

**Ocean International Reinsurance
Company Limited**

Independent Auditors'
Report and Financial
Statements

For the year ended December 31, 2020

Ocean International Reinsurance Company Limited

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INDEPENDENT AUDITOR'S REPORT

**To the Shareholder of
Ocean International Reinsurance Company Limited**

Opinion

We have audited the accompanying financial statements of Ocean International Reinsurance Company Limited (the "Company"), which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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 the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Barbados, 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 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 the 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.

Chartered Accountants

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Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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Other Matter

This report is made solely to the Company's shareholders, as a body corporate, in accordance with Section 147 of the Company's Act of Barbados. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders for our audit work, for this report, or for the opinion we have formed.

Grant Thornton Ltd

Chartered Accountants

August 6, 2021

Barbados

Ocean International Reinsurance Company Limited

Statement of Profit or Loss and Other Comprehensive Income For the year ended December 31, 2020

(Amount in United States Dollars)

	Notes	2020 \$	2019 \$
ASSETS			
Cash	7	19,616,874	12,457,989
Time deposits	8	11,862,375	15,738,550
Accounts receivable - reinsurance premium	9	39,340,238	21,543,789
Receivables - premium reserves held by cedants	9	7,664,567	9,273,395
Balances with related parties	17	4,834,507	5,386,278
Investments - available for sale	10	65,697,568	5,631,754
Properties, furniture, equipment and improvements	18	1,754,766	1,900,785
Other assets		1,346,006	1,179,314
Total assets		152,116,901	73,111,854
LIABILITIES AND EQUITY			
Liabilities			
Accounts payables - premium reserves held by cedants		5,622,426	7,567,426
Other payables	17	6,008,532	5,093,061
Technical reserves	11	29,736,864	18,706,874
Total liabilities		41,367,822	31,367,361
Equity			
Common shares	12	101,450	50,000
Additional paid-in capital		77,912,414	17,963,865
Other comprehensive income	13	1,298,807	729,907
Retained earnings		31,436,408	23,000,721
Total equity		110,749,079	41,744,493
Total liabilities and equity		152,116,901	73,111,854

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

Approved by the Board of Directors on August 6, 2021.



Director



Director

Ocean International Reinsurance Company Limited

Statement of Profit or Loss and Other Comprehensive Income For the year ended December 31, 2020

(Amount in United States Dollars)

	Notes	2020 \$	2019 \$
Income:			
Gross reinsurance premiums		230,932,802	209,293,275
Reinsurance premiums ceded to reinsurers		<u>(161,956,285)</u>	<u>(166,905,310)</u>
		68,976,517	42,387,965
Technical reserve provision	11	<u>(11,029,990)</u>	<u>(4,305,348)</u>
Net premium income		<u>57,946,527</u>	<u>38,082,617</u>
Commission:			
Commission income		11,431,734	18,565,764
Commission expenses		<u>(22,507,982)</u>	<u>(27,706,896)</u>
Net commissions loss		<u>(11,076,248)</u>	<u>(9,141,132)</u>
Claims:			
Reinsurance claims incurred		<u>(56,928,968)</u>	<u>(44,704,875)</u>
Reinsurance claims recovered		<u>22,251,762</u>	<u>20,599,913</u>
Net claims		<u>(34,677,206)</u>	<u>(24,104,962)</u>
Revenue		12,193,073	4,836,523
Other income	17	51,730	169,287
Interest income	14	546,233	753,651
Operating and administrative expenses	15 and 17	<u>(4,193,190)</u>	<u>(3,663,067)</u>
Profit before tax		8,597,846	2,096,394
Income tax expense	16	<u>(171,395)</u>	<u>(152,522)</u>
Net profit		<u>8,426,451</u>	<u>1,943,872</u>
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Net fair value changes on available for sale assets during the year	10 and 13	<u>578,136</u>	<u>153,902</u>
Total other comprehensive income		<u>578,136</u>	<u>153,902</u>
Total comprehensive income for the year		<u>9,004,587</u>	<u>2,097,774</u>

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

Ocean International Reinsurance Company Limited

Statement of Changes in Shareholders' Equity

For the year ended December 31, 2020

(Amount in United States Dollars)

	Notes	Common shares \$	Additional paid-in capital \$	Other comprehensive income \$	Retained earnings \$	Total equity \$
Balance as at December 31, 2018		50,000	17,963,865	586,011	23,131,112	41,730,988
Net profit		—	—	—	1,943,872	1,943,872
Other comprehensive income:						
Net fair value changes on available for sale assets during the year		—	—	153,902	—	153,902
Dividends paid	12, 13	—	—	—	(2,115,372)	(2,115,372)
Transfer to retained earnings		—	—	(10,006)	10,006	—
Advanced dividends to shareholders		—	—	—	31,103	31,103
Balance at December 31, 2019		50,000	17,963,865	729,907	23,000,721	41,744,493
Net profit		—	—	—	8,426,451	8,426,451
Other comprehensive income:						
Net fair value changes on available for sale assets during the year		—	—	578,136	—	578,136
Common shares issued		51,450	—	—	—	51,450
Additional paid in capital		—	59,948,549	—	—	59,948,549
Transfer to retained earnings	13	—	—	(9,236)	9,236	—
Balance at December 31, 2020		101,450	77,912,414	1,298,807	31,436,408	110,749,079

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

Ocean International Reinsurance Company Limited

Statement of Cash Flow

For the year ended December 31, 2020

(Amount in United States Dollars)

	Notes	2020 \$	2019 \$
Cash flows from operating activities:			
Net profit		8,426,451	1,943,872
Adjustments for:			
Depreciation	15	151,097	145,236
Income tax expenses	16	171,395	152,522
Technical reserves	11	11,029,990	4,305,348
Interest income		(546,233)	(753,651)
Net changes in operating assets and liabilities:			
Premiums receivable		(17,796,449)	(1,491,540)
Premiums reserves held by cedants		(336,172)	1,209,944
Accounts receivable – related parties		492,471	(1,924,542)
Other receivables		605,533	215,899
Other assets		(884,321)	2,018,291
Other liabilities		(160,994)	2,336,010
Interest received		546,233	621,544
Net cash provided by operating activities		1,699,001	8,778,933
Cash flows from investing activities:			
Acquisition of investments	10	(2,897,521)	(109,338)
Sale of investments	10	3,409,843	150,908
Acquisition of time deposits		3,876,175	(716,498)
Acquisition of fixed assets		(5,078)	(71,541)
Net cash provided by (used in) investing activities		4,383,419	(746,469)
Cash flows from financing activities:			
Accounts payable with related parties		1,076,465	(21,989)
Dividend paid		–	(2,115,372)
Net cash provided by (used in) financing activities		1,076,465	(2,137,361)
Net increase in cash		7,158,885	5,895,103
Cash at beginning of the year		12,457,989	6,562,886
Cash at end of the year	7	19,616,874	12,457,989

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

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

1. General information

Ocean International Reinsurance Company Limited (the "Company") is domiciliated in Barbados 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). The Company operates as an insurance and reinsurance entity.

The Company's administrative office is at St James House, 2nd Street, Holetown, St James, Barbados.

Approval of the financial statements

The financial statements for the year ended December 31, 2020 were approved and authorized for issue by the board of directors on August 6, 2021.

2. Basis of presentation

Statement of compliance with IFRS

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). They have been prepared under the assumption that the company operates on a going concern basis.

As permitted by IFRS 4 Insurance Contracts, the Company continues to apply the existing accounting policies that were applied prior to the adoption of IFRS, with certain modifications allowed by the Standard subsequent to adoption for its reinsurance contracts at the end of the reporting period.

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (no more than 12 months) and more than 12 months after the reporting date (more than 12 months) is presented in the respective note 5.

Functional and presentation currency

The financial statements are expressed in the United States Dollars (USD), which is also the functional currency of the Company.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for some properties and financial assets that have been measured at fair value.

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

3. Significant accounting policies

New Standards adopted as at January 1, 2020

At the date of authorization of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. Certain Standards that have been applied for the first time in the current period.

- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8);
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7);
- Amendments to References to the Conceptual Framework (Various Standards); and
- COVID-19 Rent Related Concessions (Amendments to IFRS 16).

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Company

None of these Standards or amendments to existing Standards have been adopted early by the Company:

- IFRS 17 Insurance Contracts;
- IFRS 9 Financial Instruments;
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4);
- References to the Conceptual Framework;
- Proceeds before Intended Use (Amendments to IAS 16);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41); and
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).

Except for IFRS 17 Insurance Contracts and related amendments and IFRS 9 Financial Instruments, management anticipates that all other relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

3. Significant accounting policies ...continued

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Company ...continued

IFRS 17 Insurance Contracts ...continued

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts.

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, remeasured every reporting period (the fulfilment cash flows);
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognized in profit or loss over the service period;
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognized in profit or loss over the remaining contractual service period.
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;
- The recognition of insurance revenue and insurance service expenses in profit or loss based on the concept of services provided during the period;
- Amounts that the policy holder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in profit or loss but are recognized directly on the statement of financial position;
- Insurance services results are presented separately from the insurance finance income or expense; and
- Extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Company plans to adopt the new standard on the required effective date together with IFRS 9. The Company started a project to implement IFRS 17 and has been performing a high-level impact assessment of IFRS 17. The Company expects that the new Standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

3. Significant accounting policies ...continued

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Company ...continued

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 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

During 2020, the Company performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects no significant impact on its statement of financial position and equity, except for the effect of applying the impairment requirements of IFRS 9. The Company meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of annual reporting periods beginning on or after 1 January 2023, applying the temporary exemption from applying IFRS 9 as introduced by the amendments.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets:

Initial recognition and measurement:

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVPL), loans and receivables, held to maturity (HTM) investments, available- for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial assets are recognized initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs that are attributable to the acquisition of the financial asset. The classification depends on the purpose for which the investments were acquired or originated.

At the end of the reporting period, there are no financial assets measured as FVPL or held to maturity (HTM) investments. The Company's financial assets include cash and short-term deposits and other receivables as a "loans and receivables" classification according to IAS 39 and some investments measured as AFS assets.

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

3. Significant accounting policies ...continued

Financial instruments ...continued

Subsequent measurement:

Loans and receivables:

After initial measurement, loans and receivables are measured at amortized cost, using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial asset are derecognized or impaired, as well as through the amortization process.

Available-for-sale financial assets:

AFS financial assets include equity and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value, with unrealized gains or losses recognized in OCI in the AFS reserve (equity). Where the insurer holds more than one investment in the same security they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding AFS investments is reported as interest income using the effective interest rate. Dividends earned whilst holding AFS investments are recognized in the statement of profit or loss as 'investment income' when the right of the payment has been established. When the asset is derecognized or determined to be impaired, the cumulative gain or loss is reclassified from AFS reserve to the statement of profit or loss and removed from the AFS reserve.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to HTM is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

For a financial asset reclassified out of the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

3. Significant accounting policies ...continued

Financial instruments ...continued

Derecognition of financial assets:

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Company has transferred substantially all the risks and rewards of the asset or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets recognized at amortized cost, the Company assesses first whether there is impairment individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that there is no objective evidence of impairment for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Those that are individually assessed for impairment assets and for which an impairment loss is recognized or continues to be recognized are not included in a collective impairment assessment.

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

3. Significant accounting policies ...continued

Financial instruments ...continued

Impairment of financial assets ...continued

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss.

The amount of any identified impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the original effective interest rate of the financial asset.

The carrying amount of the asset is reduced through the use of a reserve account and the loss is recognized in profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases due to an event that occurs after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the reserve account. If a cancellation is subsequently recovered, the recovery is credited to financial costs in profit or loss.

Financial liabilities

Initial recognition and measurement:

Financial liabilities are classified at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

At the end of the reporting period, there are no financial liabilities measured as FVPL. All financial liabilities are recognized initially at fair value and net of directly attributable transaction costs.

Subsequent measurement:

After initial recognition, all other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance cost in profit or loss.

Derecognition of financial liabilities:

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

3. Significant accounting policies ...continued

Financial instruments ...continued

Financial liabilities

Offsetting of financial instruments:

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is the intention to settle them on a net basis, to realize the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents include “cash and due from banks” with an original maturity of 90 days or less from the date of acquisition.

Accounts receivables – reinsurance premiums

Accounts receivables - reinsurance premiums are recognized when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, reinsurance receivables are measured at amortized cost.

Accounts Payable - reinsurance premiums

Reinsurance premiums payables are recognized when due and measured on initial recognition at fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost.

Claims liabilities

The total Claim Reserves are the sum of Case Reserves, that represent known claims already occurred but not paid by the Company, up to the date of the financial statement, and the Incurred But Not Reported (IBNR) Reserves, that represent the unknown claims already occurred but not yet reported to the Company. The Claims Liabilities include the direct expenses related to the claims and that are necessary for their final closure. The company performs several back testing analysis to ensure the adequate level of its reserves.

Unearned premiums reserve

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognized when contracts are entered into and premiums are charged and is brought to account as premium income over the term of the contract in accordance with the pattern of reinsurance service provided under the contract.

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

3. Significant accounting policies ...continued

Provisions

Provisions for legal disputes, onerous contracts or other claims (if any) are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

Equity

Common shares are recorded at the value of their issuance.

Additional paid in capital represents additional amounts contributed to the company by its shareholders.

Other comprehensive income represents the unrealized fair value changes attributable to FVOCI on investments and property.

Dividend:

Dividend distribution to the Company shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Reinsurance premiums

Classification:

Reinsurance contracts are those contracts that transfer significant reinsurance risk. The Company defines as significant reinsurance risk the possibility of having to pay benefits on the occurrence of a reinsured event.

Recognition and Measurement:

Reinsurance contracts are classified as short-term reinsurance contracts. The short-term reinsurance contracts are contracted by renewable terms of a year, emitted by the Company covering risks in credit life and general insurance business, including property and casualty lines.

The reinsurance premiums are recognized proportionally on the period of cover of the policy. The provision for unearned premiums represents the portion of the net assumed premiums corresponding

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

3. Significant accounting policies ...continued

Reinsurance premiums ...continued

Recognition and Measurement: ...continued

to the part of the cover of the reinsurance policy that has not expired to the date of the statement of financial position.

Claims and loss adjustment expenses are charged to statement of comprehensive income as incurred based on the estimated liability for compensation legally owed to contract holders or third parties. They include direct and indirect claims, and settlement costs from events that have occurred up to the statement of financial position date even if they have not yet been reported to the Company.

Claims paid in the statement of income include the claims incurred, net of recoveries, plus any changes in the Loss Reserves provisions, both for claims in process and incurred but not Reported (IBNR) claims.

Commissions

Commissions for assumed business are deducted by ceding companies from the premium remittances of the business underwritten. The Company deducts the Commissions for its ceded business from the premium remittances to reinsurers. Commissions are generally recognized on an accrual basis when services have been provided.

All premiums on assumed reinsurance are normally subject to a commission cost, since the ceding company must be compensated for the acquisition cost or commissions paid to direct insurance brokers or intermediaries that produce the business. Besides the acquisition cost, the ceding company requires compensation on their administrative costs.

When a reinsurer seeks capacity in the retrocession market, it must also get compensated for at least part of the reinsurance commissions it has paid to the ceding company, plus some compensation for administrative costs.

Reinsurance claims

Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

Income tax

Tax expense recognized in profit or loss comprises current tax that are not recognized in other comprehensive income or directly in equity.

The calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

4. Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the Company's financial statements, management makes a series of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgments:

The following are the judgments made by management in applying the Company's accounting policies that have the most significant effect on these financial statements. There are disclosures related to the Company's exposure to risks and uncertainties including: capital management, financial risk management, and policy disclosures and sensitivity analyzes.

Impairment of reinsurance receivables:

An estimate of the receivables from insurance and others is made when collection of the full amount is no longer probable. The determination of whether insurance and other receivables are impaired, involves the Company evaluating, the credit and liquidity position of the policyholders and the insurance entities, and historical recovery rates. The difference between the estimated collectible amount and the book amount is recognized as an expense in profit or loss. Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in profit or loss at the time of collection.

Claims reserves:

The Company estimates claims reserves based on technical analysis of historical data and actuarial revisions. Claims reserves are calculated using the expected loss method. Under this method, the ultimate value of the claims (Net Ultimate Loss) is estimated by multiplying the Net Earned Premium by the loss ratio for each line of business. The assumptions for loss ratios are based on market data and adjusted by the underwriting aspects of the specific contracts to reflect their particular risk considerations.

Expected Loss Ratios are set taking into account market behavior and past experience of the Company. The Expected Loss ratio is adjusted assuming a theoretical normal distribution and an adjustment factor to create confidence intervals validated with actuarial analysis. The reserves are adjusted by a percentage tail factor of the earned premium, to set a floor for the claim reserves. The adequacy of reserves is assessed with back testing, which consists in the analysis of the development of the reserves of the prior year into the current year.

5. Insurance and financial risk

Insurance risk

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

To limit the Company's exposure of potential loss on an insurance policy, the Company cedes certain levels of risk to a reinsurer. The Company selects reinsurers which have a well-established capability to meet their contractual obligations and which generally have high credit ratings.

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

5. Insurance and financial risk ...continued

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefits payments exceed the carrying amount of the insurance liabilities. This could occur because of the frequency or severity of claims and if benefits payments are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate.

Reinsurance risk framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient risk management systems in place.

The Company has established a risk management function with clear terms of reference from the board of directors and the associated management. This is supplemented with a clear organizational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a Company policy framework which sets out the risk profiles for the Company, risk management, control and business conduct standards for the Company's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Company.

The board of directors approves the Company's risk management policies and meets regularly to approve any commercial, regulatory and organizational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit its structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

The risk under any one reinsurance contract is the possibility that the reinsured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of a reinsurance contract, this risk is random and therefore unpredictable.

The Company assumes risks that are mostly with very low probability of an adverse loss ratio. The historical ratios for many years on these portfolios have been low, in addition to the stringent underwriting guidelines in place by the ceding companies.

If necessary, and in order to limit the amount of potential losses in a reinsurance policy, the Company can transfer through reinsurance arrangements certain levels of risk to selected underwriters.

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

5. Insurance and financial risk ...continued

All lines of business - net

Loss year	2015 \$	2016 \$	2017 \$	2018 \$	2019 \$	2020 \$	Total \$
- At end of reporting year	6,271,517	5,306,903	12,823,719	12,747,150	15,613,995	2,502,577	55,265,8621
- One year later	33,218,703	7,412,325	17,722,726	26,975,281	19,051,051	—	104,380,086
- Two years later	2,287,467	6,943,412	8,815,282	10,188,376	358	—	28,234,895
- Three years later	2,620,547	1,465,902	3,580,162	—	—	—	7,666,611
- Four years later	64,472	263,679	—	—	—	—	328,151
- Five years and over	—	—	—	—	—	—	—
Cumulative payments to date	(44,462,706)	(21,392,221)	(42,941,889)	(49,910,807)	(34,665,404)	(2,502,577)	(195,875,604)
Current estimate of cumulative claims	44,462,706	21,687,646	43,881,296	52,728,985	54,697,745	13,284,575	230,742,953
Liability recognised in the statement of financial position	—	295,425	939,407	2,818,178	20,032,341	10,781,998	34,867,349
All lines of business - net							
- At end of reporting year	808,043	1,220,754	4,700,274	3,652,842	2,760,196	1,889,673	15,031,782
- One year later	2,528,350	5,179,758	11,307,454	18,331,557	12,718,142	—	50,065,261
- Two years later	946,642	4,836,993	6,092,032	7,109,896	358	—	18,985,921
- Three years later	2,212,751	1,119,553	3,384,404	—	—	—	6,716,708
- Four years later	52,452	253,359	—	—	—	—	305,811
- Five years later	—	—	—	—	—	—	—
Cumulative payments to date	(6,548,238)	(12,610,417)	(25,484,164)	(29,094,295)	(15,478,696)	(1,889,673)	(91,105,483)
Current estimate of cumulative claims	6,548,238	12,784,566	26,041,662	30,737,083	24,423,480	10,031,059	110,566,089
Liability recognised in the statement of financial position	—	174,149	557,498	1,642,788	8,944,784	8,141,386	19,460,605

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

5. Insurance and financial risk ...continued

Capital management objectives, policies and approach

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for others stakeholders. To provide an adequate return to shareholders, The Company aims at pricing insurance commensurately with the level of risk. The capital structure of the Company is adequate to achieve its objectives.

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of stability of the Company thereby providing a degree of security to policy holders;
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and shareholders;
- To retain financial flexibility by maintaining strong liquidity;
- To align the profile of assets and liabilities taking account of risks inherent in the business; and
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximize shareholders value.

The operations of the Company are also subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseeable liabilities as they arise.

Capital management

The Company's capital is routinely monitored for adequacy with regard to Barbados' solvency requirements. In addition, the investment guidelines are designed to minimize investment risk and contribute toward the maintenance of the capital base.

The Company's capital management objectives are:

- To ensure the Company's ability to continue as a going concern; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The solvency criteria prescribed by Section 24 of the Exempt Insurance Act states that a registered exempt insurance company shall be deemed to be insolvent, if the excess of its total assets over its total liabilities is less than the higher of the following amounts:

- i) US\$125,000; or
- ii) US\$125,000 where the premium income in the last preceding financial year did not exceed US\$750,000; or

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

5. Insurance and financial risk ...continued

Capital management ...continued

- iii) one-fifth of the premium income in the last preceding financial year, where premium income was between US\$750,001 and US\$5,000,000; or
- iv) the sum of US\$1,000,000 and one-tenth of premium income in the last preceding financial year, where premium income was US\$5,000,001 and over.

For the financial year, in accordance with Section 9 of the revised Insurance Act, CAP 310, the Company is required to have a minimum paid-up capital or contributed reserve of US\$1,500,000. The solvency criteria prescribed by Section 58 of the revised Insurance Act states that an insurance company shall be deemed to be insolvent, if the excess of its total assets over its total liabilities is less than the higher of the following amounts:

- i) US\$250,000; or
- ii) 25% of premium income in the last preceding financial year

	2020	2019
	\$	\$
Total assets	152,116,901	73,111,854
Less: prepayments	-	-
Total liabilities	<u>(41,367,822)</u>	<u>(31,367,360)</u>
Margin of solvency	110,749,079	41,744,494
Required minimum margin of solvency	<u>(9,520,654)</u>	<u>(12,290,556)</u>
Margin of solvency in excess of requirement	<u>101,228,425</u>	<u>29,453,938</u>

The margin of solvency was met and exceeded by the Company as at December 31, 2020 and as at December 31, 2019.

Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitoring them closely to ensure that the Company satisfactorily handles matters for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains an adequate solvency position to face unforeseeable liabilities arising from economic shocks or natural disasters.

Risk management

The Board of Directors implemented an integral Risk Management strategy and general guidelines to identify, control and monitor the different risks to which the Company is exposed, and based on the risk appetite set by the Company.

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

5. Insurance and financial risk ...continued

Credit risk

The counterparty risk can arise from a liquidity or solvency problem, or weakness in operational capacity.

Financial assets potentially exposed to credit risk relates basically to cash, time deposits and accounts receivable. Deposits are placed only in financial institutions with adequate creditworthiness. Accounts receivable are recognized and measured at amortized cost and do not bear interest. All the accounts receivable are exposed to credit risk.

Accounts receivable balances are owned from debtors with an adequate credit history. These balances are fully collected between 30 and 90 days after each monthly closing date. As of December 31, 2020, accounts receivable are current.

Cash flow and fair value interest rate risk

The Company is not exposed to interest rate risk. In addition, the Company does not maintain borrowings nor similar items; consequently, a sensitivity analysis for interest rate risk is not required.

Liquidity risk

Due to the nature of its operations the Company is not subject to significant short-term commitments. The Company has cash and other assets that can become liquid if necessary, to meet cash flow requirements for short term obligations.

Ocean International Reinsurance Company Limited

Notes to the Financial Statements For the year ended December 31, 2020 (Amount in United States Dollars)

5. Insurance and financial risk ...continued

The analysis of the maturities of the financial instruments determined based on the remaining period as of the date of the statement of financial position until the contractual maturity date, and their future capital flows without discounting, are detailed below:

At December 31, 2020	Carrying amount	Total amount	Less than a year	From 1 to 5 years
Assets				
Cash	19,616,874	19,616,874	19,616,874	–
Time deposits	11,862,375	11,862,375	50,000	11,812,375
Accounts receivable - reinsurance premiums	39,340,238	39,340,238	–	39,340,238
Receivable - premiums reserves held by cedants	7,664,567	7,664,567	–	7,664,567
Investment available for sale	65,697,568	65,697,568	–	65,697,568
Other receivables	4,834,507	4,834,507	–	–
Total assets	149,016,129	149,016,129	19,666,874	129,349,255
Liabilities				
Accounts payable - premiums reserves held by cedants	5,622,426	5,622,426	–	5,622,426
Technical reserves	29,736,864	29,736,864	–	29,736,864
Total liabilities	35,359,290	35,359,290	–	35,359,290
At December 31, 2019				
Assets				
Cash	12,457,989	12,457,989	12,457,989	–
Time deposits	15,738,550	15,738,550	12,675,635	3,062,915
Accounts receivable - reinsurance premiums	21,543,789	21,543,789	–	21,543,789
Receivable - premiums reserves held by cedants	9,273,395	9,273,395	–	9,273,395
Investment available for sale	5,631,754	5,631,754	–	5,631,754
Other receivables	5,386,278	5,386,278	–	5,386,278
Total assets	70,031,755	70,031,755	25,133,624	44,898,131
Liabilities				
Accounts payable - premiums reserves held by cedants	7,567,426	7,567,426	–	7,567,426
Technical reserves	18,706,874	18,706,874	–	18,706,874
Total liabilities	26,274,300	26,274,300	–	26,274,300

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

5. Insurance and financial risk ...continued

Operational risk

The risk of loss resulting from inadequate or failed internal processes, people and systems, or external events, is also managed by the Company through its risk management program.

For each of the risks identified, the Company has also identified the factors that would have the most impact on its enterprise value. The Board of Directors has established several operating committees to set the risk tolerance levels and the controls required to supervise policy compliance in the organization. In order to align the strategic objectives in each of the risk management areas indicated above, the Board formed the following committees:

- Finance Committee
- Risk and Compliance Committee
- Audit Committee

Each of these committees has a mission to create a general risk management culture within the organization and to administer its effectiveness.

For each of the risk management areas, the committees must assess the risks identified, and after evaluating each risk, classify them in order of importance, measured by their economic impact on the organization. As a third step in the process, mitigation or prevention measures must be set for each of the identified risks. The whole process must be compiled in a risk matrix, which is then communicated within the organization.

6. Fair value measurement

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

	Level 1	Level 2	Level 3	Total
2020				
Investments available for sale	–	61,353,138	4,344,430	65,697,568
2019				
Investments available for sale	–	1,332,393	4,299,361	5,631,754

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

6. Fair value measurement ...continued

The carrying amount of the following financial assets and liabilities is considered a reasonable approximation of fair value due to their short term nature:

- Cash
- Accounts receivable for reinsurance premiums and other accounts receivable
- Accounts payable for reinsurance premiums
- Other accounts payable

The carrying amount of time deposits is US\$11,862,375 (2019: US\$15,738,550) and the fair value is US\$10,671,886. The fair value of these financial assets is within Level 3 of the fair value hierarchy.

The table below analyses the fair value of the Company's financial assets and liabilities that are not measured at fair value. The Company has no financial assets and liabilities that are measured at fair value.

	2020		2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Cash	19,616,874	19,616,874	12,457,989	12,457,989
Time deposits	11,862,375	10,671,886	15,738,550	15,738,550
Accounts receivable – reinsurance premium	39,340,238	39,340,238	21,543,789	21,543,789
Other receivable	4,834,507	4,834,507	5,386,278	5,386,278
Investment available for sale	65,697,568	65,697,568	5,631,754	5,631,754
	141,351,562	140,161,073	60,758,360	60,758,360
Financial liabilities:				
Accounts payable – premium reserves held by cedants	5,622,426	5,622,426	7,567,426	7,567,426
Other payables	6,008,532	6,008,532	5,093,061	5,093,061
	11,630,958	11,630,958	12,660,487	12,660,487

7. Cash

Cash consists of the following:

	2020	2019
Chequing accounts	18,398,539	11,422,975
Saving accounts	1,218,335	1,035,014
	19,616,874	12,457,989

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

8. Time deposits

Time deposits are as follows according to its maturity:

	2020	2019
Maturity year		
No more than 1 year	50,000	12,675,635
From 1 to 5 years	11,812,375	3,062,915
	<u>11,862,375</u>	<u>15,738,550</u>

Annual interest rate applicable to time deposits during 2020 and 2019 years is in the range of 2.0% and 5.5%.

9. Accounts receivable - reinsurance premiums

Due from accounts receivable - reinsurance premiums are as follows:

	2020	2019
Reinsurance premium	39,340,238	21,543,789
Receivables – premium reserves held by cedants	7,664,567	9,273,395

Premiums reserves held by assignors are released within 30 days after the expiration of each policy and are transferred to the “Due from reinsurance premiums” (regular account) that has its own maturity. Therefore, this item maintains as current and does not show default objective evidence.

No allowance for impairment has been recognized in due from reinsurance premiums and other receivables at the end of the reporting period due are related to policyholders for whom there is no recent history of default.

	2020	2019
0 - 30 days	28,708,468	11,263,535
31 - 60 days	–	–
61 - 90 days	120,520	–
+ 91 days	10,511,250	10,280,254
	<u>39,340,238</u>	<u>21,543,789</u>

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

10. Investment available for sale

Investment available for sale are as follows:

	2020	2019
Assets allocation fund	50,334,805	–
Alternative investment	6,542,925	–
Common shares	4,344,431	4,299,361
Bonds	4,077,692	932,393
Negotiable commercial securities	397,715	400,000
	<u>65,697,568</u>	<u>5,631,754</u>

The carrying amount of investment available for sale are presented as follows:

	2020	2019
Balance at beginning of year	5,631,754	5,551,268
Fair value changes recognized in OCI	578,136	122,056
Contribution from the new shareholders	60,000,000	–
Purchases	2,897,521	109,338
Disposals	(3,409,843)	(150,908)
	<u>65,697,568</u>	<u>5,631,754</u>

11. Technical reserves

Technical reserves consist of the following:

	2020	2019
Unearned premiums reserve	10,276,259	6,481,306
Reserve of unreported claims (IBNR)	8,656,390	507,989
Reserve for outstanding losses	10,804,215	11,717,579
	<u>29,736,864</u>	<u>18,706,874</u>

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

11. Technical reserves ...continued

Unearned premiums reserve:

The movement of technical reserve is as follows:

	2020	2019
Balance at beginning of year	18,706,874	14,401,526
Changes in:		
Constitution (Actuarial premium reserve)	3,794,952	1,268,313
Releases	7,235,038	3,037,035
	<hr/>	<hr/>
Technical reserve provision	11,029,990	4,305,348
	<hr/>	<hr/>
Balance at end of year	29,736,864	18,706,874

The unearned premium reserves are proportional to the remaining time of coverage according to each particular contract. For its calculation, net written premium, contract by contract, is multiplied by the proportional factor that represents the remaining time of coverage, over the total period of the contract. For expired contracts the unearned premium reserves is zero because there's no remaining coverage time at the date of valuation.

The Case Reserves are settled according to the claim coverage characteristics and the risk participation of the Company. The Case Reserves include the direct expenses for the necessary adjustment and closure of the case.

The reserve of unreported claims (IBNR) is the estimated amount for expected claims that have already occurred but have not yet been reported to the Company.

12. Common shares

Common shares represent the nominal (par) value of shares that have been issued. At the end of the reporting date there are 101,450 of authorized issued (2019: 50,000) and outstanding shares with nominal (par) value of USD1 each share.

Dividends:

The Board of Directors of the Company declared and authorized the payment of dividends during 2019 by amount of: USD2,115,372. No dividends have been declared during 2020.

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

13. Other comprehensive income

A summary of items included as other comprehensive income are presented as follows:

	2020	2019
Net fair value changes on AFS assets	1,077,917	499,781
Revaluation of properties	220,890	230,126
	<u>1,298,807</u>	<u>729,907</u>

The changes in fair value in other comprehensive income are presented as follows:

	2020	2019
Net fair value changes on AFS assets		
Balance at beginning of year	499,781	345,879
Changes in fair value during the year	578,136	153,902
	<u>1,077,917</u>	<u>499,781</u>

	2020	2019
Revaluation of properties		
Balance at beginning of year	230,126	240,132
Transfer to retained earnings due revaluated assets subject to depreciation	(9,236)	(10,006)
	<u>220,890</u>	<u>230,126</u>

14. Interest income

A detailed analysis of interest income is as follows:

	2020	2019
Interest income from financial assets	469,615	688,411
Investment income	76,618	38,610
Dividend received	—	26,630
	<u>546,233</u>	<u>753,651</u>

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

15. Operating and administrative expenses

A detailed list of operating and administrative expenses is as follows:

	2020	2019
Professional fees	1,562,339	1,357,703
Other personnel benefits	919,667	48,000
Bonus	447,299	556,143
Administrative branches expenses	250,664	901,454
Legal fees	192,960	305,259
Depreciation	151,097	145,236
Bank charge	68,100	55,002
Insurance	55,983	22,049
Licenses and software	53,250	25,484
Travel expenses	43,262	138,605
Publicity and advertising relationships	12,612	12,794
Costumer services	10,048	17,470
Conference and training	2,927	27,659
Other expenses	422,982	50,209
	<u>4,193,190</u>	<u>3,663,067</u>

16. Taxation

Income tax expense reconciliation are as follows:

	2020	2019
Income before taxation	8,597,846	2,096,394
Adjustments:		
Non-deductible expenses	151,097	145,236
Capital allowance	(179,195)	(179,195)
Effect of permanent difference	-	5,588,311
Effect of income not assessable for the purposes	-	(36,091)
	<u>8,569,748</u>	<u>7,614,655</u>
Taxable income		
	<u>8,569,748</u>	<u>7,614,655</u>
Taxation expense at the rate of 2%	171,395	152,522

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

17. Balances with related parties

Related party relationships exist when one party has the ability to control directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between or among entities under common control, with the reporting enterprise and its key management personnel, directors and shareholder.

Amounts due from/(to) related parties are unsecured interest free and have no fixed terms of repayment.

Balances and transactions with related parties included in the statement of financial position and statement of profit or loss are summarized below:

	2020	2019
Marcussi International LLC.	665,109	665,109
Meridian Corredores de Reaseguros	1,282,874	1,273,874
Marcussi International LLP	551,830	551,832
American International Reinsurance T&C	8,247	8,247
Overseas Reinsurance Co	125,000	125,000
Ocean Re Administradora	527,500	500,500
	3,160,560	3,124,562
Other related party	1,318,947	1,378,247
	4,479,507	4,502,809
<i>Investment In Subsidiaries</i>		
Marcussi SCC Barbados	155,000	683,469
AIIM Barbados	50,000	50,000
AIIM Panama	150,000	150,000
	355,000	883,469
	4,834,507	5,386,278
<i>Other payables</i>		
Advanced dividends to shareholders	-	31,103
<u>Transactions are presented as follows:</u>		
<i>Other income</i>		
Office rent	36,000	36,000
<i>General and administrative expenses</i>		
Advisory costs	-	395,827
Key personnel compensations	300,000	228,252
Other personnel benefits	919,667	48,000
	1,219,667	672,079

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

18. Properties, furniture, equipment and improvements

	Property	Property improvements	Furniture & fixtures	Computer Equipment	Total
Year ended December 31, 2020					
Opening net book amount	1,533,585	68,655	7,792	60,627	1,670,659
Additions	—	—	—	5,078	5,078
Disposals	—	—	—	—	—
Revaluation surplus	230,126	—	—	—	230,126
Elimination of accumulated depreciation against valuation	(9,236)	—	—	—	(9,236)
Depreciation	(59,181)	(64,559)	(1,726)	(16,395)	(141,861)
Closing net book amount	1,695,294	4,096	6,066	49,310	1,754,766
At December 31, 2020					
Cost or valuation	2,043,264	322,798	8,628	80,708	2,455,398
Accumulated depreciation	(347,970)	(318,702)	(2,562)	(31,398)	(700,632)
Net book amount	1,695,294	4,096	6,066	49,310	1,754,766

Ocean International Reinsurance Company Limited

Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

18. Properties, furniture, equipment and improvements ...continued

	Property	Property improvements	Furniture & fixtures	Computer Equipment	Total
Year ended December 31, 2019					
Opening net book amount	1,591,996	126,778	–	15,574	1,734,348
Additions	–	5,851	8,628	57,062	71,541
Disposals	–	–	–	–	–
Revaluation surplus	240,132	–	–	–	240,132
Elimination of accumulated depreciation against valuation	(10,006)	–	–	–	(10,006)
Depreciation	(58,411)	(63,974)	(836)	(12,009)	(135,230)
Closing net book amount	1,763,711	68,655	7,792	60,627	1,900,785
At December 31, 2019					
Cost or valuation	2,005,550	322,798	8,628	75,630	2,412,606
Accumulated depreciation	(241,839)	(254,143)	(836)	(15,003)	(511,821)
Net book amount	1,763,711	68,655	7,792	60,627	1,900,785
At December 31, 2018					
Cost or valuation	2,015,556	316,947	–	18,568	2,351,071
Accumulated depreciation	(183,428)	(190,169)	–	(11,114)	(384,711)
Net book amount	1,832,128	126,778	–	7,454	1,966,360

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Notes to the Financial Statements

For the year ended December 31, 2020

(Amount in United States Dollars)

19. Events after the reporting period

No adjusting or significant non-adjusting events have occurred between the December 31, 2020 reporting date and the date of authorization.