The Board of Directors
Fleming Reinsurance Ltd.
FB Perry Building
40 Church Street
Hamilton HM HX
Bermuda

Attention: Nicholas Frost

April 29, 2022

Reference: MS/JS 01728244.001 GAAP Transmittal Letter

Subject: Fleming Reinsurance Ltd.

Dear Mr. Frost,

We enclose one signed copy of the financial statements of Fleming Reinsurance Ltd., for the year ended December 31, 2021.

Very truly yours,

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

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FLEMING REINSURANCE LTD.
INCORPORATED IN BERMUDA

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

pwc

April 29, 2022

Report of Independent Auditors

To the Board of Directors and Shareholder of Fleming Reinsurance Ltd.

Opinion

We have audited the accompanying financial statements of Fleming Reinsurance Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income and comprehensive income, changes in shareholder's equity and cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying 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 and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

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 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 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 for one year after the date 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 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 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 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 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 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

Required supplemental information

Management has omitted the required supplemental information pertaining to *Short-Duration Contracts* disclosures that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

FLEMING REINSURANCE LTD.

BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(Expressed in U.S. dollars)

	2021 $	2020 $
ASSETS		
Cash and cash equivalents (note 4)	5,734,232	9,978,771
Investments (note 9)	4,544,167	6,811,132
Funds withheld (note 6)	6,827,996	7,611,837
Insurance balances receivable	327	1,681
Tax receivable (note 12)	34,996	-
Deferred tax asset (note 12)	41,093	59,448
Accrued interest income	13,072	23,548
Prepaid expenses	114,759	72,640
	17,310,642	24,559,057
LIABILITIES AND SHAREHOLDER'S EQUITY		
LIABILITIES		
Reserve for losses and loss expenses (note 8)	8,186,377	10,024,664
Accounts payable and accrued expenses (note 10)	117,447	3,911,394
Intercompany loan payable (note 5)	1,050,000	1,031,250
Loan interest payable (note 5)	148,151	43,151
Insurance balances payable	322,657	851,597
Tax payable (note 12)	-	91,944
Deferred gain on reinsurance contracts (note 7)	919,969	1,061,807
	10,744,601	17,015,807
SHAREHOLDER'S EQUITY		
Share capital (note 11)	120,000	120,000
Contributed surplus (note 11)	6,262,587	6,886,139
Accumulated other comprehensive income/(loss)	(104,153)	(43,474)
Retained earnings	287,607	580,585
	6,566,041	7,543,250
	17,310,642	24,559,057

FLEMING REINSURANCE LTD.

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in U.S. dollars)

	2021 $	2020 $
UNDERWRITING REVENUE		
Gross premiums written	1,774,649	10,103,332
Change in unearned premiums	-	60,999
Net premiums earned	1,774,649	10,164,331
UNDERWRITING (INCOME)/EXPENSES		
Incurred losses (note 8)	1,957,156	1,524,960
Commissions	236	(23,516)
Change in reserves for losses and loss expenses	(1,838,286)	5,612,619
Change in deferred gain on reinsurance contracts (note 7)	(141,838)	893,006
	(22,732)	8,007,069
NET UNDERWRITING INCOME	1,797,381	2,157,262
NET INVESTMENT INCOME	195,541	257,009
OTHER INCOME	-	50,000
GAIN ON BARGAIN PURCHASE (note 14)	-	447,396
GENERAL AND ADMINISTRATIVE EXPENSES	(2,242,161)	(1,248,406)
NET (LOSS) / INCOME BEFORE INCOME TAXES	(249,239)	1,663,261
INCOME TAX (note 12)	(43,739)	(227,309)
NET (LOSS) / INCOME	(292,978)	1,435,952
OTHER COMPREHENSIVE INCOME/(LOSS)		
Change in unrealized holding losses on available-for-sale investment securities arising during the year	(60,679)	(43,474)
Other comprehensive income/(loss)	(60,679)	(43,474)
COMPREHENSIVE (LOSS) / INCOME	(353,657)	1,392,478

FLEMING REINSURANCE LTD.

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in U.S. dollars)

	2021 $	2020 $
SHARE CAPITAL (note 11)		
Balance, beginning and end of year	120,000	120,000
CONTRIBUTED SURPLUS (note 11)		
Balance, beginning of year	6,886,139	5,199,000
Additional contributed surplus	-	1,687,139
Reduction in contributed surplus	(623,552)	-
Balance, end of year	6,262,587	6,886,139
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of year	(43,474)	-
Net change in unrealized gain/ (losses) on investments	(60,679)	(43,474)
Balance, end of year	(104,153)	(43,474)
RETAINED EARNINGS		
Balance, beginning of year	580,585	(855,367)
Net income / (loss)	(292,978)	1,435,952
Balance, end of year	287,607	580,585
TOTAL SHAREHOLDER'S EQUITY	6,566,041	7,543,250

FLEMING REINSURANCE LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

(Expressed in U.S. dollars)

	2021 $	2020 $
CASH AND CASH EQUIVALENTS PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Net (loss) / income	(292,978)	1,435,952
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Investment securities on novation included in gross premiums written	-	(9,472,945)
Realized (gain)/ loss on investment securities	26,273	(72)
Change in operational balance sheet items:		
Insurance balances receivable	1,354	(1,681)
Funds withheld	783,841	(1,666,438)
Accrued interest income	10,476	(23,548)
Tax receivable	(34,996)	74,424
Deferred tax asset	18,355	60,941
Prepaid expenses	(42,119)	(61,143)
Accounts payable and accrued expenses	(3,793,947)	3,710,673
Accrued interest payable	105,000	43,151
Insurance balances payable	(528,940)	851,597
Deferred gain on reinsurance contracts	(141,838)	893,006
Tax payable	(91,944)	91,944
Unearned premiums	-	(60,999)
Reserve for loss and loss expenses	(1,838,287)	7,439,664
Net cash provided by / (used in) operating activities	(5,819,750)	3,314,526
INVESTING ACTIVITIES		
Purchase of investment securities	-	(2,615,277)
Proceeds on maturities of investments	2,180,013	2,564,451
Proceeds on sales of investments	-	2,669,237
Net cash provided by investing activities	2,180,013	2,618,411
FINANCING ACTIVITIES		
Proceeds from short-term debt	18,750	1,031,250
Proceeds /(repayments) of capital contributions	(623,552)	1,687,139
Net cash provided by / (used in) financing activities	(604,802)	2,718,389
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(4,244,539)	8,651,326
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,978,771	1,327,445
CASH AND CASH EQUIVALENTS, END OF YEAR	5,734,232	9,978,771

FLEMING REINSURANCE LTD.

NOTES TO THE FINANCIAL STATEMENTS

1. THE COMPANY AND ITS ACTIVITIES

Fleming Reinsurance Ltd. (the "Company") is a Bermuda exempted company limited by shares incorporated on March 6, 2015.

The Company was registered as a Class 3 insurer under the Bermuda Insurance Act 1978, as amended (the "Insurance Act"). The Company upgraded its insurance license, effective December 28, 2018 and is now registered as a Class 3A insurer under the Bermuda Insurance Act 1978 amendments thereto and the Insurance Account Rules 2016 (the "Insurance Act"). The Company is registered as a Segregated Accounts Company under the Segregated Account Companies Act 2000, as amended.

The Company is wholly-owned by Fleming Re Holdings LLC (Delaware) ("Fleming LLC") with authorized and issued share capital of US$120,000 consisting of 120,000 common shares of par value US$1.00 each. Fleming LLC is majority-owned by Fleming Corporation ("Fleming Corp"), a private equity company incorporated in Delaware.

The Company is a specialty run-off acquirer and legacy reinsurance liability carrier focused on the North American P&C industry. Assumed lines of business include Workers Compensation, General Liability and Auto Liability. As of December 31, 2021, the Company has completed several transactions consisting of Workers' Compensation, General Liability, Auto Liability and other P&C liabilities. During the year ended December 31, 2020 the Company acquired 100% of the shares of Sinclair Insurance Company Ltd, an insurance company domiciled in Bermuda. In Q2 2021, Sinclair Insurance Company Ltd and Fleming Reinsurance Ltd. merged, with the surviving company being Fleming Reinsurance Ltd.

2. BASIS OF PREPARATION

(a) Use of estimates

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(b) Basis of preparation

On June 29, 2021, the Company executed a merger with Sinclair Insurance Company Ltd. ("Sinclair") (the "merger"). The Company and Sinclair are ultimately owned by Fleming Corp. which supports the existence of common control. Subsequent to the merger, the Company is the surviving entity, and all the shares of Sinclair were cancelled without repayment of capital.

Transactions between entities under common control are not within the scope of ASC 805 "Business Combinations". In light of this, management has elected to merge the assets and liabilities of Sinclair assumed by the Company at book value. The transaction has been given effect in the Company's financial statements from January 1, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the following significant accounting policies:

(a) Business combinations

Business combinations are recognized at 100% of the fair value of the business acquired (i.e., the full fair value of the assets acquired, liabilities assumed and any non-controlling interests) as of the acquisition date. When the fair value of the consideration transferred is less than the fair value of the net assets of the business acquired this results in an economic gain (gain on bargain purchase) to the Company. Any such gain is recognized in earnings only after a thorough reassessment of all elements of the accounting for the acquisition.

During the year ended December 31, 2020, the Company acquired 100% of the shares of Sinclair Insurance Company Ltd. A gain of $447,396 has been recognized in the 2020 income statement in relation to this acquisition. Effective June 29, 2021, Sinclair Insurance Company Ltd. and Fleming Reinsurance Ltd. merged, with the surviving company being Fleming Reinsurance Ltd.

(b) Gross premiums written

Premiums are earned on a pro rata basis over the policy term. The portion of premiums that will be earned in the future are deferred and reported as unearned premium reserve.

(c) Investment Income

Net investment income primarily comprises of interest earned on funds withheld by ceding companies and is accrued to the balance sheet date. Funds withheld has a stated crediting rate and does not have any underlying investment risks.

Interest income for fixed maturity investments is recognized when earned and is accrued at the year-end based on the contractual terms of the fixed maturity investments and is included in "net investment income" in the income statements.

Realized gains and losses on the disposition of fixed maturity investments are included in "net investment income" in the statements of income and comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Cash and cash equivalents

Cash and cash equivalents include deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and which have original maturity dates of less than three months.

Included within cash and cash equivalents is an amount totaling (2020 - $75,000) held as collateralized cash for a letter of credit held in favor of the Internal Revenue Service.

Included within cash and cash equivalents is an amount totaling $322,299 (2020 - $Nil) held as collateralized cash for a letter of credit held in favor of ACE American Insurance Company (See Note 4) .

Included within cash and cash equivalents is an amount totaling $1,552,291 (2020 - $2,981,721) held as $75,000collateralized cash for a letter of credit held in favor of Arch Insurance Company (See Note 4).

Included within cash and cash equivalents is an amount totaling $1,682,389 (2020 - $Nil) held as collateralized cash within a reinsurance trust, with the beneficiary of the trust being Zurich American Insurance Company.

(e) Segregated assets and liabilities

Segregated accounts assets and liabilities are recorded consolidated with general account assets and liabilities.

(f) Reserve for losses and loss expenses

The reserve for losses and loss expenses comprises reported losses and loss expense as reported by ceding companies plus a provision for losses incurred but not reported and unallocated loss adjustment expenses. The reserve for losses and loss expenses is based upon management's best estimate of the ultimate cost of settlement of losses, loss adjusters' evaluations and the recommendations of an independent actuary. Although management believes such provisions to be adequate, there can be no assurance that the ultimate cost of settlement of losses may not vary materially from the estimates recorded in the financial statements. Future adjustments to the amounts recorded resulting from the continual review process as well as differences between estimates and ultimate settlements, will be reflected in the statements of income when such adjustments become known and are estimable.

(g) Accounts Receivable

Receivables are recognized at amounts receivable less a provision for impairment where necessary, at December 31, 2021 there was no provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Any increase or decrease in the provision for impairment is recognized in the income statement within underwriting expenses. When a receivable is uncollectible, it is written off against the provision for impairment account. Subsequent recoveries of amounts previously written off are credited against the underwriting expenses in the statements of income and comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Assumed Reinsurance Contracts

The reinsurance assumed under various Loss Portfolio Transfer ("LPTs") and novation agreements qualify to be accounted for as retroactive reinsurance as they provide indemnification of losses and loss adjustment expenses of these run off short-duration insurance contracts with respect to underlying loss events that occurred prior to January 1, 2017. In the absence of US GAAP guidance specific to the accounting for retroactive reinsurance contracts entered into by assuming reinsurance companies, the Company has made an accounting policy election to account for the retroactive reinsurance consistent with guidance specific to ceding companies. Under this accounting model, the retroactive reinsurance is considered to be a financing of an existing obligation, with no immediate gain recognition. For these agreements, the excess of the consideration received over the ultimate expected payout of claims is recognized as a deferred gain liability and amortized into income over the settlement period of the assumed reserves The Company subsequently monitors and adjusts the deferred gain balance to reflect differences between the actual and the estimated amount of the loss payments, as well as to reflect revisions to the estimated remaining liability for unpaid losses due to favorable or unfavorable reserve developments. The revised deferred gain balance is determined using the retrospective method so that the adjusted balance reflects the amount that would have existed had the revised estimates been available at the inception of the reinsurance transactions. The amortization of the revised deferred gain is calculated on a retrospective basis with a catch up adjustment recorded in the income statement during the period of change.

(i) Investments in securities

Debt securities are classified as available-for-sale and are carried at fair value with unrealized holding gains and losses excluded from net income and reported as a separate component of other comprehensive income. Investments are periodically reviewed to determine if they have sustained an impairment of value that is considered to be other than temporary. This review involves consideration of several factors including: (i) the significance of the decline in value and the resulting unrealized loss position, (ii) the time period for which there has been a significant decline in value, and (iii) the Company's intent and ability to hold the investment for a sufficient period of time for the value to recover. The identification of potentially impaired investments involves significant management judgment that includes the determination of their fair value and the assessment of whether any decline in value is other than temporary. If available-for-sale investments are determined to be impaired, the cost basis of the investment is written down to fair value at the balance sheet date and a corresponding realized loss is charged to the statement of income and comprehensive income in the period in which it is determined.

Effective January 1, 2020, the Company adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-01, Financial Instruments (825-10) ("ASU 2016-01"). ASU 2016-01 requires entities to measure equity securities at fair value with changes in unrealized gains and losses recognized in net income.

Realized gains and losses on sales of securities are recognized in income on the specific identification basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investments in securities (continued)

Included within investments is an amount totaling $4,544,167 (2020 - $6,811,132) held as collateralized investments for a letter of credit held in favor of Arch Insurance Company (see Note 4).

Accounting standards not yet adopted

Financial instruments - Credit losses

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326)", which will change how entities account for credit losses for most financial assets, trade receivables and reinsurance receivables. The standard will replace the existing incurred loss impairment model with a new "current expected credit loss model" that generally will result in earlier recognition of credit losses. The standard will apply to financial assets subject to credit losses, including loans measured at amortized cost, reinsurance receivables and certain off-balance sheet credit exposures. During 2018, 2019 and 2020, the FASB issued a number of amendments and targeted improvements to ease with the application of the standard. These updates are effective in line with the effective date of ASU 2016-13.

This standard is effective for non-public entities for fiscal years beginning after December 15, 2021. The Company is currently assessing the impact of this guidance. Although the Company does not anticipate the adoption of this standard to have a material impact on the Financial Statements, the quantitative impact of any change will be dependent on the Company's portfolio at the adoption date, as well as economic conditions and other factors at that time.

Codification Improvements

In October 2020, the FASB issued ASU 2020-10, "Codification Improvements". The amendments in this update improve the Codification by ensuring that all guidance that requires or provides an option for an entity to provide information in the notes to financial statements is codified in the Disclosure Section of the Codification.

This standard is effective for non-public entities for fiscal years beginning after December 15, 2021. The Company does not anticipate the adoption of this standard to have a material impact on the Financial Statements.

4. LETTERS OF CREDIT

The Company's bankers have issued a letter of credit in the amount of $75,000 (2020 - $75,000) in favor of the Internal Revenue Service. Included within cash and cash equivalents is an amount totaling $75,000 (2020 - $78,513) held as collateralized cash for the letter of credit.

The Company's bankers have issued a letter of credit in the amount of $330,792 (2020 - $Nil) in favor of ACE American Insurance Company. Included within cash and cash equivalents is an amount totaling $330,792 (2020 - $Nil) held as collateralized cash for the letter of credit.

The Company's bankers have issued a letter of credit in the amount of $6,096,457 (2020 - $9,792,853) in favor of Arch Insurance Company. Included within cash and cash equivalents is an amount totaling $1,552,291 (2020 - $2,981,721) held as collateralized cash for the letter of credit.

5. LOAN PAYABLE

The company received $1,000,000 from Fleming Corp. on August 5, 2020 as an unsecured promissory note. The note has an issue date of August 3, 2020 and the maturity date is 31 March 2022. The principal amount of the loan is $1,050,000 and was issued with an original issue discount of $50,000. The note bears interest at 10% per annum.

The balance payable on the note as at December 31, 2021 is $1,050,000 (2020 - $1,031,250). Accrued interest payable as at December 31, 2021 amounts to $148,151 (2020 - $43,151).

6. FUNDS WITHHELD

Funds withheld by ceding companies is $6,827,996 (2020 - $7,611,837).

7. DEFERRED GAIN ON REINSURANCE CONTRACTS

The Company has deferred the recognition of gains on novation transactions in the amount of $919,969 (2020 - $1,061,807). Included in this amount is $238,451 of deferred gains on the novation transactions that took place during 2021 (2020 - $973,836).

8. RESERVE FOR LOSSES AND LOSS EXPENSES

The reserve for losses and loss expenses at December 31, 2021 and 2020 are:

	2021	2020
Specific claim reserves	$ 4,055,947	$ 5,052,172
Unallocated loss adjustment expenses	538,571	684,286
Incurred but not reported	3,591,859	4,288,206
Total Reserves, end of year	$ 8,186,377	$ 10,024,664

Roll forward of loss and loss expenses reserves
Activity in the reserve for losses and loss expenses is summarized as follows:

	2021	2020
Gross reserves for loss and loss adjustment expenses, beginning of year	$ 10,024,664	$ 2,585,000
Less: Reinsurance recoverable, beginning of year	$ -	$ -
Net reserves for loss and loss adjustment expenses, beginning of year	$ 10,024,664	$ 2,585,000
Increase (decrease) in net loss and loss expenses incurred in respect of losses occurring in:		
Current year	-	-
Prior years	118,869	8,964,624
	118,869	8,964,624
Net loss and loss adjustment expenses paid in respect of losses occurring in:		
Current year	-	-
Prior years	1,957,156	1,524,960
	1,957,156	1,524,960
Net reserves for loss and loss adjustment expenses, end of year	$ 8,186,377	$ 10,024,664
Add: Reinsurance recoverable, end of year	-	-
Gross reserves for loss and loss adjustment expenses, end of year	$ 8,186,377	$ 10,024,664

In 2020 the increase in incurred losses of prior years is related to a combination of two novations and one acquisition that occurred during the year offset by favorable development recognized on the entire book. In 2021 the increase in incurred losses of prior years is related to a combination of two novations that occurred during the year offset by favorable development recognized on the entire book.

8. RESERVE FOR LOSSES AND LOSS EXPENSES (continued)

General Reserving Methodology

The Company is required to establish reserves for losses and loss adjustment expenses ("loss reserves") that arise from the business the Company underwrites. Loss reserves represent estimates of future amounts required to pay losses and loss adjustment expenses for insured events which have occurred at or before the balance sheet date. Loss reserves do not reflect contingency reserve allowances to account for future loss occurrences. Losses arising from future events will be estimated and recognized at the time the losses are incurred and could be substantial.

Loss reserves are comprised of estimated amounts for (1) reported losses ("specific claim reserves") and (2) incurred but not reported losses ("IBNR reserves"). The reserve for losses and loss expenses are as reported by the ceding company plus a provision for losses incurred but not reported. The reserve for losses incurred but not reported is based upon management's best estimate of the ultimate cost of settlement of losses, loss adjusters' evaluations and the recommendations of an independent actuary.

The actuary has relied on five methodologies for the selection of ultimate losses:

- Reported loss development – this method is based upon the assumption that the relative change in a given year's reported loss estimates from one evaluation point to the next is similar to the relative change in prior years' reported loss estimates at similar evaluation points.
- Paid loss development – this method is similar to the reported loss development method, however case reserves are excluded from the analysis.
- Case reserve development – this method derives implied case reserve development factors by a comparison of the paid loss development factor and the reported loss development factor at a common evaluation period.
- Bornhuetter-Ferguson using reported losses – this method is essentially a blend of two other methods. The first method is the loss development method whereby actual reported losses are multiplied by an expected loss development factor. The second method is the expected loss method whereby the future IBNR reserve equals the difference between a predetermined estimate of expected losses and actual reported losses. The reported B-F method combines these two methods by setting ultimate losses equal to actual reported losses plus expected unreported losses.
- Bornhuetter-Ferguson using paid losses – this method is analogous to the Bornhuetter-Ferguson using reported losses method, using paid losses and development patterns in place of reported losses and patterns.

After reviewing the results of each relevant method, the Company's actuary calculates the selected ultimate losses based on judgment reflecting the range of indications produced by the methods described above and the strengths and weaknesses of each method.

8. RESERVE FOR LOSSES AND LOSS EXPENSES (continued)

Incurred and paid development tables

The following is information about incurred and paid claims development as of December 31, 2020 and December 31, 2021, net of reinsurance, 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.

The Required Supplementary Information (RSI) under US GAAP has not been disclosed as management of the Company believes the supplementary disclosures are not material to the financial statements and that the omission of the supplementary disclosures will not materially impede the readers understanding of the financial statements.

Workers Compensation Insurance
Incurred Losses and Loss Expenses, Net of Reinsurance

As of December 31, 2021

Accident Year	Incurred Loss and Loss Expenses	Total IBNR Reserve	Claim Count
2012	8,424,025	98,152	906
2013	10,740,249	134,660	1,034
2014	13,746,113	293,053	1,170
2015	9,758,001	459,429	1,172
2016	5,290,821	371,548	457
2017	3,516,047	501,046	208
2018	2,995,557	715,126	176
2019	2,342,411	569,404	113
2020	125,161	39,652	12
2021	-	-	-
Total	56,938,387	3,182,070	5,248

As of December 31, 2020

Accident Year	Incurred Loss and Loss Expenses	Total IBNR Reserve	Claim Count
2011	4,956,024	96,017	264
2012	6,668,420	109,169	347
2013	9,056,685	229,206	452
2014	9,097,929	423,023	481
2015	5,933,728	362,309	312
2016	4,495,263	391,856	211
2017	3,498,574	448,580	212
2018	2,947,136	661,999	175
2019	2,304,172	577,877	136
2020	120,980	39,553	24
Total	49,078,911	3,339,589	2,613

8. RESERVE FOR LOSSES AND LOSS EXPENSES (continued)

Workers Compensation Insurance
Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

Accident Year

		2021	2020
	2011	-	4,762,718
	2012	8,120,096	6,197,694
	2013	11,215,142	8,271,590
	2014	12,772,636	8,162,702
	2015	8,591,296	5,008,506
	2016	4,667,042	3,724,638
	2017	2,883,857	2,693,024
	2018	2,060,646	1,791,602
	2019	1,535,198	1,213,887
	2020	79,143	78,005
	2021	-	-
Total Cumulative Paid Losses and Loss Expenses, Net of Reinsurance		51,925,057	41,904,366
Total Incurred Loss and Loss Expenses, Net of Reinsurance		56,938,387	49,078,911
Total Loss Reserves		5,013,330	7,174,545
Reserves for Losses and Loss Expenses, before 2011, Net of Reinsurance			2,115,833
Reserves for Losses and Loss Expenses, before 2012, Net of Reinsurance		2,485,495	
Reserves for Losses and Loss Expenses, Net of Reinsurance		7,498,825	9,290,378

8. RESERVE FOR LOSSES AND LOSS EXPENSES (continued)

Property & Casualty Insurance
Incurred Losses and Loss Expenses, Net of Reinsurance

As of December 31, 2021

Accident Year	Incurred Loss and Loss Expenses	Total IBNR Reserve	Claim Count
2012	2,024,245	-	372
2013	3,337,090	-	466
2014	5,075,886	19,186	587
2015	6,182,763	7,429	589
2016	1,609,251	1,782	150
2017	49,585	8,247	12
2018	42,378	10,860	9
2019	26,846	19,288	3
2020	5,697	5,245	-
2021	-	-	-
Total	18,353,741	72,037	2,189

As of December 31, 2020

Accident Year	Incurred Loss and Loss Expenses	Total IBNR Reserve	Claim Count
2011	58,356	-	17
2012	106,897	49	13
2013	185,559	490	16
2014	62,556	1,446	12
2015	183,278	3,244	13
2016	69,450	5,596	8
2017	48,961	7,623	11
2018	43,320	11,801	9
2019	23,320	15,762	3
2020	4,440	3,988	0
Total	786,138	50,000	102

8. RESERVE FOR LOSSES AND LOSS EXPENSES (continued)

Property & Casualty Insurance
Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

Accident Year

		2021	2020
	2011	-	58,356
	2012	2,024,245	106,847
	2013	3,337,090	185,069
	2014	5,001,917	61,109
	2015	6,154,146	180,034
	2016	1,606,494	63,855
	2017	41,338	41,338
	2018	31,519	31,519
	2019	7,558	7,558
	2020	452	452
	2021	-	-
Total Cumulative Paid Losses and Loss Expenses, Net of Reinsurance		18,204,760	736,138
Total Incurred Loss and Loss Expenses, Net of Reinsurance		18,353,741	786,138
Total Loss Reserves		148,981	50,000
Reserves for Losses and Loss Expenses, before 2011, Net of Reinsurance			-
Reserves for Losses and Loss Expenses, before 2012, Net of Reinsurance		-	
Reserves for Losses and Loss Expenses, Net of Reinsurance		148,981	50,000

8. RESERVE FOR LOSSES AND LOSS EXPENSES (continued)

Reconciliation of loss development information to the reserves for losses and loss expenses

Outstanding losses and loss expenses

	2021	2020
Workers Compensation	7,498,825	9,290,378
Property & Casualty	148,981	50,000
Total outstanding losses and loss expenses	7,647,806	9,340,378

Loss reserve recoverable

Workers Compensation	-	-
Property & Casualty	-	-
Total Loss reserve recoverable	-	-

Unallocated loss adjustment expenses	538,571	684,286
Outstanding losses and loss expenses -other	-	-
	538,571	684,286
Total outstanding losses and loss expenses	8,186,377	10,024,664

9. INVESTMENTS

(a) The amortized cost and fair value of investments in fixed maturity securities classified as available for sale are as follows:

At December 31, 2021	Amortized cost	Unrealized gain	Unrealized losses less than 12 months	Unrealized losses greater than 12 months	Fair value
US government	$ 4,352,565	$ 337	$ (32,930)	$ (59,376)	$ 4,260,596
Asset backed securities	1,018	-	-	(882)	136
Mortgage backed securities:					
Commercial	36,579	-	-	(931)	35,648
Residential	258,158	-	(819)	(9,552)	247,787
	$ 4,648,320	$ 337	$ (33,749)	$ (70,741)	$ 4,544,167

At December 31, 2020	Amortized cost	Unrealized gain	Unrealized losses less than 12 months	Unrealized losses greater than 12 months	Fair value
US government	$ 6,388,902	$ 420	$ (17,819)	$ (23,806)	$ 6,347,697
Asset backed securities	32,114	-	-	(467)	31,647
Mortgage backed securities:					
Commercial	36,791	372	-	(4)	37,159
Residential	396,800	129	(276)	(2,024)	394,629
	$ 6,854,606	$ 921	$ (18,095)	$ (26,301)	$ 6,811,132

During the year ended December 31, 2021, investments with a carrying value of $2,170,395 matured, realizing net losses of $26,273. During the year ended December 31, 2020, the Company sold investments with a carrying value of $5,705,026 realizing net gains of $72.

9. INVESTMENTS (continued)

(b) For marketable securities held on December 31, 2021, the maturity distribution is as follows:

	Amortized cost	Fair value
Within one year	$ 2,087,778	$ 2,054,367
From one to five years	2,549,996	2,479,437
From five to ten years	-	-
Ten or more years	10,546	10,363
	$ 4,648,320	$ 4,544,167

For marketable securities held on December 31, 2020, the maturity distribution is as follows:

	Amortized cost	Fair value
Within one year	$ 2,043,052	$ 2,024,956
From one to five years	4,795,582	4,770,080
From five to ten years	-	-
Ten or more years	15,973	16,096
	$ 6,854,606	$ 6,811,132

(c) The components of net investment income for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Interest income	$ 221,814	$ 256,937
Realized (losses)/gains	(26,273)	72
	$ 195,541	$ 257,009

(d) Investments with a market value of $4,544,167 (2020 - $6,811,132) are held in a Custody account collateralizing a letter of credit in favor of Arch Insurance Company (the beneficiary).

9. INVESTMENTS (continued)

(e) Fair value of investments

ASC 820 "Fair Value Measurement" ("ASC 820") establishes a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions made by those pricing the Company's securities. In accordance with ASC 820, these two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices for identical securities in active markets;
- Level 2 – Quoted prices for similar securities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and
- Level 3 – Model derived valuations in which one or more significant inputs or significant value drivers are unobservable.

Where the Company uses quoted market prices to determine fair value, such items are classified within Level 1. In some cases where a current market price is unavailable, e.g. because particular securities are thinly traded and did not trade on the measurement date, the price of the security will be based on acceptable practical expedients such as matrix pricing, in which case the securities are classified within Level 2.

As required by ASC 820, when inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value prices for all securities within the Company's fixed income investment portfolio are independently provided by the investment managers through utilization of nationally recognized independent pricing services. These pricing services provide pricing for a high volume of liquid securities that are actively traded. For securities that do not trade on an exchange, the pricing services utilize market data and other observable inputs in matrix pricing models to determine prices. These inputs include, but are not limited to, reported trades, benchmark yields, broker/dealer quotes, interest rates, prepayment speeds, default rates and such other inputs as are available from market sources to determine a reasonable fair value. The Company considers these Level 2 inputs as they are corroborated with other externally obtained information.

The fair value estimates of most fixed maturity investments are based on observable market information rather than market quotes. Accordingly, the estimates of fair value for such fixed maturities provided by the pricing service are included in the amounts disclosed in Level 2 of the hierarchy. As at December 31, 2021, the Company holds no securities which would be classed as Level 3 per the fair value hierarchy established by ASC 820.

9. INVESTMENTS (continued)

(e) Fair value of investments (continued)

The following table presents the Company's fair value hierarchy for those assets or liabilities measured at fair value on a recurring basis as of December 31, 2021:

	Quoted prices in active markets Level 1	Significant other observable inputs Level 2	Significant other unobservable inputs Level 3	Total
US Government	$ –	$ 4,260,596	$ –	$ 4,260,596
Asset backed securities	–	136	–	136
Mortgage backed securities:				
Commercial	–	35,648	–	35,648
Residential	–	247,787	–	247,787
Total	$ –	$ 4,544,167	$ –	$ 4,544,167

The following table presents the Company's fair value hierarchy for those assets or liabilities measured at fair value on a recurring basis as of December 31, 2020:

	Quoted prices in active markets Level 1	Significant other observable inputs Level 2	Significant other unobservable inputs Level 3	Total
US Government	$ –	$ 6,347,697	$ –	$ 6,347,697
Asset backed securities	–	31,647	–	31,647
Mortgage backed securities:				
Commercial	–	37,159	–	37,159
Residential	–	394,629	–	394,629
Total	$ –	$ 6,811,132	$ –	$ 6,811,132

During the year ended December 31, 2021 and 2020, the Company made no reclassifications of assets or liabilities between Levels 1, 2 and 3.

10. ACCOUNTS PAYABLE

Included within accounts payable is an amount of $Nil (2020 - $3,695,159) payable for the acquisition of Sinclair Insurance Company Ltd.

11. SHARE CAPITAL

The authorized share capital of the Company is $120,000 divided into 120,000 shares of US$1.00 each. The minimum subscribed share capital of the Company is $120,000 fully paid.

Contributed surplus represents cash contributed by the shareholder in excess of the issued share capital. An amount of $Nil (2020 - $1,687,139) was contributed by the shareholder during 2021, being cash of $Nil (2020 - $1,687,139). During the year ended December 31, 2021, the Company paid expenses totaling $623,552 on behalf of Fleming Holdings LLC, the Company's parent. These expenses have been settled by the Company's parent by way of reduction in contributed surplus.

12. TAXATION

Bermuda

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

United States

For U.S. tax purposes, each segregated account (or "cell") and the general account ("Core") within the Company are considered separate entities. The Sequre cell has made an irrevocable election under Section 953(d) of the Internal Revenue Code of 1986, as amended, to be treated as a domestic insurance company for United States federal tax purposes. As a result of this "domestic election", the cell within the Company is subject to taxation on its worldwide income as if it were a U.S. corporation. The Sequre cell also made an irrevocable election under IRC §831(b) that allows it to only pay tax on its investment income. As such, the company will be taxed on its investment income for the year. Current and deferred income taxes are calculated by applying currently enacted tax laws for the Sequre cell.

Income taxes have not been provided for the Core, Arch, Travelers, Sinclair, Sparta and Zurich cells (all cells included within Fleming Reinsurance Ltd) as they are not taxable at the cell-level. These cells within the Company are controlled foreign corporations ("CFCs") for U.S. tax purposes; therefore, the U.S. taxation of income / (loss) within these cells occurs at the U.S. owner-level. As such, no income taxes are reported by the Company in relation to these cells.

12. TAXATION (continued)

Total income taxes for the year ended December 31, 2021 is as follows:

	2021	2020
	$	$
Income tax expense (benefit) from continuing operations	43,739	227,309
Shareholder's Equity, for unrealized gains and losses recognized for Financial reporting purposes	-	-
Total income tax expense (benefit)	43,739	227,309

The significant components of income tax expense from continuing operations are as follows:

	2021	2020
Federal Income Taxes	$	$
Current	25,384	166,368
Deferred	18,355	60,941
Total income tax expense (benefit)	43,739	227,309

The deferred income tax assets and liabilities as of December 31, 2021 and 2020 are attributable to the following temporary differences:

	2021	2020
	$	$
Deferred income tax assets:		
Unearned premiums	-	-
Loss reserves	28,216	41,342
Deferred gain on novations	13,172	18,474
Gross deferred income tax asset	41,388	59,816
Less: valuation allowance	-	-
2017 Tax reform loss reserve amortization	(295)	(368)
Total net deferred income tax assets	41,093	59,448

The reconciliation of income taxes attributable to continuing operations computed at U.S. federal statutory tax rates to income tax expense is as follows:

	2021	2020
	$	$
Tax at U.S. statutory rates	31,112	359,785
Non-taxable income	31,466	(132,476)
Permanent difference related to IRC §831(b) election	(18,839)	-
Income tax expense (benefit)	43,739	227,309

13. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in these financial statements are disclosed below.

During the year ended December 31, 2021, the Company was charged interest of $123,750 (2020 - $74,401) on a loan payable to the Company's ultimate parent, Fleming Corp. Interest of $148,151 is payable as at December 31, 2021 (2020 - $43,151).

During the year ended December 31, 2020, the Company completed a novation transaction for assets and liabilities from a cell in an unrelated segregated accounts company. The ownership rights of this cell were held by Fleming Holdings LLC, the Company's parent. The amount of assets novated to the Company totaled $12,074,962, the amount of liabilities novated to the Company totaled $9,506,504 and the total consideration paid for net assets of $2,568,458 totals $1,303,990.

During the year ended December 31, 2021, the Company paid expenses totaling $623,552 on behalf of Fleming Holdings LLC, the Company's parent. These expenses have been settled by the Company's parent by way of reduction in contributed surplus.

14. GAIN ON BARGAIN PURCHASE

During the year ended December 31, 2020, the Company acquired 100% of the shares of Sinclair Insurance Company Ltd. The effective date of the acquisition was December 31, 2020.

At the acquisition date the fair value of the assets and liabilities acquired were as follows;

	$
Cash	3,897,709
Funds withheld	547,299
Other assets	888
Intercompany reimbursables	1,574,646
Accrued expenses	(50,943)
Reserves for loss and loss expenses	(1,827,044)

Consideration due on the acquisition is $3,695,159, of which $1,900,000 is deferred until December 31, 2021.

The deferred consideration component has been included to provide risk mitigation for any unknown liabilities that may arise due to the nature and age of the liabilities as well as the availability of complete information. As at December 31, 2021 the deferred consideration of $1,900,000 has been settled and the amount owing is $Nil.

During the year ended December 31, 2020, a gain of $447,396 was been recognized in the income statement in relation to this acquisition. The gain arose due to the net book value of the assets of Sinclair Insurance Company Ltd being $4,142,555 at the effective date of acquisition whilst the consideration paid was $3,695,159.

15. STATUTORY REQUIREMENTS

The Company is registered under the Bermuda Insurance Act 1978, amendments thereto and related regulations which require that the Company maintain minimum levels of solvency and liquidity as defined by the Insurance Account Rules 2016. For the years ended December 31, 2021 and 2020, these requirements have been met.

At December 31, 2021 and 2020, the minimum required statutory capital and surplus and the minimum required level of liquid assets follows:

	2021 $	2020 $
Minimum required statutory capital and surplus	1,228,000	1,222,000
Actual statutory capital and surplus	6,452,000	8,235,000
Minimum required level of liquid assets	8,058,000	12,497,000
Actual level of liquid assets	17,120,000	19,982,000

16. SEGREGATED ACCOUNTS

As discussed in Note 1 and Note 2, these financial statements include the 6 (2020 - 4) Segregated Accounts that were operated by the Company during the year ended December 31, 2021. Set out below are the net assets and net income (loss) and comprehensive income (loss) of the Segregated Accounts as of and for the years ended December 31, 2021 and 2020:

As of December 31, 2021

	Segregated Account Sequre 2021 $	Segregated Account Arch 2021 $	Segregated Account Travelers 2021 $	Segregated Account Sinclair 2021 $	Segregated Account Sparta 2021 $	Segregated Account Zurich 2021 $	Total 2021 $
Net income (loss) and comprehensive income (loss)	297,986	619,039	14,747	-	(118,385)	(275,106)	538,281
Net assets	5,027,095	2,882,079	66,700	-	(118,385)	(275,106)	7,582,383

16. SEGREGATED ACCOUNTS (continued)

As of December 31, 2020

	Segregated Account Sequre 2021 $	Segregated Account Arch 2021 $	Segregated Account Travelers 2021 $	Segregated Account Sinclair 2021 $	Total 2021 $
Net income (loss) and comprehensive income (loss)	1,082,424	1,227,855	-	-	2,310,279
Net assets	4,729,109	2,263,040	51,953	-	7,044,102

17. SUBSEQUENT EVENTS

The Company has performed a review of events subsequent to December 31, 2021 through April 29, 2022, the date these financial statements were available for issuance.

The Company is planning a significant capital raise, this is currently pending regulatory approval and is expected to close in Q2 2022.

In January 2022, Russia began mobilizing military forces around Ukraine's border. Escalation continued and on February 24, 2022, Russia launched a full-scale invasion on three fronts: on the north from Belarus, on the east from Russia, and on the south from Crimea. Currently, more than a dozen cities across Ukraine have been attacked by air strikes and ground offensives. Russia's invasion of Ukraine has and may continue to have a substantial impact on the global (re)insurance industry both from a capital markets point of view and from a (re)insurance operations point of view.

Capital markets are reacting to the economic effects of economic and other sanctions, which include a material increase in commodity prices, which could add to already high inflationary pressures, challenging efforts by the global central banks to curb inflation. The results of sanctions and overall uncertainty have resulted in incremental instability within equity and bond markets resulting in higher equities volatility and widening bond spreads.

The extent and duration of the impact of Russia's invasion of Ukraine, including the resulting sanctions levied against Russia, on global and local economies, financial markets, claim emergence, and specific sectors in which the Company operates is uncertain and ever evolving. Although the long-term economic fallout of the impact of Russia's invasion of Ukraine is difficult to predict, the Company does not expect to experience a significant impact from illiquidity, operational disruptions or financial loss.

The Company continues to adhere to all Company, global, and local sanctions and restrictions as may be present and is continuously evaluating the impact to its operations of the very dynamic situation.