



Ocean International Reinsurance Company Limited

Independent Auditors' Report and Financial Statements

For the month ended on January 31, 2020



Ocean International Reinsurance Company Limited

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Tel: +507 279-9700
Fax: +507 236-4143
www.bdo.com.pa

Edificio BDO
Urb. Los Ángeles
Ave. El Paical
República de Panamá
0831-00303

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Ocean International Reinsurance Company Limited
Panama, Republic of Panama

Qualified Opinion

We have audited the accompanying financial statements of Ocean International Reinsurance Company Limited "the Company", which comprise the statement of financial position as of January 31, 2020, the statement of profit or loss and other comprehensive income, changes in equity and of cash flows for the month then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the subject described in the paragraph "Basis of Qualified Opinion", the accompanying financial statements present fairly, in all material respects, the financial position of Ocean International Reinsurance Company Limited, as of January 31, 2020, its financial performance and cash flows for the month then ended in accordance with International Financial Reporting Standards.

Basis of Qualified Opinion

As disclosed in Note 9 of the financial statements, the Company acquired investment funds. According to International Financial Reporting Standards, companies are required to consolidate all investments (including special purpose entities, other funds and operating companies) over which they have control.

Control is presumed to exist if a fund holds more than half of the voting power of another entity. However, the Company did not carry out the consolidation with the subsidiaries that participate in the fund.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities based on these standards are described in detail in the section Auditor's Responsibility in Relation with the Audit of Financial Statements of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of The International Ethics Standards Board for Accountants (IESBA), together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

To the Board of Directors and Stockholders' of
Ocean International Reinsurance Company Limited
Panama, Republic of Panama

Matter of Emphasis

We draw attention to Note 21 of the financial statements, which describes the nature and possible financial effect of the COVID-19 pandemic. Our opinion has not been modified in relation to this matter.

Management's Responsibilities and of Those Charged with Governance of the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of these 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 relating to its continuity as a going concern and using the accounting standards of going concern, unless Management intends to liquidate the Company or cease its operations, or has no other realistic alternative to do so.

Those in charge of Corporate Governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility in Relation with the Audit of Financial Statements

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

As part of an audit in accordance with International Standards on Auditing, we apply our professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform the audit procedures responsive to those risks; thus, we obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is greater than one resulting from an error, since fraud involves collusion, falsification, intentional omission, misrepresentations, or the override of internal control.

To the Board of Directors and Stockholders' of
Ocean International Reinsurance Company Limited
Panama, Republic of Panama

- We obtained a knowledge of the internal control relevant to the audit, in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We evaluated the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- We concluded on the appropriateness of Management's use of the going concern basis of accounting and, based on the evidence obtained, whether there is a material uncertainty regarding events or conditions that may create a significant doubt on the capacity of the Company to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosure in the financial statements or, if such disclosures are inadequate, to express a modified opinion.

Our conclusions are based on the audit evidence obtained to the date on our auditor's report. However, future events or conditions may cause the Company to cease continuing 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 the audit.



August 12, 2020.
Panama, Republic of Panama.

Ocean International Reinsurance Company Limited

Statement of Financial Position

As of January 31, 2020

(Amounts expressed in United States Dollars)

| | Notes | January 2020 | December 2019 |
|---|-----------|--------------------|-------------------|
| Assets: | | | |
| Cash | 6 | 21,221,818 | 12,457,989 |
| Time deposits | 7 | 15,788,550 | 15,738,550 |
| Investments available for sale | 8 | 5,626,299 | 5,631,754 |
| Investment in non-consolidated subsidiaries | 9 | 60,357,961 | 55,546 |
| Premiums receivable | 10 | 25,103,121 | 21,543,789 |
| Accounts receivable - premium reserves held by cedants | 10 | 8,249,424 | 9,273,395 |
| Accounts receivable - related parties | 11 | 6,267,996 | 4,008,031 |
| Accounts receivable - others | | 1,399,619 | 1,378,247 |
| Properties, furniture, equipment and improvements, net | 12 | 1,888,215 | 1,900,785 |
| Other assets | | 1,018,038 | 1,123,768 |
| Total assets | | 146,921,041 | 73,111,854 |
| LIABILITIES AND EQUITY | | | |
| Liabilities: | | | |
| Accounts payable - premium reserves held by cedants | 13 | 6,543,463 | 7,567,426 |
| Accounts payable | 13 | 12,708,691 | 5,093,061 |
| Technical reserves | 14 | 20,926,932 | 18,706,874 |
| Accounts payable - related parties | 11 | 4,290,851 | - |
| Total liabilities | | 44,469,937 | 31,367,361 |
| Equity: | | | |
| Common shares, with a par value of US\$ 1 each one authorized, issued and outstanding 101,450 shares | 15 | 101,450 | 50,000 |
| Additional paid - in capital | 15 | 77,912,414 | 17,963,865 |
| Retained earnings | | 23,695,196 | 23,000,721 |
| Fair value reserve | 15 | 512,688 | 499,781 |
| Property revaluation surplus | 12 and 15 | 229,356 | 230,126 |
| Total equity | | 102,451,104 | 41,744,493 |
| Total liabilities and equity | | 146,921,041 | 73,111,854 |

The notes on pages 5 to 26 are integral part of these financial statements.

Ocean International Reinsurance Company Limited

Statement of Profit or Loss and Other Comprehensive Income

As of January 31, 2020

(Amounts expressed in United States Dollars)

| | Notes | January 2020 | January 2019 |
|---|-------|------------------------------|-------------------------|
| Income | | | |
| Premiums on reinsurance assumed | | 15,386,657 | 14,620,858 |
| Retroceded premiums | | (10,194,487) | (12,873,465) |
| | | <u>5,192,170</u> | <u>1,747,394</u> |
| Technical reserves - Unearned premium reserve | 14 | (665,500) | - |
| Net income from premiums | | <u>4,526,670</u> | <u>1,747,394</u> |
| Acquisition cost: | | | |
| Commissions expense | | (1,471,644) | (2,320,912) |
| Commissions income | | 770,035 | 1,798,482 |
| Acquisition cost, net | | <u>(701,609)</u> | <u>(522,430)</u> |
| Losses incurred: | | | |
| Incurred losses | | (5,029,261) | (2,419,344) |
| Recovered losses | | 3,616,869 | 941,955 |
| Outstanding losses reserve and IBNR | 14 | (1,554,558) | (254,898) |
| Losses incurred, net | | <u>(2,966,950)</u> | <u>(1,732,287)</u> |
| Expenses: | | | |
| General and administrative expenses | 16 | (205,437) | (192,618) |
| | | <u>(205,437)</u> | <u>(192,618)</u> |
| Total acquisition costs, losses incurred and expenses | | <u>(3,873,996)</u> | <u>(2,447,334)</u> |
| Profit in insurance and reinsurance operations | | <u>652,674</u> | <u>(699,941)</u> |
| Other income | 17 | <u>54,836</u> | <u>24,427</u> |
| | | <u>707,510</u> | <u>(675,514)</u> |
| Income tax expense | 18 | (13,805) | - |
| Net profit (loss) | | <u><u>693,705</u></u> | <u><u>(675,514)</u></u> |
| Other comprehensive income: | | | |
| Entries that are or will be reclassified to results: | | | |
| Surplus for revaluation of assets | | (770) | - |
| Transfer of depreciation of property revaluated | | 770 | - |
| Surplus for revaluation of assets | 12 | <u>-</u> | <u>-</u> |
| Fair value reserve | | | |
| Net change in fair value of available for sale financial assets | | 12,907 | - |
| Total other comprehensive income | | <u>12,907</u> | <u>-</u> |
| Total comprehensive income (loss) of the year | | <u><u>706,612</u></u> | <u><u>(675,514)</u></u> |

The notes on pages 5 to 26 are integral part of these financial statements.

Ocean International Reinsurance Company Limited

Statement of Changes in Equity

As of January 31, 2020

(Amounts expressed in United States Dollars)

| | Notes | Common shares | Additional paid - in capital | Retained earnings | Advance payment of dividend to shareholders | Fair value reserve | Property revaluation surplus | Total equity |
|---|-------|----------------|---------------------------------|----------------------|--|-----------------------|------------------------------------|--------------------|
| Balance as of December 31, 2018 | | 50,000 | 17,963,865 | 23,162,215 | (31,103) | 345,879 | 240,132 | 41,730,988 |
| Net loss | | - | - | (675,514) | - | - | - | (675,514) |
| Transactions with owners: | | | | | | | | |
| Dividends paid | | - | - | (1,839,743) | - | - | - | (1,839,743) |
| Balance as of January 31, 2019 | | 50,000 | 17,963,865 | 20,646,958 | (31,103) | 345,879 | 240,132 | 39,215,731 |
| Net profit | | - | - | 1,943,872 | - | - | - | 1,943,872 |
| Other comprehensive income: | | | | | | | | |
| Transfer of depreciation of property revaluated | 12 | - | - | 10,006 | - | - | (10,006) | - |
| Net change in fair value of available for sale financial assets | | - | - | - | - | 153,902 | - | 153,902 |
| Other comprehensive income total | | - | - | 10,006 | - | 153,902 | (10,006) | 153,902 |
| Transactions with owners: | | | | | | | | |
| Dividends paid | 15 | - | - | (2,115,372) | - | - | - | (2,115,372) |
| Advance payment of dividend to shareholders | | - | - | - | 31,103 | - | - | 31,103 |
| Balance as of December 31, 2019 | | 50,000 | 17,963,865 | 23,000,721 | - | 499,781 | 230,126 | 41,744,493 |
| Net profit | | - | - | 693,705 | - | - | - | 693,705 |
| Other comprehensive income: | | | | | | | | |
| Transfer of depreciation of property revaluated | 12 | - | - | 770 | - | - | (770) | - |
| Net change in fair value of available for sale financial assets | | - | - | - | - | 12,907 | - | 12,907 |
| Other comprehensive income total | | - | - | 770 | - | 12,907 | (770) | 12,907 |
| Transactions with owners: | | | | | | | | |
| Common shares issued | | 51,450 | - | - | - | - | - | 51,450 |
| Additional paid in capital | 15 | - | 59,948,549 | - | - | - | - | 59,948,549 |
| Balance as of January 31, 2020 | | 101,450 | 77,912,414 | 23,695,196 | - | 512,688 | 229,356 | 102,451,104 |

The notes on pages 5 to 26 are integral part of these financial statements.

Ocean International Reinsurance Company Limited

Statement of Cash Flows

As of January 31, 2020

(Amounts expressed in United States Dollars)

| | Notes | January 2020 | January 2019 |
|--|-------|---------------------|--------------------|
| Cash flows from operating activities | | | |
| Net profit (loss) | | 693,705 | (675,514) |
| Adjustment to reconcile the net profit to net cash from operation: | | | |
| Depreciation | 16 | 12,570 | 11,433 |
| Income tax expenses | 18 | 13,805 | - |
| Technical reserves | 14 | 2,220,058 | 254,897 |
| Income on deposits | | (46,866) | (23,979) |
| Income on investments | | (7,482) | - |
| Changes in assets and liabilities: | | | |
| Premiums receivable | | (3,559,332) | 1,761,839 |
| Premiums reserves held by cedants, net | | 10 | (12,117) |
| Accounts receivable - related parties | | (2,259,965) | 50,260 |
| Accounts receivable - others | | - | (14,854) |
| Other assets | | 105,731 | (13,361) |
| Accounts payable | | 11,590,258 | 4,067,945 |
| Cash provided from operations | | | |
| Investments available for sale | | 10,459 | - |
| Interest received | | 25,493 | 23,979 |
| Cash flows from operating activities | | 8,798,444 | 5,430,528 |
| Cash flows from investment activities | | | |
| Acquisition of investments | 9 | (60,302,415) | (59,338) |
| Redemption from sales of investments | 8 | 15,385 | - |
| Acquisition of time deposits | 7 | (50,000) | - |
| Cash flows (used in) from investment activities | | (60,337,030) | (59,338) |
| Cash flows from financing activities | | | |
| Common shares issued | 15 | 51,450 | - |
| Paid in capital | 15 | 59,948,549 | - |
| Accounts payable with related parties | | 302,416 | (147) |
| Dividends paid | | - | (1,839,743) |
| Cash flows (used in) from financing activities | | 60,302,415 | (1,839,890) |
| Net increase in cash in banks | | 8,763,829 | 3,531,300 |
| Cash in banks at beginning of year | | 12,457,989 | 6,562,886 |
| Cash in banks at end of year | 6 | 21,221,818 | 10,094,186 |

The notes on pages 5 to 26 are integral part of these financial statements.

Ocean International Reinsurance Company Limited

Notes to Financial Statements

For the month ended on January 31, 2020

(Amount in United States Dollars)

1. Organization and operations

Ocean International Reinsurance Company Limited (the Company) was originally addressed and incorporated in Belize, CA, on May 2006 (identification IBC 52,339) under the International Business Companies Act - Chapter 270 and licensed to operate international reinsurance business. The International Insurance Act - Chapter 269, (Docket No.INT/62/15/11).

During 2012, the Company relocated its headquarters in Barbados, WI, under Certificate of Continuance No.36565, issued under Section 356.2 (1) of the Companies Act, issued by Barbados Intellectual Property Office and Corporate Affairs and authorized by the Financial Services Commission of that country under the Reinsurance License No.532, granted under Section 8 (1) of the Exempt Insurance Act (CAP308A). At August 31, 2016, the Company under the law of Barbados is registered as Company No.36565 as a qualifying Insurance Company.

Approval of financial statements

The Company's Management on August 11, 2020 approved the issuance of these financial statements.

2. Statement of compliance

The financial statements were prepared as of January 31st, 2020 according to the International Financial Reporting Standards.

3. Basis of preparation and presentation currency

The financial statements were prepared on a historical cost basis, except for investment securities, which are presented at fair value. All the accounting policies applied by the entity are consistent with those used in the prior year.

The financial statements are expressed in dollars (US\$), the currency of the United States of America.

Ocean International Reinsurance Company Limited

Notes to Financial Statements

For the month ended on January 31, 2020

(Amount in United States Dollars)

Accounting judgments and estimates

Preparation of the Company's financial statements requires Management to conduct estimates and assumptions affecting the reported figures of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities as of the reporting date. Due to the implicit uncertainty of these estimates and assumptions, there may be adjustments to the figures having relative importance and affecting the disclosed figures of assets and liabilities in the future. The main assumptions related to future events and other sources of estimates subject to variations as of the reporting date, which due to their nature carry a high risk of causing significant adjustments to the asset and liability amounts in next year's financial statements, are presented below:

Reserve for claims in process

Estimates are based on the expected cost of claims reported to date of the statement of financial position and the estimated cost of claims incurred but not reported (IBNR) as of the reporting date. Claims can take a significant amount of time before their definite cost is established with certainty, and, types of policies and businesses, claims incurred but not reported represent most of the liabilities presented in the statement of financial position.

The main assumption of this technique is that experience in losses can be used to project future loss development, and is therefore the best estimation for definite costs

Adjustments to reserves are recorded each year in the statement of comprehensive income. The reserve is adjusted to recognize the reinsurers' share in the event.

Insurance contract liabilities

The loss reserve is estimated using several technical actuarial projection standards. The main judgment underlying these techniques is that the experience in the development of the Company's past claims may be used to project the future development of claims, and therefore the ultimate costs. These methods extrapolate the development of claims paid and incurred, median costs for claims, and the number of claims based on the development observed for the year and expected claim indicators.

4. Summary of significant accounting policies

Cash

Cash comprise cash at banks, in hand, current deposits and term deposits with an original maturity of three months or less in the statement of financial position. These financial assets are measured at fair value through profit or loss as of the reporting date, without deducting the cost that may be incurred in their sale or disposal. As of the respective reporting date, there are no restrictions on the use of cash or cash equivalents.

Ocean International Reinsurance Company Limited

Notes to Financial Statements

For the month ended on January 31, 2020

(Amount in United States Dollars)

Financial assets

The Company classifies its investments into assets available-for-sale, and investment in non-consolidated subsidiaries.

The classification depends on the purpose for which the investments were acquired. Investments available for sale are classified at fair value, depending on the Company's strategy for managing financial investments acquired to cover their insurance and reinsurance liabilities, on the same basis, which is fair value.

Investments available for sale

Investments available-for-sale are those non-derivative financial assets that are designated as available-for-sale or not classified as investments held-to-maturity or investments at fair value with changes in comprehensive income. These investments are initially recognized at fair value. After initial recognition, these investments are measured at fair value with changes in other comprehensive income and are not derecognized until the investment has been determined as impaired, at which time earnings recognized or losses previously reported to other comprehensive income are transferred to the statement of comprehensive income.

Impairment and uncollectibility of financial assets

The Company assesses whether a financial asset or group of financial assets are impaired at each reporting date.

Impairment of financial assets carried at cost

When the Company determines that it has incurred in a loss due to impairment in the value of its investments in equity instruments not having a market price quoted in an active market, it estimates the amount of the loss as the difference between the equity instrument's carrying amount and the present value of future cash flows discounted at the current market profitability rate for similar financial assets, and it deducts the loss from the asset's carrying value and recognizes such loss in the results of the year in which it occurs.

Impairment of investments available for sale

When the Company determines that it has incurred in a loss due to impairment in the value of available for sale financial assets, it estimates the loss amount as the difference between the financial asset's carrying amount and the current fair value less any impairment loss in the financial asset's value previously recorded in the period's results; it then deducts the loss in the asset's recorded value and recognizes the loss in the results of the year in which it occurs.

Reinsurance

Reinsurances receivable are recognized based on reinsurance contract amounts and measured at amortized cost, using the effective interest method. Carrying amounts are reviewed for impairment when there are factors or circumstances indicating that these amounts may not be recovered. The impact of the loss is recognized in the statement of comprehensive income.

Ocean International Reinsurance Company Limited

Notes to Financial Statements

For the month ended on January 31, 2020

(Amount in United States Dollars)

The Company has written reinsurance agreements as part of its ordinary course of operations. Premiums and claims assumed in reinsurance contracts are recognized as income and expenses as if they were considered direct business, taking into account the classification of reinsurance business products. Reinsurance liabilities represent the balance owed to reinsurance companies. Amounts payable are estimated on a consistent basis according to reinsurance contract conditions.

Premiums and losses are presented on a gross basis, for both assumed and granted premiums. Reinsurance assets and liabilities are derecognized when contractual rights are extinguished or expire, or when contracts are transferred to a third party.

Contracts granted that do not transfer significant reinsurance risk are recorded directly in the statement of financial position. These assets deposited or financial liabilities are recognized based on the consideration paid or received less any explicit identified premiums or fees retained by the reinsured parties.

The Company also cedes reinsurance risks in the ordinary course of business. Reinsurance receivable represents the amount receivable from reinsured companies. Amounts expected to be recovered are recognized consistently with the outstanding claims reserve, and in conformity with clauses contained in contracts signed by the parties.

An impairment review is performed each year or when there are impairment factors during the year. Impairment occurs when there is objective evidence that the Company cannot recover amounts under the contracted terms, and when the impact on the amounts that the Company will receive from reinsurers can be reliably measured. The impact of the loss is recognized in the statement of comprehensive income.

Reinsurance commissions

Commissions received for external reinsurance contracts are deferred and amortized on a straight-line basis over the term of the expected premiums payable.

Properties, furniture, equipment and improvements

Properties, furniture, equipment and improvements are recorded at acquisition cost, plus a revaluation adjustment to property performed in 2014, based on an appraisal performed by an Independent appraiser, and credited to the Company's equity.

Depreciation and amortization are calculated on a straight-line basis, based on the assets' estimated useful lives.

A breakdown of estimated useful lives is as follows:

| | |
|-----------------------------|----------|
| Properties and improvements | 30 years |
| Furniture and equipment | 5 years |
| Computer equipment | 3 years |

Ocean International Reinsurance Company Limited

Notes to Financial Statements

For the month ended on January 31, 2020

(Amount in United States Dollars)

The asset values, useful lives and depreciation and amortization methods are reviewed and adjusted if necessary, at each year end. Impairment is reviewed when events or changes in circumstances indicate that the recorded value may not be recovered.

Revaluations are performed to ensure that the revaluated asset's fair value does not differ significantly from its recorded amount.

Any revaluation excess is credited to the property's revaluation surplus included in the equity section of the statement of financial position, unless this amount reverses the revaluation previously recorded for the same asset, which is recognized in the statement of comprehensive income. In this case, the increase is recorded in the statement of comprehensive income. A revaluation deficit is recorded in the statement of comprehensive income, unless it directly offsets a previous surplus on the same asset. Then, it should be taken directly to the surplus for revaluation of assets.

An asset of properties, furniture, equipment and improvements is eliminated when it is sold, or when no economic benefit is expected from its use. Any gains or losses resulting from this elimination (calculated as the difference between the net disposal and carrying amount) is included in the statement of comprehensive income in the year in which the asset is disposed.

Loans payable

All loans are initially recognized at cost, which is the fair value of the product received, less directly attributable transaction costs.

After initial recognition, interest loans are subsequently measured at amortized cost using effective interest method.

Any gains or losses incurred are recorded in the statement of comprehensive income when the liability is settled, as well as through the amortization process.

Derecognition of financial assets and liabilities

Financial assets

Financial assets are derecognized by the Company when rights to receive cash flows from the asset have expired, or when the financial asset is transferred along with its inherent risks and benefits and contractual rights to receive cash flows from the asset are surrendered, or when the Company retains the contractual rights to receive cash flows and assumes the obligation to pay them to one or more parties.

Financial liabilities

Financial liabilities are derecognized by the Company when the obligation has been paid, cancelled or expires. When a financial liability is replaced by another, the Company derecognizes the original and recognizes a new liability. Differences that may result from these financial liability replacements are recognized through income or loss when incurred.

Ocean International Reinsurance Company Limited

Notes to Financial Statements

For the month ended on January 31, 2020

(Amount in United States Dollars)

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation's amount can be made.

Where the Company expects all or part of a provision to be reimbursed by a third party, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. Expenses relating to provisions are presented in the statement of comprehensive income net of any reimbursements to be received.

Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and revenue can be reliably measured. Specific recognition criteria must be established before revenue is recognized.

Written premiums

Accepted reinsurance transactions are recorded when the reinsurance account statements are received from the ceding companies.

Unearned premiums are portions of premiums written in the period that are related to risk periods after the date of the statement of financial position. Unearned premiums are calculated based on 35% of the written premiums. Reinsurance unearned premiums are deferred in the basic insurance term for risk contracts and deferred in the term of the reinsurance contract for contracts of losses incurred.

Gross general premiums are comprised of the total premiums receivable for the full coverage period established in the contracts subscribed during the accounting period and are recognized on the date on which the policy and/or transaction begins.

The premiums include any adjustment arising from the premium's receivable related to deals "written" during prior periods. The premiums collected by intermediaries, but not yet received, are assessed based on estimates of previous experiences or subscribed and are included in premiums written.

Gross general insurance premiums comprise the total premiums payable for the whole period of coverage provided by the contracts entered during the period and are recognized on the date the policy begins. Premiums include any adjustments arising in the accounting period for reinsurance contracts signed in prior periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. The reinsurance unearned premiums are deferred in the basic insurance term for risk contracts and are deferred in the term of the reinsurance contract for contracts of losses incurred.

Ocean International Reinsurance Company Limited

Notes to Financial Statements

For the month ended on January 31, 2020

(Amount in United States Dollars)

Premiums granted

The Company records participation in reinsurance granted at the end of the realized contracts granted, when the technical reinsurance operation is determined.

Fees and commissions

Reinsurance contracts and investments are recorded as management policy services, investment management services, and contract fees. These fees and charges are recognized as revenue over the period in which the related services are performed.

Financial instrument returns

Revenue arising from financial instruments is recognized in relation to the passage of time, calculated over the average monthly balances for the invested principal, applying the effective interest method.

Financial instrument yields also include dividends, when rights to receive payments are established.

Realized gains and losses

Gains and losses in the sale of investments are calculated as the difference between the net proceeds from the sale and fair value and are recognized when the transaction occurs.

Losses incurred and acquisition cost

Gross losses incurred consist of claims paid to reinsured parties, as well as changes in the gross valuation of insurance contract liabilities, except for gross fluctuations in unearned premium provisions, which are recorded in revenues from premiums. They also include internal and external claim adjustment expenses, which are directly related to claims processing and payment.

Modifications in the main accounting policies

The entity has consistently applied accounting policies as established in Note 4 to all periods presented in these financial statements, except for the modifications detailed below:

IFRS 16: Leases

The implementation of the standard had no impact since the company does not have applicable lease agreements.

Ocean International Reinsurance Company Limited

Notes to Financial Statements

For the month ended on January 31, 2020

(Amount in United States Dollars)

5. New standards and interpretations not yet adopted

Several new standards are applicable to annual periods beginning after January 1, 2018 and their early application is permitted; however, the following new standards or their modifications have not been applied in advance by the company in the preparation of these financial statements.

Amendment to IFRS 4: Application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the new insurance contract standard (IFRS 17).

The amendments introduce two options to apply IFRS 9 for entities that issue contracts within the scope of IFRS 4: a temporary exemption: and an overlay approach.

The temporary exemption allows eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before January 1, 2021 and continue to apply IAS 39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if:

- (i) Has not previously applied any version of IFRS 9, apart from the requirements for the presentation of gains and losses in financial liabilities designated as fair value through profit or loss (FVPL); and
- (ii) Its activities are predominantly related to insurance on its annual filing date immediately preceding April 1, 2017. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results between the profit or loss at the end of the reporting period for certain designated financial assets that are the same that if an entity had applied IAS 39 to these designated financial assets.

An entity may apply the IFRS 9 temporary exemption for annual periods beginning on or after January 1, 2018. An entity may begin to apply the overlay approach when it applies IFRS 9 for the first time.

The company carried out an evaluation of the modifications and conclude that its activities are predominantly related to insurance as of January 31, 2020. During the first month of 2020, there were no significant changes in the company's activities that require a new evaluation. The company intends to apply the temporary exemption from IFRS 9 and therefore continue to apply IAS 39 to its financial assets and liabilities in its accounting reporting period starting on January 1, 2020.

Ocean International Reinsurance Company Limited

Notes to Financial Statements

For the month ended on January 31, 2020

(Amount in United States Dollars)

IFRS 9 -Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and measurement and all previous versions of IFRS 9. IFRS 9 meets three aspects in the draft accounting for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. Except for hedge accounting, hindsight is required, but comparative information is not required. For hedge accounting, the requirements generally apply retrospectively, with some limited exceptions.

The company meets the eligibility criteria for the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new standard for insurance contracts (IFRS 17) for the periods starting on or after January 1, 2021, temporary exemption from the application of IFRS 9 introduced by the modifications set forth above.

6. Cash

The cash are presented as follows:

| | January 2020 | December 2019 |
|-------------------|-------------------|-------------------|
| Checking accounts | 20,201,250 | 11,422,975 |
| Saving accounts | 1,020,568 | 1,035,014 |
| | <u>21,221,818</u> | <u>12,457,989</u> |

The saving account generates an annual interest rate of 0.30% and 2.5% (2019: 0.30% - 2.5%).

7. Time deposits

Time deposits generate an annual interest rate from 2% - 5.50% (2019: 2.00% - 5.50%) and matures between February 12, 2020 and September 23, 2021.

2020

| Financial Institution | Issue | Maturity | Rate | Amount |
|--------------------------|------------|------------|-------|-------------------|
| Banco Aliado, S. A. | 12/01/2018 | 11/30/2020 | 4.25% | 350,000 |
| Capital Bank, Inc. | 02/07/2020 | 02/06/2022 | 4.75% | 527,947 |
| Capital Bank, Inc. | 12/03/2019 | 12/02/2020 | 3.50% | 5,000,000 |
| Banisi | 12/24/2019 | 12/23/2020 | 4.00% | 584,968 |
| Banisi | 09/18/2018 | 09/17/2020 | 4.50% | 300,000 |
| Global Bank Overseas LTD | 05/14/2019 | 05/13/2020 | 2.00% | 3,000,000 |
| Global Bank Overseas LTD | 05/07/2019 | 05/13/2020 | 2.00% | 4,000,000 |
| Global Bank Overseas LTD | 10/04/2019 | 04/01/2020 | 3.00% | 675,635 |
| 1First Bank | 01/24/2020 | 01/24/2020 | 0.80% | 50,000 |
| Metrobank, S. A. | 09/24/2018 | 09/23/2021 | 5.50% | 500,000 |
| Metrobank, S. A. | 04/12/2018 | 04/12/2021 | 5.25% | 500,000 |
| Metrobank, S. A. | 04/16/2018 | 04/15/2021 | 5.25% | 300,000 |
| | | | | <u>15,788,550</u> |

Ocean International Reinsurance Company Limited

Notes to Financial Statements

For the month ended on January 31, 2020

(Amount in United States Dollars)

Time deposits (continuation)

| 2019 | | | | |
|--------------------------|------------|------------|-------|------------|
| Financial Institution | Issue | Maturity | Rate | Amount |
| Banco Aliado, S. A. | 12/01/2018 | 11/30/2020 | 4.25% | 350,000 |
| Capital Bank, Inc. | 7/2/2018 | 7/2/2020 | 4.75% | 527,948 |
| Capital Bank, Inc. | 3/12/2019 | 2/12/2020 | 3.50% | 5,000,000 |
| Banisi | 12/24/2018 | 12/24/2020 | 4.00% | 584,967 |
| Banisi | 9/18/2018 | 9/17/2020 | 4.50% | 300,000 |
| Global Bank Overseas LTD | 5/14/2019 | 5/13/2020 | 2.00% | 3,000,000 |
| Global Bank Overseas LTD | 5/7/2019 | 5/13/2020 | 2.00% | 4,000,000 |
| Global Bank Overseas LTD | 10/4/2019 | 4/01/2020 | 3.00% | 675,635 |
| Metrobank, S. A. | 9/24/2018 | 9/23/2021 | 5.50% | 500,000 |
| Metrobank, S. A. | 4/12/2018 | 4/12/2021 | 5.25% | 500,000 |
| Metrobank, S. A. | 4/16/2018 | 4/15/2021 | 5.25% | 300,000 |
| | | | | 15,738,550 |

8. Investment available for sale

The structure of capital quotas is presented as follows:

| | January 2020 | December 2019 |
|----------------------------------|-----------------|------------------|
| Bonds | 926,938 | 932,393 |
| Negotiable commercial securities | 400,000 | 400,000 |
| Common Shares | 4,299,361 | 4,299,361 |
| | 5,626,299 | 5,631,754 |

A breakdown of the fair value is detailed as follows:

| 2020 | | | |
|----------------------------------|-----------|-------------------------|------------|
| Investment | Cost | Change in fair value | Fair value |
| Bonds | 810,847 | 116,091 | 926,938 |
| Negotiable commercial securities | 400,000 | | 400,000 |
| Common Shares | 4,298,861 | 500 | 4,299,361 |
| | 5,509,708 | 116,591 | 5,626,299 |
| 2019 | | | |
| Bonds | 826,231 | 106,162 | 932,393 |
| Negotiable commercial securities | 400,000 | | 400,000 |
| Common shares | 4,298,861 | 500 | 4,299,361 |
| | 5,525,092 | 106,662 | 5,631,754 |

Ocean International Reinsurance Company Limited

Notes to Financial Statements

For the month ended on January 31, 2020

(Amount in United States Dollars)

The transactions in investments available for sale are summarized below:

| | January 2020 | December 2019 |
|--|------------------|------------------|
| Balance at beginning of year | 5,631,754 | 5,551,268 |
| Acquisitions of investments | - | 109,338 |
| Redemption from sales of investments | (15,385) | (150,908) |
| Change in fair value of investments securities | 9,930 | 122,056 |
| Balance at the end of year | <u>5,626,299</u> | <u>5,631,754</u> |

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

| | Total | Level 1 | Level 2 | Level 3 |
|-------------------------|------------------|-----------------------------|------------------|-----------------------------|
| 2020 Investments AFS | <u>5,626,299</u> | <u> </u> | <u>5,626,299</u> | <u> </u> |
| 2019 Investments AFS | <u>5,631,754</u> | <u>-</u> | <u>5,631,754</u> | <u>-</u> |

IFRS 13 defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Likewise, it establishes a hierarchy that classifies the input data used in the measurement of the fair value of assets and liabilities into 3 levels:

Level 1: The data to find the fair value correspond to unadjusted quoted prices in active markets for identical assets and liabilities at the measurement date.

Level 2: The data used to measure fair value correspond to observable data for assets or liabilities, directly or indirectly in their main markets. Level 2 input data includes the following items:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in markets that are not active.
- Input data other than quoted prices that are observable for the asset or liability, such as: (i) interest rates and observable yield curves at commonly quoted intervals; (ii) implied volatilities; and (iii) credit spreads.
- Other input data corroborated by the market.

Level 3: The input data are unobservable elements for the asset or the liability, that is, they are data that cannot be confirmed in their main markets. In this sense, fair value is the result of a theoretical valuation process.

Ocean International Reinsurance Company Limited

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For the month ended on January 31, 2020

(Amount in United States Dollars)

The following premises were used by the Company in determining the fair value of financial instruments:

When an asset is acquired or a liability is assumed, the transaction price is the price paid to acquire the asset or received for assuming the liability (entry price). The initial fair value of a financial instrument is the price of the transaction.

The fair value of a financial instrument is measured using a price quoted in an active market for such instrument. A market is considered active, if the transactions of these assets or liabilities take place frequently and in sufficient volume to provide information to set prices on a going concern basis.

When a price for an identical asset or liability is not observable, a valuation technique will be used that maximizes the use of relevant observable variables and minimizes the use of unobservable variables. Since fair value is a measurement based on market variables (prices, performance, credit margin, etc.), it is measured using the assumptions that market participants would use when setting the price of the asset or liability.

The fair value of financial instruments is determined using the prices provided by local and foreign custodians.

9. Investment in non-consolidated subsidiaries

Investment in non-consolidated subsidiaries are detailed as follows:

| | Proportion of ownership interest | January 2020 | December 2019 |
|--|--|-------------------|------------------|
| Investment in non-consolidated subsidiaries | 100% | 55,546 | 55,546 |
| Assets Allocation Funds (equities, fixed income) | | 46,423,352 | - |
| Alternative Investment (merger arbitrage) | | 1,598,195 | - |
| Alternative Investment (diversified fund) | | 5,832,600 | - |
| Fund Class A - DI Shares (reinsurance) | | 729,301 | - |
| Alternative Investment (real estate financing) | | 5,718,967 | - |
| | | <u>60,357,961</u> | <u>55,546</u> |

The investments in non - consolidated subsidiaries represent the initial contribution on American Int'l Re T&C (USD113,755 initial contribution) and All-American Joint Venture (USD56,571 initial contribution).

Ocean International Reinsurance Company Limited

Notes to Financial Statements

For the month ended on January 31, 2020

(Amount in United States Dollars)

The transactions in investments are summarized below:

| | January 2020 | December 2019 |
|--------------------------------------|-------------------------|------------------|
| Balance at beginning of year | 55,546 | 55,546 |
| Acquisitions of investments | 60,302,415 | - |
| Redemption from sales of investments | - | - |
| Balance at the end of year | <u>60,357,961</u> | <u>55,546</u> |

10. Premiums receivable

Maturity of premiums receivable is as follows:

| | January 2020 | December 2019 |
|------------------|-------------------------|-------------------|
| Current | 15,104,768 | 11,263,535 |
| 91 days and more | <u>9,998,353</u> | <u>10,280,254</u> |
| | <u>25,103,121</u> | <u>21,543,789</u> |

Premiums receivable include accounts for long-term policies written from 2 to 5 years.

Management considers that there is almost zero probability of default by the grantors and retrocessionaries given their profile. Therefore, management did not consider necessary to establish a provision for impairment of premium receivable.

The accounts receivables - premium reserves held by Assignors for USD8,249,424 (2019: USD9,273,395) are released within 30 days after the expiration of each policy and transferred to the account of premiums receivable (regular account) which has its own default, as reported. Therefore, this account maintains current balances and shows no default. This reserve is calculated only for businesses with entities in Colombia as established in Decree 2555 of July 15, 2010 issued by the Financial Superintendency of Colombia.

Ocean International Reinsurance Company Limited

Notes to Financial Statements

For the month ended on January 31, 2020

(Amount in United States Dollars)

11. Balance and transactions with related parties

The most important balances and transactions with related parties summarized as follows:

| | January 2020 | December 2019 |
|---|-------------------|------------------|
| <i>Accounts receivable</i> | | |
| Marcussi International LLC. | 665,109 | 665,109 |
| Meridian Corredores de Reaseguros | 1,273,874 | 1,273,874 |
| Marcussi International LLP | 551,831 | 551,832 |
| Marcussi SCC Barbados | 155,000 | 683,469 |
| AIIM Barbados | 50,000 | 50,000 |
| AIM Panama | 150,000 | 150,000 |
| American International Reinsurance T&C | 8,247 | 8,247 |
| Overseas Reinsurance Co | 125,000 | 125,000 |
| Ocean Re Administradora | 500,500 | 500,500 |
| Energy Risk Indemnity Reinsurance Inc | 2,788,435 | - |
| | <u>6,267,996</u> | <u>4,008,031</u> |
| <i>Investments</i> | | |
| <i>Investments in non-consolidated subsidiaries</i> | 55,546 | 55,546 |
| <i>Investments funds</i> | | |
| Assets Allocation Funds (equities, fixed income) | 46,423,352 | - |
| Alternative Investment (merger arbitrage) | 1,598,195 | - |
| Alternative Investment (diversified fund) | 5,832,600 | - |
| Fund Class A - DI Shares (reinsurance) | 729,301 | - |
| Alternative Investment (real estate financing) | 5,718,967 | - |
| | <u>60,357,961</u> | <u>55,546</u> |
| <i>Accounts Payable</i> | | |
| Energy Risk Indemnity Reinsurance Inc. | 4,290,851 | - |
| | <u>4,290,851</u> | <u>-</u> |
| <i>Income</i> | | |
| Office rent | 36,000 | 36,000 |
| | <u>36,000</u> | <u>36,000</u> |
| <i>Expenses</i> | | |
| Advisory costs | - | 19,020 |
| Key personnel compensations | 19,021 | 19,021 |
| Diet | 3,000 | 4,000 |
| | <u>22,021</u> | <u>42,041</u> |

Ocean International Reinsurance Company Limited

Notes to Financial Statements

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(Amount in United States Dollars)

Outstanding balances at year-end are unsecured, do not generate interest, and settlement occurs in cash. No guarantees have been granted or received for any account payable or receivable with related parties. As of January 31, 2020, the company has not created an allowance for doubtful accounts for amounts receivable from related parties. This assessment is performed at the end of each financial year through tests on the related party's financial situation and the market in which it operates.

12. Property, furniture, equipment and improvements, net

The property, furniture, equipment and improvements are detailed as follows:

| | Properties | Property improvements | Furniture and fixtures | Computer equipment | Total |
|--|------------------|-----------------------|------------------------|--------------------|------------------|
| 2020 | | | | | |
| Cost or revaluation | | | | | |
| At the beginning of the year | 1,775,424 | 322,798 | 8,628 | 75,630 | 2,182,480 |
| Additions | - | - | - | - | - |
| Disposals | - | - | - | - | - |
| At the end of the year | <u>1,775,424</u> | <u>322,798</u> | <u>8,628</u> | <u>75,630</u> | <u>2,182,480</u> |
| Accumulated depreciation | | | | | |
| At the beginning of the year | 241,839 | 254,143 | 836 | 15,003 | 511,821 |
| Additions | 4,932 | 5,380 | 144 | 1,345 | 11,801 |
| Disposals | - | - | - | - | - |
| At the end of the year | <u>246,771</u> | <u>259,523</u> | <u>980</u> | <u>16,348</u> | <u>523,622</u> |
| Net value before revaluation | <u>1,528,653</u> | <u>63,275</u> | <u>7,648</u> | <u>59,282</u> | <u>1,658,858</u> |
| Beginning balance of fixed assets revaluated | 230,126 | | | | 230,126 |
| Depreciation | 770 | | | | 770 |
| Total net value of revaluation | 229,356 | | | | 229,356 |
| Total net value | <u>1,758,010</u> | | | | <u>1,888,215</u> |

Ocean International Reinsurance Company Limited

Notes to Financial Statements

For the month ended on January 31, 2020

(Amount in United States Dollars)

| | Properties | Property improvements | Furniture and fixtures | Computer equipment | Total |
|--|-------------------------|-----------------------|------------------------|----------------------|-------------------------|
| 2019 | | | | | |
| Cost or revaluation | | | | | |
| At the beginning of the year | 1,775,424 | 316,947 | - | 18,568 | 2,110,939 |
| Additions | - | 5,851 | 8,628 | 57,062 | 71,541 |
| Disposals | - | - | - | - | - |
| At the end of the year | <u>1,775,424</u> | <u>322,798</u> | <u>8,628</u> | <u>75,630</u> | <u>2,182,480</u> |
| Accumulated depreciation | | | | | |
| At the beginning of the year | 183,428 | 190,169 | - | 11,114 | 384,711 |
| Additions | 58,411 | 63,974 | 836 | 3,889 | 127,110 |
| Disposals | - | - | - | - | - |
| At the end of the year | <u>241,839</u> | <u>254,143</u> | <u>836</u> | <u>15,003</u> | <u>511,821</u> |
| Net value before revaluation | <u>1,533,585</u> | <u>68,655</u> | <u>7,792</u> | <u>60,627</u> | <u>1,670,659</u> |
| Beginning balance of fixed assets revaluated | 240,132 | - | - | - | 240,132 |
| Depreciation | <u>10,006</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,006</u> |
| Total net value of revaluation | 230,126 | - | - | - | 230,126 |
| Total net value | <u><u>1,763,711</u></u> | <u><u>68,655</u></u> | <u><u>7,792</u></u> | <u><u>60,627</u></u> | <u><u>1,900,785</u></u> |

13. Accounts payable

The accounts payable are detailed as follows:

| | January 2020 | December 2019 |
|----------------------------|-------------------|------------------|
| Accounts payable | 13,730,441 | 6,095,108 |
| Commissions payable, net | (1,081,753) | (1,072,981) |
| Bonus payable | 109,541 | 109,541 |
| Guarantee deposit received | 3,000 | 3,000 |
| Accounts payable - other | (52,538) | (41,607) |
| | <u>12,708,691</u> | <u>5,093,061</u> |

The accounts payable - premium reserves held by assignors for USD6,543,463 (2019: USD7,567,426) are released within 30 days after the expiration of each policy and transferred to the account of premiums payable (regular account) which has its own default, as reported. Therefore, this account maintains current balances and shows no default. This reserve is calculated only for businesses with entities in Colombia as established in Decree 2555 of July 15, 2010 issued by the Financial Superintendency of Colombia.

Ocean International Reinsurance Company Limited

Notes to Financial Statements

For the month ended on January 31, 2020

(Amount in United States Dollars)

14. Technical reserves

The technical reserves are detailed as follows:

| | January 2020 | December 2019 |
|--|-------------------|-------------------|
| Unearned premium reserve | 7,146,807 | 6,481,306 |
| Reserve for losses incurred but not reported | 507,989 | 507,989 |
| Reserve for outstanding losses | 13,272,136 | 11,717,579 |
| | <u>20,926,932</u> | <u>18,706,874</u> |

The transactions of the technical reserves are as follows:

| | January 2020 | December 2019 |
|---|-------------------|-------------------|
| <i>Unearned premium reserve</i> | | |
| Balance at beginning of year | 6,481,307 | 5,212,994 |
| Net movement of reserve during the year | 665,500 | 1,268,313 |
| Balance at end of year | <u>7,146,807</u> | <u>6,481,307</u> |
| <i>Reserve for outstanding losses</i> | | |
| Balance at beginning of year | 11,717,579 | 8,680,543 |
| Net movement of reserve during the year | 1,554,558 | 3,037,036 |
| Balance at end of year | <u>13,272,137</u> | <u>11,717,579</u> |

15. Shareholders' equity

Common shares issued

On January 24, 2020 the Company issued common shares with a par value of USD1 according to Certificates 9,10,11 on behalf of Marcussi Limited Partnership (holder of 24,500 shares) and Energy Risk Indemnity Reinsurance INC (holder of 25,500 and 51,450 shares) respectively.

Paid in Capital

On January 24, 2020 the new shareholders contributed USD59,948,550 in the form of investment funds in the name of the Company.

Dividend paid

At December 28, 2018 The Board of Directors of Ocean International Reinsurance Company Limited declared and authorized the payment of dividends amounting USD2,115,372 (2018: USD1,516,072).

Ocean International Reinsurance Company Limited

Notes to Financial Statements

For the month ended on January 31, 2020

(Amount in United States Dollars)

Other equity components

Property revaluation surplus

As of January 31, 2020, the balance of the reserve is USD229,356 (December 2019: USD230,126). This equity reserve is used to recognize increases related to the revaluation of properties. The Company transfers the realized amount of depreciating assets from the revaluation surplus directly to retained earnings, as the Company, or when they are derecognized due to disposal or sale, for the corresponding amount net of income tax, uses them.

Fair Value Reserve

As of January 31, 2020, the balance is USD512,688 (December 2019: USD499,781). This equity reserve is used to recognize losses from the valuation at fair value of financial assets available for sale until the date of expropriation.

16. General and administrative expenses

The general and administrative expenses are as follow:

| | January 2020 | January 2019 |
|-----------------------|-----------------|-----------------|
| Professional fees | 117,515 | 84,492 |
| Others | 32,501 | 2,594 |
| Travel expenses | 15,072 | 12,449 |
| Bonus | 15,000 | - |
| Depreciation | 12,570 | 11,433 |
| Bank charges | 4,843 | 3,857 |
| Diet | 3,000 | 4,000 |
| Insurance | 2,536 | 1,161 |
| Licenses and software | 1,596 | 3,238 |
| Legal fees | 407 | 1,593 |
| Customer service | 397 | 912 |
| Barbados Branch | - | 15,099 |
| Colombia Branch | - | 12,500 |
| Mexico Branch | - | 39,290 |
| | <u>205,437</u> | <u>192,618</u> |

Ocean International Reinsurance Company Limited

Notes to Financial Statements

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(Amount in United States Dollars)

17. Other income

Other income is detailed as follows:

| | January 2020 | January 2019 |
|-------------------|-----------------|-----------------|
| Earned interest | 46,866 | 23,979 |
| Other income, net | 488 | 448 |
| Investment income | 7,482 | - |
| | <u>54,836</u> | <u>24,427</u> |

18. Taxation

Under the Insurance Act of Barbados, the Company is liable to tax at 2.00%. The tax expense for 2020 is USD13,805.

19. Solvency

Pursuant to the requirements of the Barbados Insurance Act. Cap. 310, the Company is required to meet certain minimum capital and solvency requirements. The required margin of solvency at January 31st, 2020 is USD4,738,797 (2019: USD4,930,887). The Company met this requirement and exceeded it solvency margin by USD98,031,029 (2019: USD36,894,562).

20. Financial risk management and insurance risks

In the normal course of its operations, the Company is exposed to a variety of financial and insurance risks, which it tries to minimize through the application of risk management policies and procedures. These policies are aimed at minimizing operational risk, credit risk and market risk. Exposure to these risks involves monitoring, evaluating, and accepting a level of risk or combinations of risks managed with maximum exposure limits and tiered levels of approvals.

Operational risk

Operational risk consists of the possibility of direct or indirect losses resulting from inadequate internal processes or failures, deficiencies in internal controls, human error, system failure and as a consequence of external events. The structure established in the company for managing operational risk allows internal processes to identify, evaluate, quantify, monitor and mitigate operational risks. Likewise, said structure is capable of providing the corresponding management levels with information that serves as a basis for priority setting and decision making.

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(Amount in United States Dollars)

Operational risk management in the company is a dynamic process that is carried out from a qualitative perspective, through the identification of risks and the analysis of factors that could cause them to materialize, and from a quantitative perspective, fundamentally supported by the collection of events occurred, the measurement of their impact, monitoring the behavior of key risk indicators and scenario analysis. As a result, the information obtained from these processes translates into the definition and implementation of actions that allow controlling and mitigating the Company's risks.

Credit risk

Credit risk is that the counterparty cannot meet its payments and obligations at maturity. Financial assets that potentially present credit risk correspond primarily to deposits in banks that accrue interest, investments and accounts receivable from insurance and others.

In relation to cash and bank investments, these are held in financial institutions of high credit quality. Financial investments are subject to the risk of default or decrease in the value of assets due to deterioration in the credit quality of the counterparty, even if the counterparty fully complies with what has been agreed. Therefore, the quality of the risk can be determined both by the probability of the breach of the contract, and by the reduction of the guarantees. The company maintains non-speculative investment policies, aimed at selecting investments whose issuers have a high credit rating, according to the main risk rating agencies and low volatility.

The following is a summary of the risk rating given to the issuers of the different investment available for sale:

| | January 2020 | December 2019 |
|---------------------|-------------------|------------------|
| Rating risk | | |
| A | 352,500 | 349,503 |
| BBB+ | 315,783 | 309,691 |
| No investment grade | 65,260,431 | 4,972,560 |
| Unrated | <u>65,928,714</u> | <u>5,613,754</u> |

Regarding accounts receivable, mainly from clients, the Company does not have significant concentrations of credit risk. The company considers that the legal norms that govern the activity create conditions of reduced risk of non-payment and persistent antiquity of accounts receivable by virtue of the provision of mechanisms for suspension of coverage and annulment and cancellation of insurance contracts.

Market risk

Market risk materializes when market conditions change adversely, affecting the liquidity and the value of financial instruments that the institution maintains in its investment portfolio or in contingent positions, with potential risk of loss. Market risk is basically made up of two types of risk: price and liquidity.

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Interest rate risk

The risk of an increase or decrease in the interest rate affects assets and liabilities, depending on the type of variable rates or fixed rates that are contracted. The potential impact on losses is materialized by the temporary mismatches between the assets and liabilities of the statement of financial position.

The average lending rates as of January 31 of the main financial instruments are as follows:

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Assets | | |
| Time deposits | Between 2%-5.50% | Between 2%-5.50% |
| Interest-bearing financial investments | Between 4.24%-6.25% | Between 4.24%-6.25% |

Currency risk

The company's operations are essentially in dollars; however, it could carry out treasury operations in other currencies, therefore it is exposed to the effects of exchange rate fluctuations on currency rates.

Liquidity risk

Liquidity risk is the risk that an entity will have difficulties fulfilling obligations related to financial instruments. The Company's goal is to meet minimum cash needs, mainly for claims originating from general reinsurance contracts. Therefore, the risk of cash not being available to settle liabilities when required may arise.

The Company manages this risk by placing minimum limits on the portion of maturing assets, so as to ensure that they are available to pay these liabilities.

Insurance risk

The risk of insurance operations is the probability of the occurrence of a fortuitous event, sudden, random and independent of the insured's will that produces a loss covered by the policy with the consequent claim of the insured or beneficiary, generating a liability and an eventual asset reduction.

Risk mitigation is carried out through underwriting policies according to the type of risk, the application of adequate rates established through actuarial techniques, risk transfer policies through reinsurance contracts, the reasonable estimate of claims provisions according to an actuarial methodology approved by the Superintendency of Insurance and Reinsurance of Panama.

The company markets individual products of people, mainly Life, Personal Accidents and Health. Additionally, the company markets property and casualties' products, as well as bail bonds.

Ocean International Reinsurance Company Limited

Notes to Financial Statements

For the month ended on January 31, 2020

(Amount in United States Dollars)

The risks related to such products are: risk of mortality due to possible deviations with negative effects on the mortality tables considered in the technical notes and which could be a consequence of concentration by age of the insured, habits of the insured or chronic diseases, for which the company has subscription policies that may include prior exams or differentiated rates, risk assignment policies, classification of professional or occupational risks, among others; rate risk, which would materialize if the premiums were not sufficient to cover the obligations derived from the insurance contracts, for which there are statistical control mechanisms; portfolio loss risk due to non-collection of premium balances and renewals.

In relation to insurance on property and property of policyholders, where the frequency is the highest risk in automobiles and the severity in multi-risk and fire, the Company has established controls on the underwriting of risks and the sufficiency of premiums; Likewise, it maintains contracts with retrocessionaries that the Administration considers are sufficient to mitigate the risks of possible losses and cash flow deficiencies.

21. Subsequent events

The Company has evaluated events after January 31st, 2020 including the global emergency dictated by the World Health Organization to assess the need for possible recognition or disclosure in the accompanying financial statements. Such events were evaluated until August 11th, 2020, the date on which these financial statements were available to be issued.

Under the COVID-19 pandemic that occurred in Panama from March 9th, 2020 and in order to ensure the operational continuity, the Company has implemented the following measures for the event that the health authorities of the country decreed total immobility of the population as a measure of health safety.

The measures consist of:

- The Company is in home office modality as of March 16th, 2020.
- The operation has not been interrupted and is supported by suppliers that are in the same market and that are operating under the home office modality.
- It is not foreseen the need of financing by financial institutions.



FOR MORE INFORMATION:

Carlos Pinto

+507 279-9734
cpinto@bdo.com.pa

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