EEB Energy Re Ltd.
(Incorporated in Bermuda)

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

KPMG Audit Limited
Crown House
4 Par-la-Ville Road
Hamilton
HM 08
Bermuda

Telephone +1 441 295 5063
Fax +1 441 295 9132
Internet www.kpmg.bm

INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of EEB Energy Re Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of EEB Energy Re Ltd. (the "Company"), which comprise the statement of financial position as at December 31, 2021, the statements of income or loss and comprehensive income or loss, changes in Shareholder's equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of 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 (IFRS).

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 are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bermuda and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 skepticism 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.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
February 16, 2022

EEB Energy Re Ltd.

Statement of Financial Position

As at December 31, 2021

(expressed in U.S. dollars)

	December 31, 2021 $	December 31, 2020 $
Assets		
Cash and cash equivalents (note 3)	11,130,888	10,009,326
Insurance balances receivable (note 9)	623,891	263,356
Funds withheld	896,003	616,988
Recoverable for losses and loss related expenses (notes 4 and 5)	1,975,508	6,491,007
Deferred reinsurance premium (note 10)	873,088	1,504,208
Deferred acquisition costs	52,528	22,592
Total assets	15,551,906	18,907,477
Liabilities		
Accrued liabilities (note 8)	96,342	75,737
Reinsurance balance payable (note 9)	800,959	856,799
Losses payable (note 8)	196,798	196,798
Reserve for losses and loss expenses (notes 4 and 5)	3,204,923	6,491,007
Unearned premium reserve (note 10)	1,774,608	1,504,208
Deferred commission	72,610	264,461
Total liabilities	6,146,240	9,389,010
Shareholder's equity		
Share capital – Authorized, issued and fully paid common shares of par value $1 each (note 6)	120,000	120,000
Retained earnings	9,285,666	9,398,467
Total shareholder's equity	9,405,666	9,518,467
Total liabilities and shareholder's equity	15,551,906	18,907,477

Approved by the Board of Directors

____________________ Director

JORGE T

____________________ Director

21-02-2022 __________ Date

22-02-2022 __________ Date

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

EEB Energy Re Ltd.

Statement of Income or Loss and Comprehensive Income or Loss

For the year ended December 31, 2021

(expressed in U.S. dollars)

	2021 $	2020 $
UNDERWRITING INCOME:		
Gross written premium	3,298,317	4,265,079
Ceded written premium	(1,251,210)	(4,265,989)
Net written premium	2,047,107	(910)
Net change in unearned premium reserve	(270,400)	(1,356,559)
Net change in deferred reinsurance premium	(631,120)	1,359,804
Net premium earned	1,145,587	2,335
Brokerage costs	(157,933)	(77,158)
Ceding commission income	290,635	512,142
	1,278,289	437,319
UNDERWRITING EXPENSES:		
Gross claims paid (note 4)	2,802,337	1,663,525
Reinsurance recoveries (note 4)	(2,802,337)	(1,663,525)
Change in reserve for losses and loss expenses	3,286,084	(438,730)
Change in recoverable for losses and loss expenses	(4,515,499)	438,730
UNDERWRITING INCOME	48,874	437,319
NET INVESTMENT INCOME	15,380	58,276
FOREIGN EXCHANGE INCOME	-	78
GENERAL AND ADMINISTRATIVE EXPENSES	(177,055)	(165,087)
NET (LOSS) / INCOME	(112,801)	330,586
TOTAL COMPREHENSIVE (LOSS) / INCOME	(112,801)	330,586

EEB Energy Re Ltd.

Statement of Changes in Shareholder’s Equity

For the year ended December 31, 2021

(expressed in U.S. dollars)

	Share capital $	Contributed surplus $	Retained earnings $	Total Shareholder's equity $
December 31, 2019	120,000	-	9,067,881	9,187,881
Comprehensive income for the year	-	-	330,586	330,586
December 31, 2020	120,000	-	9,398,467	9,518,467
Comprehensive loss for the year	-	-	(112,801)	(112,801)
December 31, 2021	120,000	-	9,285,666	9,405,666

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

EEB Energy Re Ltd.
Statement of Cash Flows
For the year ended December 31, 2021

(expressed in U.S. dollars)

	2021 $	2020 $
Cash flows from operating activities		
Net (loss) / income for the year	(112,801)	330,586
Change in non-cash balances relating to operations:		
Insurance balances receivable	(360,535)	899,397
Recoverable from losses and loss related expenses	4,515,499	438,730
Deferred Acquisition Cost	(29,936)	(22,592)
Fund Withheld – Assumed	(279,015)	(604,712)
Fund Withheld – Ceded	-	(8,325)
Deferred reinsurance premium	631,120	(1,359,804)
Reinsurance balance payable	(55,840)	(176,820)
Losses payable	-	(2)
Accrued liabilities	20,605	15,535
Accrued Interest on Investments	-	23,001
Reserve for losses and loss expenses	(3,286,084)	(438,730)
Unearned premium reserve	270,400	1,356,559
Deferred commission	(191,851)	249,696
Net cash provided by operating activities	1,121,562	702,519
Cash flows from investment activities		
Maturity of Short-term Investments	-	5,000,000
Net increase in cash and cash equivalents	1,121,562	5,702,519
Cash and cash equivalents at beginning of year	10,009,326	4,306,807
Cash and cash equivalents at end of year	11,130,888	10,009,326

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

(expressed in U.S. dollars)

1. The Company and its affiliates

EEB Energy Re Ltd. ("The Company" or "EEB") was incorporated under the laws of Bermuda on January 7, 2013 and is registered as a Class 1 insurer under the Insurance Act, 1978. The Company is a wholly-owned subsidiary of Grupo Energia Bogota S.A. E.S.P. ("The parent" or "GEB"), a company incorporated in Colombia. The Company's registered office is Crawford House, 50 Cedar Avenue, Hamilton HM 11, Bermuda.

The principal activity of the Company is the insurance of risks of its parent and affiliated companies. This includes property material damage and business interruption, general liability, sabotage and terrorism including business interruption, construction all risk exposures and defense attorney costs of the directors and officers of the Parent. All coverages are fronted by commercial insurers with an A.M. Best security rating or equivalent of A- or higher.

The property material damage coverage was provided on a claims incurred basis, incepting on May 5th, 2013. The Company provided coverage of $190m in respect of Calidda and Contugas (Peru), $100m in respect of Transpontadora de Gas Internacional, $35m in respect of Grupo Energia Bogota S.A. E.S.P. (Colombia) and $12m in respect of Trecsa and EBBIS (Guatemala) combined single limit in excess of the deductibles. The property material damage deductibles were between 2% and 10% of the loss and/or minimum 5 monthly minimum salary according to Colombian legislation ("SMMLY") or $500 each and every loss depending on location and coverage and for business interruption it is between 15 and 21 days depending on location. At renewal 2020, the company provided capacity for 40% of the aforementioned limits. This coverage is retroceded to reinsurers with an A.M. Best security rating or equivalent of A- or higher. In 2021, the Company retained on a net line basis the first $850,000 for each and every loss combined in excess of deductibles, up to a maximum loss of $2M. The Company purchased a stop loss whereby Westport Insurance Corporation, retained $850,000 for each and every loss combined in excess of deductibles, up to a maximum loss of $2M, whereby the Company would continue to maintain such retention if Westport's retention is exhausted.

The sabotage and terrorism coverage was provided on a claims incurred basis, incepting on March 5th, 2013 until 2021. The Company provided coverage of $100m in respect of Calidda and Contugas and Transpontadora de Gas Internacional, $35m in respect of Grupo Energia Bogota S.A. E.S.P. de Bogota and $12m in respect of Trecsa combined single limit in excess of the deductibles. The Sabotage and Terrorism deductibles were between 5% and 10% of the loss and/or minimum $500 each and every loss depending on location and coverage and for business interruption. In 2021 the Company included sabotage and terrorism coverage to Transportadora de Energia de Centro America S.A. Trecsa Guatemala only, with $10m each and every loss and in the aggregate, in excess of deductibles, this coverage is retroceded to reinsurers with an A.M. Best security rating or equivalent of A- or higher.

The general liability coverage is provided on a claims incurred basis incepting on September 18, 2015. This program expired in 2019 and is currently in run-off. The Company provides coverage of $10m in respect of Trecsa with deductibles of 10% for each and every loss minimum $15,000. This coverage is retroceded to reinsurers with an A.M. Best security rating or equivalent of A- or higher.

The construction all risk coverage for the Cusiana project of Transportadora de Gas Internacional was incepted on December 11, 2015. The Company provided property coverage up to $23,229,243 in excess of deductibles, combine limit and every loss. In December 2020 construction all risk coverage of $154m was provided to Transportadora de Energia de Centro America S.A. Trecsa Guatemala only. The risks covered include a myriad of risks for energy and energy-related businesses that are inherent in construction projects, from inception to completion and for one year following completion. This coverage was 100% retroceded to reinsurers with an A.M. Best security rating or equivalent of A- or higher.

The defense attorney costs coverage for the Directors and Officers of the Group is provided on a claims made basis, incepting on December 31, 2021. The Company provides coverage of $1M in respect of attorney costs for the group and is fully retained.

(expressed in U.S. dollars)

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

(a) Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations as issued by the International Accounting Standards Board (IASB). The statement of financial position is presented in order of liquidity.

The financial statements were authorised for issue by the Board of Directors on February 16, 2022.

(b) Basis of presentation

The Company's financial statements have been prepared under the historical cost basis, except for reserves for losses and loss expenses, which are estimated.

The Company has prepared its financial statements in conformity with IFRS 4 "Insurance Contracts", effective January 1, 2006 and believes it is in compliance with the requirements as prescribed by the IASB in its first phase of the standard. IFRS 4 is an interim measure until the IASB completes the second phase of its project on insurance contracts.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of accounting polices and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

(c) Functional currency

The financial statements are presented in United States dollars, which is the Company's functional currency.

(d) Premiums written and acquisition costs

Premiums written are recognized and acquisition costs are expensed on a pro rata basis over the terms of the policies. Certain of the policies provide for premium adjustments based on the results of premium base reviews. The Company has considered such adjustments using estimates of the ultimate premiums, and in the opinion of management, future adjustments to premiums will not have a material effect on the financial position of the Company.

(e) Reserve for losses and loss related expenses

The reserve for losses and loss related expenses includes estimates for outstanding claims and settlement expenses incurred at the balance sheet date including an estimate for the cost of claims incurred but not reported at that date. Such reserve is based on loss adjusters' evaluations and management's best estimates on an undiscounted basis and, in the opinion of management, is adequate. Future adjustments to the amounts recorded as of December 31, 2021, resulting from the continual review process, as well as differences between estimates and ultimate settlements, will be reflected in the Company's statements of comprehensive income of future years when such adjustments become known.

(expressed in U.S. dollars)

2. Summary of significant accounting policies (cont'd)

The major assumptions include loss development factors, trend factors and the expected loss ratios, using market data such as loss development factors from Lloyd's of London (from Xchanging) to determine the estimates. This market data provides EEB's independent external actuaries with worldwide industry data that together with the Company's limited historical losses data allows them to establish supported loss assumptions. The methods that the actuary uses to develop the estimate are: Incurred Loss Development, Incurred Bornhuetter-Ferguson and Loss Ratio. After reviewing the results of each method and assigning weights to each, the result is a selected ultimate loss amount that is then reviewed and booked by Management.

(f) Reinsurance

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outwards reinsurance premiums are accounted for in the same period as the related premiums for the direct or inwards reinsurance business being reinsured.

Reinsurance liabilities comprise premiums payable for outwards reinsurance contracts and are recognized as an expense when due.

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses. Reinsurance assets are measured consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of the reinsurance contract.

(g) Translation of foreign currencies

Monetary assets and liabilities originating in other currencies are translated into United States dollars (the functional currency) at the rates of exchange in effect at the reporting date. Non-monetary items originating in other currencies are translated into United States dollars at the rates of exchange in effect at the dates when the transactions occurred. Revenue and expense items are translated into United States dollars at the rate of exchange prevailing at the time of the transaction. The resulting exchange gains or losses are recognized in net income.

(h) Cash and cash equivalents

Cash and cash equivalents include amounts held in banks (money market funds and deposits with financial institutions that can be withdrawn without prior notice or penalty).

(i) Investments

The Company's investments consist of time deposits with maturities between 90 days and 360 days and carried at amortized cost.

(j) New Standards, interpretations and amendments to published standards that have been adopted by the Company

<u>New and revised IFRSs in issue-adopted</u>

No new standards to adopt in the current financial year.

(expressed in U.S. dollars)

2. Summary of significant accounting policies (cont'd)

New and revised IFRSs in issue-Not yet adopted

IFRS 9 Financial Instruments

In July 2014, the IASB issued IFRS 9 – Financial Instruments ("IFRS 9"), which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39.

Classification and measurement – Financial assets are classified and measured based on the business model within which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39 except that for financial liabilities measured at fair value will have fair value changes resulting from changes in the Company's credit risk recognized in Other Comprehensive Income ("OCI") instead of net income, unless this would create an accounting mismatch.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect their actual risk management activities.

The Directors of the Company are currently assessing the impact this standard will have on future financial statements and related disclosures and do not anticipate that the application of this standard will have a material impact on the Company's financial statements.

The company has elected to apply the deferral approach permitted by IFRS 4 (with the result that the Standard will be considered alongside IFRS 17).

For an insurer to apply this deferral:

(i) Total liabilities related to insurance must exceed 90% of total liabilities; or
(ii) Total liabilities related to insurance are greater than 80% of total liabilities but less than 90% of total liabilities so long as the insurer does not engage in significant activity unconnected to insurance.

The Company's liabilities related to insurance as at December 31, 2021 were 100% of total liabilities; the Company therefore qualifies to defer IFRS 9.

IFRS 17 Insurance Contracts

In May 2018, the IASB published IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 that was issued in 2005. IFRS 17 applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grandfathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The core of IFRS 17 is the general model, supplemented by a specific adaption for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts.

(expressed in U.S. dollars)

2. Summary of significant accounting policies (cont'd)

The main features of the new accounting model for insurance contracts are, as follows: the measurement of the present value of future cash flows incorporating an explicit risk adjustment and remeasured every reporting period (the fulfilment cash flows); a contractual service margin that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (coverage period); the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of insurance services provided during the period; and extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The impact of the adoption of IFRS 17 has yet to be fully assessed by the Company but it is expected there will be significant impacts relating to the measurement and presentation of the contracts in scope of the standard. This standard applies to annual reporting periods beginning on or after 1 January 2023.

3. Cash and cash equivalents

	2021	**2020**
	$	**$**
Cash at banks	11,130,888	10,009,326
	11,130,888	10,009,326

Interest rates during the year were 0.15% (2020 – 0.2%) for the cash account.

4. Reserve for losses and loss expenses

The activity in reserve for losses and loss related expenses as at December 31, 2021 and 2020 is summarized as follows:

	Gross		**Reinsurer's share**		**Net**	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**	**$**	**$**
Balance at January 1	6,491,007	6,929,737	(6,491,007)	(6,929,737)	-	-
Incurred losses related to:						
Current Year	1,406,820	2,069,007	(177,405)	(2,069,007)	1,229,415	-
Prior Year	(1,890,567)	(844,212)	1,890,567	844,212	-	-
	(483,747)	1,224,795	1,713,162	(1,224,795)	1,229,415	-
Paid losses related to						
Current Year	-	-		-	-	-
Prior Year	(2,802,337)	(1,663,525)	2,802,337	1,663,525	-	-
	(2,802,337)	(1,663,525)	2,802,337	1,663,525	-	-
Balance at December 31	3,204,923	6,491,007	(1,975,508)	(6,491,007)	1,229,415	-

(expressed in U.S. dollars)

4. *Reserve for losses and loss expenses (cont'd)*

As at December 31, 2021, the Company recorded a gross and net reserve for losses and loss expenses of $3,204,923 (2020 – $6,491,007) and $1,229,415 (2020 – nil), respectively. The Company experienced gross and net favourable loss development related to prior year of $1,890,567 and nil respectively.

The gross favourable loss development is mainly attributed to the Property Material Damage line of business for the policy year 2015-2016, 2016-2017 and 2018-2019. The company has experienced a favorable development of in the ultimate losses for all the years that have been fully earned and there has been sufficient IBNR to cover the incurred movements over the period. According to this experience, a lower a-priori loss ratio for the latest accident period was selected based on a review of insurance industry loss ratios along with a review of ultimate loss ratios for prior years, which were estimated from gross written premium. The methods applied are consistent with prior year.

Claim development

The estimation of claim development involves assessing the future behaviour of claims, taking into consideration the consistency of the Company's claim handling procedures, the amount of information available, the characteristics of the line of business from which the claim arises and historical delays in reporting claims. In general, the longer the term required for the settlement of a group of claims the more variable the estimates. Short settlement term claims are those which are expected to be substantially paid within a year of being reported.

The Company provides information on the gross and net claims development. The table that follow illustrate the development of claims payments and the estimated ultimate cost of claims for the claim year 2017 to 2021. The upper half of the table shows the cumulative amounts paid or estimated to be paid during successive years, related to each claim year. The original estimates will be increased or decreased, as more information becomes available about the original claims and overall claim frequency and severity.

The Company considers that there is no significant uncertainty with regards to claims that were incurred more than five years before the reporting period.

Claims development on a net basis is $ 1,229,415 and the claims development on a gross basis on all of the coverage is shown below:

	Prior 2017	2017	2018	2019	2020	2021	Total
Estimate of ultimate claims							
- At end of year	7,497,584	4,476,413	2,855,342	173,835	1,997,828	1,406,820	
- One year later	14,251,757	4,180,111	3,449,890	32,212	1,145,049	-	
- Two years later	14,650,651	1,652,169	3,636,627	-	-	-	
- Three years later	11,995,010	1,403,755	4,377,142	-	-	-	
- Four years later	11,354,098	1,039,159	-	-	-	-	
- Five years later	9,972,604	-	-	-	-	-	
Current estimate of ultimate claims	9,972,604	1,039,159	4,377,142	-	1,145,049	1,406,820	**17,940,774**
Less: Cumulative payments to date	9,726,820	973,828	4,023,277	-	11,926	-	**14,735,851**
Loss Reserves recognised in the Balance Sheet	245,784	65,331	353,865	-	1,133,123	1,406,820	**3,204,923**

(expressed in U.S. dollars)

5. Reinsurance

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to the Company; consequently, allowances would be established for amounts deemed uncollectible. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. Loss reserves considered recoverable from reinsurers were $1,975,508 and $6,491,007 at December 31, 2021 and 2020, respectively.

Deferred reinsurance premiums of $873,088 and $1,504,208 as of December 31, 2021 and 2020, respectively were associated with several reinsurers, all having an A.M. Best rating or equivalent of A- or above. At December 31, 2021, no provision for uncollectible amounts was considered necessary.

6. Share capital

Share capital consists of 120,000 common shares with a par value of $1, which were authorized, issued and fully paid as at December 31, 2021 and 2020.

7. Related Party Transactions

Parties are considered to be related when one party has the ability to control the other party or exercises significant influence over the other party in making financial or operational decisions or by virtue of material contracts in existence during the year. Management has determined that all dealings with related parties are in accordance with underlying agreements in place or approval of the Board of Directors.

As per note 1 above, the Company provides insurance to subsidiaries within GEB's group of companies. Currently, all reinsurance business assumed by the Company is considered related as such business is ceded to the Company by GEB's affiliates.

	2021 **$**	**2020** **$**
Insurance balance receivable	623,891	263,356
Funds withheld	896,003	616,988
Losses payable	196,798	196,798
Outstanding loss reserves	657,747	3,484,215

	2021 **$**	**2020** **$**
Premium written	3,298,317	4,265,079
Losses paid	2,802,337	1,633,525

Payments to key management personnel for 2021 and 2020 are detailed as follows:

	2021 **$**	**2020** **$**
Directors Fees	10,800	30,000

8. Financial risk management

The Company is exposed to credit risk, liquidity risk, interest rate risk, and currency risk among others, arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below.

(expressed in U.S. dollars)

8. *Financial risk management (cont'd)*

Credit risk and concentration of credit risk

The Company's activities expose it to a variety of financial risks: credit risk and liquidity risk. Credit risk arises from the failure of the counterparty to perform according to the terms of a contract.

Management key areas where the Company is exposed to credit risk are:

- Cash and cash equivalents
- Insurance balances receivable
- Recoverable for outstanding losses and loss related expenses

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

The Company is party to financial instruments with concentration and credit risks in the normal course of business. All of the Company's cash were on deposit with high credit quality financial institutions. As of December 31, 2021 and 2020, the Company had deposited, with a financial institution, a total of $11,130,888 and $10,009,326 respectively.

The Company's outstanding losses and loss related expenses recoverable from reinsurers are due from various reinsurers including various Lloyds' market syndicates. In the opinion of the Company's management, this diversification of purchased reinsurance will limit the concentration of credit risk affecting the Company. As of December 31, 2021 and 2020, recoverable for losses and loss related expenses were $1,975,508 and $6,491,007, respectively. All coverages are fronted by commercial insurers with an A.M. Best security rating or equivalent of A- or higher.

Reinsurance is used to manage insurance risk. This does not however discharge the Company's liability as a primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policy holder.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company manages this risk by investing significantly in highly liquid short-term investments which are classified as cash and cash equivalents. The following tables detail the Company's remaining contractual maturity for its financial liabilities.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Less than 3 months $	3 months to 1 year $	1 to 5 years $	Total $
Financial liabilities:				
2021				
Accrued liabilities	96,342	-	-	96,342
Reinsurance balance payable	-	800,959	-	800,959
Reserves for losses and loss related expenses	-	-	3,204,923	3,204,923
Losses payable	-	196,798	-	196,798
	96,342	997,757	3,204,923	4,299,022

(expressed in U.S. dollars)

8. Financial risk management (cont'd)

2020				
Accrued liabilities	75,737	-	-	75,737
Reinsurance balance payable	-	856,799	-	856,799
Reserves for losses and loss related expenses	-	-	6,491,007	6,491,007
Losses payable	-	196,798	-	196,798
	75,737	1,053,597	6,491,007	7,620,341

The following table details the Company's expected maturity for its financial assets. The tables below have been drawn up based on undiscounted contractual maturities of the financial assets except where the Company anticipates that the cash flow will occur in a different period.

	Less than 3 months $	**3 months to 1 year** $	**1 to 5 years** $	**Total** $
Financial assets:				
2021				
Insurance balance receivable	-	623,891	-	623,891
Funds withheld	-	896,003	-	896,003
Recoverable for losses and loss related expenses		-	1,975,508	1,975,508
	-	1,519,894	1,975,508	3,495,402
2020				
Insurance balance receivable	-	263,356	-	263,356
Funds withheld	-	616,988	-	616,988
Recoverable for losses and loss related expenses		-	6,491,007	6,491,007
	-	880,344	6,491,007	7,371,351

Insurance Risk

The Company accepts insurance risk through its insurance contracts where it assumes the risk of loss from the ultimate Parent and its affiliates that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

9. Insurance balance receivable / reinsurance balance payable

At December 31, 2021, the Company had insurance balances receivable of $623,891 (2020 $263,356) related to the premium to be received for the Property - Gas & Energy and Sabotage and Terrorism - Gas & Energy, and D&O policies.

At December 31, 2021, the Company had insurance balances payable of $800,959 (2020: $856,799) related to the Property - Gas & Energy and Sabotage and Terrorism - Gas & Energy policies.

(expressed in U.S. dollars)

10. Unearned premium reserve

The following table shows the premiums movement during the year ended December 31, 2021 and 2020:

	2021			2020		
	Gross $	**Reinsurance $**	**Net $**	**Gross $**	**Reinsurance $**	**Net $**
Balance deferred at 1 January	1,504,208	(1,504,208)	-	147,649	(144,404)	3,245
Premiums written	3,298,317	(1,251,210)	2,047,107	4,265,079	(4,265,989)	(910)
Premiums earned through the income statement	(3,027,917)	1,882,330		(2,908,520)	2,906,185	(2,335)
Balance deferred at 31 December	1,774,608	(873,088)	901,520	1,504,208	(1,504,208)	-

11. Capital risk management and statutory financial reporting

The Company is required by its licence to comply with various provisions of the Insurance Act, 1978 of Bermuda ("The Act") regarding solvency and liquidity. These provisions have been met. The required minimum statutory capital and surplus under the Act as of December 31, 2021 and 2020, was $120,000 and $120,000, respectively whereas the minimum margin of solvency was $409,421 and $120,000 respectively. As of December 31, 2021 and 2020, the Company's actual statutory capital and surplus under the Act was $9,405,666 and $9,518,467, respectively, and accordingly there is no restriction on the amount of retained earnings available for the payment of dividends to shareholders. Actual statutory capital and surplus, as determined using statutory principles, is as follows:

	2021 $	**2020 $**
Total shareholder's equity	9,405,666	9,518,467
Less: Non-admitted assets:		
Deferred acquisition costs	52,528	22,592
Statutory capital and surplus	9,353,138	9,495,875

12. Taxation

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

13. Subsequent events

No subsequent events were noted by management as of the date the issuance of the financial statements.