OCEAN INTERNATIONAL REINSURANCE COMPANY LIMITED

Financial Statements for the Year Ended December 31, 2019 and Independent Auditors' Report

OCEAN INTERNATIONAL REINSURANCE COMPANY LIMITED
Financial Statements

31 December, 2019

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
OCEAN INTERNATIONAL REINSURANCE COMPANY LIMITED

Opinion

We have audited the financial statements of Ocean International Reinsurance Company Limited (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in 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, 2019, 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance 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.

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.

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 IFRSs, 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not 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.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

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.

- 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.

Other Matter

This report is made solely to the Company's shareholders as a body in accordance with Section 147 of the Companies 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 to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Hobbs, Niles & Co
CHARTERED ACCOUNTANTS

Bridgetown, Barbados
May 9, 2020

OCEAN INTERNATIONAL REINSURANCE COMPANY LIMITED
Statement of Financial Position

At 31 December 2019
(Expressed in United States Dollars)

	Notes	2019 $	2018 $
ASSETS			
Cash	6	12,457,989	6,562,886
Time Deposits	7	15,738,550	15,022,052
Investments available for sale	11	5,631,754	5,551,268
Other financial investment	12	55,546	55,546
Premium receivable	8	21,543,789	20,052,249
Accounts receivable – premium reserves held by cedants	8	9,273,395	10,421,560
Accounts receivable – related parties	9	4,008,031	2,052,386
Accounts receivable – others		1,378,247	1,594,146
Properties, furniture, equipment and improvements, net	10	1,900,785	1,966,360
Other assets		1,123,768	2,986,226
Total assets		73,111,854	66,264,679
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable – premium reserves held by cedants	14	7,567,426	7,505,647
Accounts payable	14	5,093,061	2,604,529
Technical reserves	13	18,706,873	14,401,526
Accounts payable – related parties	9	-	21,989
Total Liabilities		31,367,360	24,533,691
SHAREHOLDERS' EQUITY			
Common shares, with a par value of US$1 each one authorized, issued and outstanding 50,000 shares	19	50,000	50,000
Additional paid-in capital	15	17,963,865	17,963,865
Retained earnings		23,000,721	23,162,215
Accounts receivable – shareholders'	9	-	(31,103)
Unrealized gain (loss) in investments available for sale	15	499,782	345,879
Property revaluation surplus	10,15	230,126	240,132
Total shareholders' equity		41,744,494	41,730,988
Total liabilities and shareholder's equity		73,111,854	66,264,679

Approved by the Board of Directors on May 9, 2020 and signed on its behalf by:

C. Chan _______________ Director

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

OCEAN INTERNATIONAL REINSURANCE COMPANY LIMITED
Statement of Change in Shareholder's Equity

At 31 December 2019
(Expressed in United States Dollars)

	Notes	Common shares	Additional paid-in capital	Retained earnings	Accounts receivable shareholders	Unrealized (loss) gain in investments available for sale	Property revaluation surplus	Total Shareholders' equity
		$	$	$	$	$	$	$
Balance at December 31, 2017		50,000	17,963,865	13,399,748	(31,103)	408,500	249,368	32,040,378
Dividends paid	15	-	-	(1,516,072)	-	-	-	(1,516,072)
Total income for the year		-	-	11,269,303	-	-	-	11,269,303
Transfer of depreciation of property revaluated		-	-	9,236	-	-	(9,236)	-
Change in fair value of investment securities	11	-	-	-	-	(62,621)	-	(62,621)
Balance at December 31, 2018		50,000	17,963,865	23,162,215	(31,103)	345,879	240,132	41,730,988
Dividends paid	15	-	-	(2,115,372)	-	-	-	(2,115,372)
Total income for the year		-	-	1,943,872	-	-	-	1,943,872
Transfer of depreciation of property revaluated		-	-	10,006	-	-	(10,006)	(10,006)
Change in fair value of investment securities	11		-	-	-	153,903 -	-	153,903
Accounts receivable shareholders		-	-	-	31,103	-	-	31,103
Balance at December 31, 2019		50,000	17,963,865	23,000,721	-	499,782	230,126	41,744,494

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

OCEAN INTERNATIONAL REINSURANCE COMPANY LIMITED
Statement of Comprehensive Income

For the year ended 31 December 2019
(Expressed in United States Dollars)

	Notes	2019 $	2018 $
INCOME			
Premiums on reinsurance assumed		209,293,275	214,917,936
Retroceded premiums		(166,905,310)	(164,700,351)
		42,387,965	50,217,585
TECHNICAL RESERVES	13	(1,268,313)	(1,055,363)
Net income from premiums		41,119,652	49,162,222
ACQUISITION COST			
Commissions expense		(27,706,896)	(38,167,074)
Commissions income		18,565,764	25,135,813
ACQUISITION COST, NET		(9,141,132)	(13,031,261)
LOSSES INCURRED			
Incurred losses		(44,704,875)	(40,516,334)
Recovered losses		20,599,913	16,720,683
Outstanding Loss reserve & IBNR		(3,037,035)	743,640
LOSSED INCURRED, NET		(27,141,997)	(23,052,011)
EXPENSES			
General and administrative expenses	9, 16	(3,663,067)	(2,214,220)
Total Acquisition Costs, Losses Incurred And Expenses		(39,946,196)	(38,297,492)
Profit In Insurance And Reinsurance Operations		1,173,456	10,864,730
OTHER INCOME	17	922,938	487,153
		2,096,394	11,351,883
Income Tax Expense		152,522	82,580
Net Profit for the year		1,943,872	11,269,303
Other comprehensive income			
Surplus for revaluation of assets		10,006	9,236
Change in fair value of investment securities		153,903	345,879
TOTAL OTHER COMPREHENSIVE INCOME		163,909	355,115
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,107,781	11,624,418

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

OCEAN INTERNATIONAL REINSURANCE COMPANY LIMITED
Statement of Cash Flows

For the year ended 31 December 2019
(Expressed in United States Dollars)

	Notes	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		2,096,394	11,351,883
Adjustment to reconciliate the net profit to net cash from operation:			
Technical reserves	13	4,305,347	311,723
Depreciation	10	137,116	125,987
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL			
Increase in premium receivable		(1,491,540)	(3,385,154)
(Increase) decrease in premium reserves held by cedants, net		1,148,165	469,534
Decrease (increase) in accounts receivable – others		215,899	385,786
(Increase) decrease in other assets		1,862,458	(2,461,578)
Increase in accounts payable		2,550,311	(4,478,308)
NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		10,824,150	2,319,873
CASH FLOW FROM INVESTING ACTIVITIES			
Time deposit		(716,498)	(172,922)
Purchase of investments	11	(230,013)	(1,162,244)
Sale of investments	11	150,908	399,581
Acquisition of fixed assets	10	(71,541)	(587,948)
NET CASH FLOWS (USED IN) PROVIDED BY INVESTING ACTIVITIES		(867,144)	(1,523,533)
CASH FLOWS FROM FINANCIING ACTIVITIES			
Accounts with related parties		(1,977,634)	(159,539)
Accounts receivable – shareholders		31,103	-
Dividends paid	15	(2,115,372)	(1,516,072)
NET CASH FLOW (USED IN) PROVIDED BY FINANCING ACTIVITIES		(4,061,903)	(1,675,611)
Net increase (decrease) in cash in banks		5,895,103	(879,271)
Cash in banks at the beginning of year		6,562,886	7,442,157
Cash in banks at end of year	6	12,457,989	6,562,886

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

1. Organization and operations

Ocean International Reinsurance Company Limited (the Company) was originally domiciled 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).

Effective 1 January 2019 Barbados converge its domestic and international tax rate and to implement its revised tax regime, there by fulfilling its commitment to be compliant with the Organisation for Economic Cooperation and Development's (OECD) Base Erosion and Profit Shifting (BEPS) Action 5 Initiative addressing harmful tax practices, to this effect the Exempt Insurance Act, Cap. 308A was repealed and the Insurance Act, Cap. 310 (IA) was amended to provide for three (3) classes of licences under which all insurance entities will be classified and regulated. The Company was classified as a Class 2 insurer, which includes all former Qualifying Insurance companies and companies who can write third party business.

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 (Cap. 308A).

At August 31, 2016, the Company under the law of Barbados is registered as Company N°36565 as a qualifying Insurance Company.

Approval of financial statements

The Company's Management on May 9, 2020, approved the issuance of these financial statements.

2. Statement of compliance

The financial statements of Ocean International Reinsurance Company Limited were prepared as of December 31, 2019 according to the International Financial Reporting Standards.

3. Summary of significant accounting policies

Basis of preparation and presentation currency
The financial statements were prepared on a historical cost basis, except for investment securities, which are measured at fair value and property. 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.

Accounting period

During 2019, the Company's accounting period changed from November to December. The revenue commissioner approved the fiscal year change to December 31st.

3. **Summary of significant accounting policies (continued)**

Accounting judgments and estimates (continued)

Accounting judgments and estimates

Preparation of the financial statements in accordance with International Financial Reporting Standards requires Management to make judgments relating to accounting estimates affecting asset and liability amounts 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.

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 past 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 a number of 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 claim 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 and cash equivalents
Cash and cash equivalents 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.

4. Summary of significant accounting policies (continued)

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.

Financial assets
The Company classifies its investments into assets available-for-sale, and other financial investments.

The classification depends on the purpose for which the investments were acquired. Financial assets available for sale are classified at fair value through profit or loss, depending on the Company's strategy for managing financial investments acquired to cover their insurance and reinsurance liabilities, on the same bases, which is fair value. The available-for-sale and other financial investment are used to determine how a particular financial asset is recognized and measured in the financial statements.

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.

4. Summary of significant accounting policies (continued)

Reinsurance (continued)
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 ceded premiums. Reinsurance assets and liabilities are derecognized when contractual rights are extinguished or expired, or when contracts are transferred to a third party.

Ceded contracts 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

4. **Summary of significant accounting policies (continued)**

Properties, furniture, equipment and improvements (continued)
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 properties 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.

4. Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

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.

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 premiums 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 into 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.

4. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Written premiums (continued)
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.

Ceded premiums
The Company records participation in ceded reinsurance at the end of the realized ceding contracts, 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.

Changes in accounting policies and disclosures
The accounting policies adopted by the Company to prepare its financial statements as of December 31, 2019 are consistent with those used to prepare its financial statements as of December 31, 2018.

4. Summary of significant accounting policies (continued)

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective

5. New standards and interpretations not yet adopted

Several new standards are applicable to annual periods beginning after January 1, 2019 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.

During 2019, the Company carried out an evaluation of the modifications and conclude that its activities are predominantly related to insurance as of December 31, 2019. During 2019, 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, 2019.

(Expressed in United States Dollars)

6. Cash

The cash are presented as follows:

	2019	2018
Checking accounts	11,422,975	6,401,564
Saving accounts	1,035,014	161,322
Total cash	12,457,989	6,562,886

The saving account generates an annual interest rate of 0.30% and 2.5% (2018: 0.30% - 2.5%).

7. Time Deposits

Time deposits generate an annual interest rate from 2.00% - 4.505% (2018: 2.00% - 4.50%) and matures between February 12 and September 23, 2020.

2019

Financial Institution	Issue	Maturity	Rate	Amount
Banco Panamá, 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

2018

Financial Institution	Issue	Maturity	Rate	Amount
Banco Panamá, S. A.	11/30/2016	11/30/2018	4.25%	350,000
Capital Bank, Inc.	07/02/2018	07/02/2020	4.75%	527,948
Capital Bank, Inc.	02/12/2017	03/12/2018	3.50%	5,000,000
Banisi	12/23/2016	12/24/2018	3.75%	544,104
Banisi	09/18/2018	09/17/2020	4.50%	300,000
Global Bank Overseas LTD	05/13/2017	05/14/2018	2.00%	3,000,000
Global Bank Overseas LTD	08/15/2017	07/05/2018	2.00%	4,000,000
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
				15,022,052

(Expressed in United States Dollars)

8. Premiums receivable

Maturity of premiums receivable is as follows:

	2019	2018
Current	11,263,535	11,042,619
91 days and more	10,280,254	9,009,630
	21,543,789	20,052,249

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 US$9,273,395 (2018: US$10,421,560) 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.

9. Balance and transactions with related parties

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

	2019	2018
Accounts receivable		
Marcussi International LLC.	665,109	636,609
Meridian Corredores de Reaseguros	1,273,874	460,030
Marcussi Continental Inc.	-	441,059
Marcussi International LLP	551,832	259,385
Marcussi SCC Barbados	683,469	125,000
AIIM Barbados	50,000	122,056
AIM Panama	150,000	-
American International Reinsurance T&C	8,247	8,247
Overseas Reinsurance Co	125,000	-
Ocean Re Administradora	500,500	-
	4,008,031	2,052,386
Accounts receivable – Shareholders	-	31,103
Accounts Payable		
Marcussi Continental Inc.	-	21,483
Meridian Corredores de Reaseguros	-	506
	-	21,989
Income		
Office rent	36,000	36,000

(Expressed in United States Dollars)

9. Balance and transactions with related parties (continued)

	2019	2018
Expenses		
Advisory costs	395.827	334.658
Key personnel compensations	228,252	228,252
Diet (Director)	48,000	48,000
	672,079	610,910

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. For the year ended December 31, 2019, 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.

10. 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
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
At the end of the year	1,775,424	322,798	8,628	75,630	2,182,480
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
At the end of the year	241,839	254,143	836	15,003	511,821
Net value before revaluation	1,533,585	68,655	7,792	60,627	1,670,659
Beginning balance of fixed assets revaluated	240,132	-	-	-	240,132
Depreciation	10,006	-	-	-	10,006
Total net value of revaluation	230,126	-	-	-	230,126
Total net value	1,763,711	68,655	7,792	60,627	1,900,785
2018					
Cost or revaluation					
At the beginning of the year	1,197,924	316,947	-	8,120	1,522,991
Additions	577,500	-	-	10,,448	587,948
Accumulated depreciation	183,428	190,169	-	11,114	384,711
Net value before revaluation	1,591,996	126,778	-	7,454	1,726,228
Total net value of revaluation	240,132	-	-	-	240,132
Total net value	1,832,128	126,778	-	7,454	1,966,360

(Expressed in United States Dollars)

11. Investment available for sale

The structure of capital quotas are presented as follow:

	2019	**2018**
Bonds	932,393	837,996
Negotiable commercial securities	400,000	400,000
Common shares	4,299,361	4,313,272
	5,631,754	5,551,268

A breakdown of the fair value is detailed as follows:

2019

Investment	Cost	Change in fair value	Fair value
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

2018

Bonds	853,390	(15,394)	837,996
Negotiable commercial securities	400,000	-	400,000
Common shares	4,313,272	-	4,313,272
	5,566,662	(15,394)	5,551,268

The transactions in investments available for sale are summarized below:

	2019	**2018**
Balance at beginning of year	5,551,268	4,995,854
Acquisitions of investments	109,338	1,162,244
Redemption from sales of investments	(150,908)	(558,058)
Change in fair value of investments securities	122,056	(48,772)
Balance at end of year	5,631,754	5,551,268

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.

2019	Total	Level 1	Level 2	Level 3
Investments AFS	5,631,754	-	5,631,754	-

2018				
Investments AFS	5,551,268	-	5,551,268	-

11. Investment available for sale (continued)

Fair value of financial instruments

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.

For the year ended December 31, 2019, based on this classification, 100% of the Company's investments are at level 2.

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.

(Expressed in United States Dollars)

12. Other Financial Investment

Other financial investments are detailed as follows:

	Proportion of ownership interest	**2019**	**2018**
Investment in non-consolidated subsidiaries	100%	55,546	55,546
Investments in shares	Less than 1%	-	-
		55,546	55,546

The investments in non - consolidated subsidiaries represent the initial contribution on American Int'l Re T&C (US$113,755 initial contribution) and all American Joint Venture (US$56,571 initial contribution). These investments are presented at cost as these financial statements were prepared to comply with regulatory requirements in Barbados.

13. Technical Reserve

The technical reserves are detailed as follows:

	2019	**2018**
Unearned premium reserve	6,481,306	5,212,994
Reserve for losses incurred but not reported	507,989	507,989
Reserve for outstanding losses	11,717,578	8,680,543
	18,706,873	14,401,526

The transactions of the technical reserves are as follows:

	2019	**2018**
Unearned premium reserve		
Balance at beginning of year	5,212,994	4,157,631
Net movement of reserves during the year	1,268,312	1,055,363
Balances at end of year	6,481,306	5,212,994
Reserve for losses incurred but not reported		
Balance at beginning of year	8,680,543	9,424,183
Net movement of reserves during the year	3,037,035	(743,640)
Balances at end of year	11,717,578	8,680,543

(Expressed in United States Dollars)

14. Accounts payable

The accounts payable are detailed as follows:

	2019	2018
Funds received pending processing	6,095,108	1,062,893
Commissions payable	(1,072,981)	(1,112,341)
Bonus payable	109,541	84.945
Guarantee deposit received	3,000	3,000
Accounts payable – other	(41,607)	2,566,032
	5,093,061	2,604,529

The accounts payable – premium reserves held by assignors for US$7,567,426 (2018: US$7,505,647) 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.

15. Shareholder's Equity

Dividend paid
At December 28, 2018 The Board of Directors of Ocean International Reinsurance Company Limited declared and authorized the payment of dividends amounting US$2,115,372 (2018: US$1,516,072).

The Board of Directors of the Company declared and authorized the payment of special dividends as of October 31, 2017 for US$5,000,000.

The Board of Directors of the Company declared and authorized the payment of capital additional as of July 5, 2016 for US$4,300,000.

Other equity components

Property revaluation surplus
As of December 31, 2019 the balance of the reserve is US$230,126 (201: US$240,132). 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.

Unrealized gain (loss) for investments available for sale
As of December 31, 2019 the balance is US$ 499,781 (2018: US$345,879). 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.

(Expressed in United States Dollars)

16. General and administrative expenses

The general and administrative expenses are as follows:

	2019	2018
Professional fees	1,357,703	1,070,593
Bonus	556,143	81,329
Barbados Branch	342,888	214,325
Legal fees	305,259	-
Colombia Branch	298,067	274,919
Mexico Branch	260,499	194,857
Depreciation	145,236	125,987
Travel expenses	138,605	73,817
Bank charges	55,003	44,132
Others	50,208	15,253
Diet	48,000	48,000
Conference and training	27,659	24,913
Licenses and software	25,484	9,779
Insurance	22,049	17,825
Customer service	17,470	3,505
Publicity and advertising relationships	12,794	14,986
	3,663,067	2,214,220

17. Other income

Other income is detailed as follows:

	2019	2018
Earned interest	688,411	430,339
Other income, net	169,287	(164,024)
Investment income	38,610	101,798
Dividend received	26,630	119,040
	922,938	487,153

18. Taxation

Under the Insurance Act of Barbados, the Company is liable to tax at 2%. The tax expense for 2019 is US$152,522 (2018 – US$82,580).

19. Share capital

Authorized
An unlimited number of common shares of no par value.

An unlimited number of preferred shares

Issued	2019	2018
Common shares	50,000	50,000

(Expressed in United States Dollars)

20. 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 December 31, 2019 is US$5,521,759. The Company met this requirement and exceeded it solvency margin by US$32,214,704.

21. 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.

The management of operational risk 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:

	2019	2018
Rating risk		
A	349,503	304,503
BBB+	309,691	243,125
No investment grade	4,972,560	5,003,640
Unrated	5,613,754	5,551,268

(Expressed in United States Dollars)

21. Financial risk management and insurance risks (continued)

Credit risk (continued)
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.

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 December 31 of the main financial instruments are as follows:

	2019	2018
Assets		
Time deposits	Between 2%-5.50%	Between 2%-5.50%
Interest-bearing financial investments	Between 4.24%-6.25%	Between 4.87%-6.00%

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.

21. Financial risk management and insurance risks (continued)

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.

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.

22. Subsequent event

The Company has evaluated events after December 31, 2019 including the global emergency dictated by the World Health Organization on January 31, 2020 to assess the need for possible recognition or disclosure in the accompanying financial statements. Such events were evaluated until April 23, 2020, the date these financial statements were available for issue. Based on this evaluation, it was determined that no subsequent events occurre that required recognition or disclosure in the financial statements.