,275</u>
<b>Total underwriting expenses and fees</b>	7,297,154	4,688,332
<b>Non-insurance items</b>		
General and administrative expenses	(3,811,123)	(2,833,305)
Net investment income (Note 6)	139,529	3,246,985
Foreign exchange (losses) / gains	149,998	656,856
<b>Net (loss)/income for the year</b>	<u>(32,343,872)</u>	<u>8,319,661</u>
<b>Total comprehensive (loss)/income for the year</b>	<u>(32,343,872)</u>	<u>8,319,661</u>

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

# Lumen Re Ltd.

## Statement of Changes in Equity

### For the year ended December 31, 2021

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(expressed in U.S. dollars)

	Common shares	Retained earnings USD	Total shareholder's equity USD
<b>Balances at December 31, 2019</b>	310,000,001	31,666,749	341,666,750
Shares transferred (Note 11)	-	-	-
Net income for the year	-	8,319,661	8,319,661
Comprehensive income			
<b>Balances at December 31, 2020</b>	310,000,001	39,986,410	349,986,411
Shares transferred (Note 11)	-	-	-
Net (loss)/income for the year	-	(32,343,872)	(32,343,872)
Comprehensive income	-	-	-
<b>Balances at December 31, 2021</b>	<u>310,000,001</u>	<u>7,642,541</u>	<u>317,642,542</u>

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

**Lumen Re Ltd.**  
Statement of Cash Flows  
December 31, 2021

	<b>2021 USD</b>	<b>2020 USD</b>
<b>Cash flows from operating activities</b>		
Comprehensive (loss)/income for the year	(32,343,872)	8,319,661
Adjustments for:		
Investment loss/(income)	(139,529)	(3,246,985)
Charges (credits) to reconcile comprehensive income to net cash from operations:		
Net change in:		
Premium receivable	(1,133,816)	(193,240)
Prepaid reinsurance premiums	(924,827)	1,668,375
Prepaid expenses	-	88,835
Deferred acquisition costs	73,201	360,253
Unearned premiums	1,288,352	(815,785)
Loss reserves	415,499,415	1,058,895
Loss reserves ceded	(371,895,033)	20,274,532
Reinsurance balances payable	1,997,018,516	(193,479,843)
Accounts payable and accrued liabilities	393,100	219,272
<b>Net cash provided by/(used in) operating activities</b>	<b>2,007,835,507</b>	<b>(165,746,030)</b>
<b>Cash flows from financing activity</b>		
Share capital	-	-
<b>Net cash provided by financing activity</b>	<b>-</b>	<b>-</b>
<b>Cash flows from investing activities</b>		
Payments for investments	(5,591,199,580)	(617,666,675)
Proceeds from sale/maturity of investments	3,345,729,493	514,593,641
Interest earned on investments	(139,529)	3,543,869
Foreign exchange	19,165,536	-
<b>Net cash used in investing activity</b>	<b>(2,226,444,080)</b>	<b>(99,529,165)</b>
<b>Net decrease in cash and restricted cash during the year</b>	<b>(218,608,573)</b>	<b>(265,275,195)</b>
<b>Cash, cash equivalent and restricted cash – Beginning of year</b>	<b>641,457,507</b>	<b>906,732,702</b>
<b>Cash, cash equivalent and restricted cash – End of year</b>	<b>422,848,934</b>	<b>641,457,507</b>
<b>Represented by</b>		
Cash and cash equivalents	48,533,462	117,375,510
Restricted cash and cash equivalents	374,315,472	524,081,997
	<b>422,848,934</b>	<b>641,457,507</b>

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



# Lumen Re Ltd.

Notes to Financial Statements  
December 31, 2021

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## 1. *Incorporation and principal activities*

Lumen Re Ltd. (the “Company”), formerly Collateralised Re Ltd., was incorporated in Bermuda on October 31, 2013 and initially licensed as a Special Purpose Insurer (“SPI”) pursuant to the Bermuda Insurance Act 1978 “the Act”). On May 1, 2017 the Company obtained a Class 3A license in accordance with the Act.

From incorporation to April 30, 2017, the Company was directly funded by insurance-linked investment funds (“Funds”) managed by LGT ILS Partners Ltd. (“LGT ILS”), itself part of one of the largest privately held private banking and asset management groups in Europe. Due to structural changes that occurred effective May 1, 2017, a related company, Secundum Re Ltd. (“Secundum Re”) provides the majority of the funding via a fully-funded variable quota share agreement, the collateral for which is 100% provided by the Funds. As part of this structural change, the Company issued non-voting preference shares worth USD 310 million to the LGT (Lux) II – ILO Fund. In December 2018 these shares were re-classified as non-voting common shares.

The Company predominately writes non-proportional, property catastrophe reinsurance business with a well-diversified group of (re)insurance companies and with a geographic spread of coverage. As aforementioned, the vast majority of this business is retroceded to Secundum Re.

In December 2017, A.M. Best assigned the Company a Financial Strength Rating of “A” with a ‘stable’ outlook. The rating was re-affirmed by the rating agency in May 2021.

The registered office of the Company is located at Canons Court, 22 Victoria Street, Hamilton, HM12, Bermuda.

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

## 2. *Significant accounting policies*

### (a) **Basis of accounting**

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. Although these estimates are based on management’s best knowledge of current events and conditions, actual results could differ from these estimates. The area involving a higher degree of judgement and or complexity, or area where assumptions and estimates are significant to the financial statements is provisions for loss reserves. This is disclosed further in item (i) below.

### (i) **Standards, amendments and interpretations to existing standards, expected to apply to the Company, that are not yet effective and have not been early adopted by the Company**

#### 1. IFRS 9 – Financial Instruments (“IFRS 9”)

In July 2014, the IASB issued IFRS 9 which replaces IAS 39 Financial instruments. A revised version of IFRS 9 was issued in July 2015 and is effective for annual periods beginning on or after January 1, 2018. The application of IFRS 9 may have an impact on amounts reported in respect of the Company’s financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed. The Company has elected to defer the adoption of IFRS 9 to when IFRS 17 is adopted.

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

# Lumen Re Ltd.

Notes to Financial Information  
December 31, 2021

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## 2. Significant accounting policies (continued)

### 2. IFRS 17 – Insurance Contracts (“IFRS 17”)

IFRS 17 is effective for years beginning on/after January 1, 2023. IFRS 17 is the new standard on accounting for insurance contracts, replacing IFRS 4, Insurance Contracts. The Company is currently assessing the impact of IFRS 17 on its financial statements.

- (b) **Foreign exchange**

The financial statements are presented in United States dollars which is the Company’s functional currency. Monetary assets and liabilities denominated in foreign currencies are revalued at the exchange rate in effect at the balance sheet date with the resulting foreign exchange gains and losses recognized in the statements of income and comprehensive income. Foreign currency transactions are converted using the foreign exchange rates prevailing at the dates of the transactions.
- (c) **Cash and cash equivalents**

Cash and cash equivalents include cash in hand and deposits held at call with banks. These amounts have an original maturity of 90 days or less.
- (d) **Restricted cash and cash equivalents**

Restricted cash and cash equivalents serves as collateral, assigned as security for the Company’s obligations under the various reinsurance contracts and for the business written on the Company’s rated paper. The underlying balances are held in either money market funds or treasury bills to secure the aggregate amount of coverage provided and restricted cash has an original maturity of 90 days or less.
- (e) **Restricted investments**

Restricted investments serve as collateral, assigned as security for the Company’s obligations under the various reinsurance contracts and for the business written on the Company’s rated paper. The underlying balances are held in either money market funds or treasury bills to secure the aggregate amount of coverage provided and restricted investments have an original maturity of more than 90 days. Restricted investments are measured at fair value through profit or loss (FVTPL) with realized and unrealized gains included within Net Investment Income in the Statement of Comprehensive Income.
- (f) **Investments**

Investments serve as collateral, assigned as security for the Company’s obligations under the various reinsurance contracts and for the business written on the Company’s rated paper. The underlying balances are held in either money market funds or treasury bills to secure the aggregate amount of coverage provided and restricted investments have an original maturity of more than 90 days. Restricted investments are measured at fair value through profit or loss (FVTPL) with realized and unrealized gains included within Net Investment Income in the Statement of Comprehensive Income.
- (g) **Premium receivable**

Premium receivable is recorded at face value less repayments and impairments if applicable.
- (h) **Reinsurance recoverable**

Reinsurance recoverable is recorded at face value.
- (i) **Revenue recognition**

Premiums are recognised as revenue upon inception of the reinsurance contracts and are earned by applying exposure earning profiles per the assumed risk.
- (j) **Reinsurance Premium Ceded**

Premiums ceded are recognised as expenditure upon inception applying exposure expense profiles per the risk ceded. Premiums ceded represent reinsurance protection purchased by the Company.

# Lumen Re Ltd.

Notes to Financial Information  
December 31, 2021

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## 2. Significant accounting policies (continued)

### (i) Insurance Reserves

These consist of the following:

#### i) Unearned premium

Written premiums for future periods are accrued in unearned premiums.

#### ii) Provision for loss reserves

Loss reserves are recorded based on recommendations of LGT ILS. All provisions are periodically reviewed and evaluated by the Underwriting Unit of the Company. LGT ILS is in constant contact with the brokers and counterparties of each of the Company's reinsurance contracts. AIR Worldwide modelling is used on the portfolio and percentages are used to calculate reserves on contracts with losses. The Board of Directors believes that the amount provided is adequate to cover the ultimate net cost of losses incurred to the statements of financial position date. However, estimating claims is, by its very nature, subject to uncertainty. Ongoing estimates will change and ultimately settlement of claims may deviate, perhaps substantially from amounts provided. Adjustments to provisions will be reflected in income during the period they are determined.

#### iii) Reinsurance balances payable

Reinsurance balances payable are calculated according to the terms of the retrocession contract with Secundum Re.

## 3. Cash and cash equivalents

Cash and cash equivalents are comprised of cash held in accounts with HSBC Bank Bermuda Limited and Credit Suisse (Switzerland) Ltd. These amounts have an original maturity of 90 days or less.

The Company has a USD 300m credit facility granted by Credit Suisse (Switzerland) Ltd, the purpose of which is to issue letters of credit and to hedge its foreign exchange risk.

## 4. Restricted cash and cash equivalents

Restricted cash and cash equivalents refer to the trust account balances held in money market funds at Wells Fargo Bank and Bank of New York Mellon Corporation.

This restricted cash is for the purpose of collateralising business written on a fully funded basis.

## 5. Restricted investments

Restricted investments refer to balances held at Bank of New York Mellon, National Australia Bank Limited and Credit Suisse. These amounts are invested in government securities having original maturities of more than 90 days. They are recorded at market value as reported by the aforementioned custodians.

The restricted investments are made up of investments that are for the purpose of collateralising business written on a fully funded basis and the equity investment of the Company.

# Lumen Re Ltd.

## Notes to Financial Information December 31, 2021

### 6. Net investment income

Net investment income contains the realized and unrealized gains on the restricted investments and the interest earned on cash and cash equivalents. The following table shows the balances contained within:

	2021 USD	2020 USD
Gain on restricted cash and cash equivalents	181,437	3,848,496
Gain on restricted investments	981,828	2,892,494
Unrealised gain/(loss) on investments	247,757	886,722
Gain ceded to Secundum Re Ltd	(854,204)	(4,038,130)
Interest on cash and cash equivalents	(417,289)	(342,597)
<b>Net investment income</b>	<b>139,529</b>	<b>3,246,985</b>

### 7. Fair Value Measurement

Cash and cash equivalents, restricted cash and cash equivalents and restricted investments and investments are all considered Level 1 in the fair value hierarchy. Level 1 is defined as financial instruments with quoted market prices, or quoted prices for identical instruments on an active market.

### 8. Loss Reserves

As stated in Note 2, loss reserves are recorded based on the recommendations of LGT ILS. Net loss reserves of USD 94,966,389 were recorded at December 31, 2021 (2020: USD 51,362,007). The following loss triangle sets out the property catastrophe reinsurance loss reserve position at December 31, 2021.

Loss Occurrence Year	2016 and prior	2017	2018	2019	2020	2021	Total
end of Event Year		494'831'142	216'397'804	188'834'056	206'654'891	471'293'564	
after 2 years		19'454'703	46'361'137	56'996'515	137'335'131		
after 3 years		(20'592'009)	(1'736'608)	(2'385'928)			
after 4 years		(19'475'569)	(8'212'048)				
after 5 years		8'099'044					
after 6 years							
Cumulative Loss Reserves	158'504'414	482'317'310	252'810'285	243'444'643	343'990'022	471'293'564	1'952'360'238
Cumulative Loss Payments	(150'917'631)	(415'220'108)	(191'999'880)	(161'486'738)	(130'243'124)	(52'763'334)	(1'102'630'816)
FX Revaluation (LR changes, Losses paid)	(1'935'248)	(181'166)	988'843	(6'986'472)	11'539'354	(4'760'550)	(1'335'240)
<b>Cumulative Claims Liabilities (i.e. Net Reserves)</b>	<b>5'651'535</b>	<b>66'916'036</b>	<b>61'799'248</b>	<b>74'971'434</b>	<b>225'286'251</b>	<b>413'769'679</b>	<b>848'394'183</b>
FX Revaluation (PY Rsv balance)							(6'877'960)
<b>Gross loss reserves</b>							<b>841'516'223</b>
Reinsurance recoverable							(746'549'834)
<b>Net loss reserves</b>							<b>94'966'389</b>

The net loss reserve of USD 94,966,389 is expected to be settled on or before December 31, 2024.

# Lumen Re Ltd.

Notes to Financial Information  
December 31, 2021

## 8. Loss Reserves (continued)

The following table provides a roll forward of the loss reserve movement at year end December 31, 2021:

	2021 USD	2020 USD
Gross loss and loss expense provisions at beginning of year	426,016,808	424,957,913
Less: Reinsurance recoverable at beginning of year	(374,654,801)	(394,929,333)
<b>Net loss and loss expense provisions at beginning of year</b>	<b>51,362,007</b>	<b>30,028,580</b>
Net incurred losses and loss expenses		
Current year	52,081,671	28,530,127
Prior years	23,440,000	11,362,179
Total net incurred losses and loss expenses	75,521,671	39,892,306
Net losses and loss expenses paid or payable related to:		
Current year	(7,474,840)	(1,631,153)
Prior years	(23,423,673)	(16,927,726)
Total losses and loss expenses paid or payable	(30,898,513)	(18,558,879)
Less: Foreign exchange revaluation	(1,018,776)	
<b>Net loss and loss expense provisions at end of year</b>	<b>94,966,389</b>	<b>51,362,007</b>
Add: Reinsurance recoverable at end of year	746,549,834	374,654,801
<b>Gross loss and loss expense provisions at end of year</b>	<b>841,516,223</b>	<b>426,016,808</b>

The current year net incurred losses and loss expenses of USD 75,521,671 (2020: USD 39,892,306) are losses to elements of contracts that do not have the fully funded quota share support of Secundum Re.

## 9. Reinsurance balances payable – Secundum Re Ltd.

Through the Company's participation in a fully funded variable quota share agreement with Secundum Re, this balance represents the funding provided by Secundum Re to fully fund the portion of the insurance obligations to the various cedants that are then retroceded to Secundum Re. As at December 31, 2021 the Reinsurance balances payable – Secundum Re Ltd. was USD 2,752,328,389 (2020: USD 755,309,873). The increase in 2021 was due to the transfer of trust account balances previously held at Bank of New York Mellon Corporation onto the Company's bank accounts at Credit Suisse (Switzerland).

## 10. Income taxes and uncertain tax positions

The Company provides for income taxes based upon amounts reported in the financial information and the provisions of currently enacted tax laws. The Company is registered in Bermuda and is subject to Bermuda law with respect to taxation. Under current Bermuda law, the Company is not taxed on any Bermuda income or capital gains taxes and has received an undertaking from the Bermuda Minister of Finance that, in the event of any Bermuda income or capital gains taxes being imposed, the Company will be exempt from those taxes until March 31, 2035. At the present time no such taxes are levied in Bermuda.

## 11. Management of insurance and financial risk

### Insurance risk

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

# Lumen Re Ltd.

Notes to Financial Information  
December 31, 2021

## 11. Management of insurance and financial risk (continued)

and therefore unpredictable. In general, the principal risk that the Company faces under its insurance contract is that the actual claims payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of the claims is greater than estimated. Insurance events are random and the actual number and amount of claims will vary from the estimate. The Company does not write an any mortality, morbidity or health business or provide any business interruption coverage on a stand-alone basis and as such does not expect any direct claims resulting from the outbreak of Coronavirus Disease 2019 (“COVID-19 outbreak”).

Nevertheless, the Company has reviewed all contracts and identified a small number of contracts where the event definition and/or coverage may allow some room for interpretation. For these contracts, the Company has put up a precautionary loss reserve in April 2020. To be clear, to date the Company has not paid any COVID-19 related loss payments.

### Financial risk

The Company is exposed to financial risk on its financial assets and liabilities. The key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from the insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk. These risks have been mitigated by holding collateral against the reinsured exposure and by maintaining that amount in cash and money market funds.

The Company’s risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risks limits and controls, and to monitor risk and adherence to limits.

### Credit risk

The Company’s exposure to credit risk arises from the possibility that counterparties may default on their obligations to the Company. The amount of the Company’s maximum exposure to credit risk is indicated by the carrying value of its financial assets. The Company places its cash deposits and money market funds with highly rated financial institutions. The maturity of the Company’s investments are within one year.

The total assets bearing credit risk are as follows:

	20211 USD	202020 USD
Cash and cash equivalents	48,533,462	117,375,510
Restricted cash and cash equivalents	374,315,472	524,081,997
<b>Total cash and cash equivalents</b>	<b>422,848,934</b>	<b>641,457,507</b>
Investments	112,830,000	155,811,458
Restricted investments	2,590,260,964	320,695,894
<b>Total investments</b>	<b>2,703,090,964</b>	<b>476,507,352</b>
Premium receivable	41,105,022	39,971,206
	3,167,044,920	1,157,936,065

Credit ratings for investments and cash equivalents held by the Company as at December 31, 20211 range from AAA to A- (2020– AAA to A-) as set out by Standard and Poor.

	2021 USD	2020 USD
AAA	459,970,329	642,182,500
AA+ – AA-	2,570,264,547	310,927,951
A+ - A-	47,171,560	47,478,897
	<b>3,077,406,436</b>	<b>1,000,589,349</b>

# Lumen Re Ltd.

## Notes to Financial Information

December 31, 2021

The Company mitigates any potential credit risk on its premium receivable balance by having a counterparty minimum credit rating in place whereby counterparties below this pay their premium due in advance.

The Company does not consider its reinsurance recoverable balance to have any credit risk as this amount is fully collateralised.

### Market risk

Market risk is the possibility that changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The Company has mitigated this risk by holding only cash, short duration money market funds and highly rated government bonds which have minimal exposure to changes in interest rates and price risk.

### Currency risk

The Company writes business in several foreign currencies. The Company mitigates its currency risk with a natural hedge by holding collateral and reserves in the same foreign currency it writes the business in.

### Liquidity risk

The Company is exposed to calls on its available cash resources from claims arising from reinsurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company mitigates liquidity risk by holding highly liquid financial assets which may be sold quickly in response to needs for liquidity.

All amounts subject to liquidity risk are invested in cash and cash equivalents and highly liquid short term investments and as a result there is minimal exposure to changes in interest rates that would impact the fair value of the assets.

Maturity analysis for insurance liabilities (based on management's experience from prior year's average settlement patterns) is analyzed in the tables below.

	Carrying amount 2021	0-1 year	1-2 years	2-3 years	More than 3 years
Loss reserves	841,516,223	757,364,601	42,075,811	21,037,906	21,037,906
Unearned premiums	25,333,903	25,333,903	-	-	-
Reinsurance balances payable	2,752,328,389	2,614,711,970	68,808,210	34,404,105	34,404,105
	3,619,178,515	3,397,410,473	110,884,021	55,442,010	55,442,010

## 12. Common and preferred shareholder's equity

### (a) Authorized and issued

The authorised and issued share capital of the Company is USD 1, issued to Pargen Stiftung.

The authorised ordinary share capital of the Company is USD 400,000,000 with a par value of USD 1 per share. 310,000,000 of these have been issued to LGT (Lux) II – ILO Fund. In December 2018 the Company re-classified its shares from non-voting preference shares to non-voting common shares. The common shares do not carry any voting rights.

### (b) Dividends

The Company did not declare any dividends during the year ended December 31, 2021 (2020: USD NIL).

# Lumen Re Ltd.

Notes to Financial Information  
December 31, 2021

## 13. Related party transactions

Artex Risk Solutions (Bermuda) Ltd. ("Artex") provides certain management services to the Company. Scott Cobon, Managing Director of Artex, served as director of the Company during the year without fee. Management fees included in general and administrative expenses for the year ended December 31, 2021 totaled USD 693,750 (2020: USD 727,738).

Key Management Personnel compensation is set out below. Key Management Personnel are members of the leadership team who have the authority and responsibility for planning, directing and controlling the activities of the company.

	2021 USD	2020 USD
Short-term employee benefits	1,249,773	753,672
Post-employment benefits	2,755	15,885
	<u>1,252,528</u>	<u>769,557</u>

The Company participates in a fully funded quota share agreement with Secundum Re. As part of this agreement the following balances have been ceded from the Company to Secundum Re:

### Statement of Financial Position

	2021 USD	2020 USD
<b>Assets</b>		
Restricted cash and cash equivalents	-	524,081,997
Restricted investments	-	320,695,894
Unearned premium ceded – Secundum Re Ltd.	21,144,432	20,219,605
Loss reserves ceded – Secundum Re Ltd.	746,549,834	374,654,801

### Liabilities

Reinsurance balances payable – Secundum Re Ltd.	2,752,328,389	755,309,873
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### Statement of Income and Comprehensive Income

Reinsurance premium ceded – Secundum Re Ltd.	(297,216,260)	(250,258,302)
Fee related income	11,490,993	9,577,275
Change in unearned premium ceded – Secundum Re Ltd.	924,828	(1,668,375)
Change in loss reserves ceded – Secundum Re Ltd.	390,091,000	(20,274,532)
Losses paid ceded – Secundum Re Ltd.	140,649,802	218,837,590
Commissions and brokerage ceded – Secundum Re Ltd.	26,530,366	22,701,929
Collateralisation expenses ceded – Secundum Re Ltd.	1,658,200	224,535
FET expenses ceded – Secundum Re Ltd.	1,811,429	1,551,673
Investment income	(854,204)	(4,038,130)

The Company and Secundum Re have a common ownership by Pargen Stiftung.

LGT ILS provides certain advisory services to the Company.

The Company paid Director's Fees and Consultancy fees of USD 90,000 (2020: USD 120,000) during the year.



# **Lumen Re Ltd.**

Notes to Financial Information

**December 31, 2021**

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## **14. Regulatory requirements**

From December 4, 2013 to April 30, 2017 the Company was registered as a Special Purpose Insurer pursuant to the Act.

Since May 1, 2017 the Company is registered as a Class 3A commercial reinsurer pursuant to the Act and related regulations. The paid-up share capital of USD 310,000,001 is categorised as Tier 1 capital in accordance with the Eligible Capital Rules, of the Act.

## **15. Subsequent events**

There have been no material subsequent events from December 31, 2021 to the date of this report.

## **16. Approval of the financial statements**

The financial statements were approved and authorized for issue by the Board of Directors on April 11, 2022. The Board of Directors do not have the powers to amend these statements after issuance.