

Sky Re Annual Report 2015



P.O. Box 733,
Suite #15
Hunkins Waterfront Jewels
Main Road, Charlestown,
Nevis West Indies

+1 (786) 375-8103

re@sky.re
www.sky.re

About SKY RE

SKY RE Facultative and Treaty Limited was duly incorporated and licensed as an international Reinsurance company under the provisions of the Nevis International Insurance Ordinance 2004 (and amendments) in December 2013 and is, therefore, a relatively new arrival within the global Reinsurance industry.

We are
Reinsurers

We provide
Confidence

We esteem
Trust

We espouse
Fair



Contest

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Company background

SKY RE Facultative and Treaty Limited was duly incorporated and licensed as an international Reinsurance company under the provisions of the Nevis International Insurance Ordinance 2004 (and amendments) in December 2013 and is, therefore, a relatively new arrival within the global Reinsurance industry. The original rationale for the establishment of the company was to provide suitable reinsurance options for clients who were having difficulty in placing coverage within the conventional reinsurance market due to either the geographical location of the risks or the nature of the risks themselves and to provide competitive and appropriate solutions in such instances.

Company Structure

SKY RE currently counts with a limited number of full-time collaborators who enable the company to maintain low operating expenses/costs. Elements of underwriting and claims activity within the company are currently outsourced to third party specialists. This allows SKY RE to further control costs but still have specialized third party professionals representing the best interests of the company and its policyholders.

Underwriting

SKY RE presently hires specialized and experienced underwriters depending on the location of the risk and the class of the business being reinsured. This allows the client companies to rely on expert support without the full operational expense of maintaining such personnel. Once terms have been settled, all contracts are duly bound by the Nevis Office.

Claims

SAs with the underwriting, SKY RE currently does not maintain its own Claims Department. Whenever any significant loss is reported to the company, SKY RE will engage a local specialist loss adjuster who will handle the matter directly with the parties involved and, if appropriate, engage a surveyor on behalf of SKY RE. Once again keeping operational costs low and allowing clients to have expert assistance whenever requested.

Additional Support

In addition to the company's internal accounting procedures through Treasury, the licensed and regulated Insurance Manager to SKY RE, AMS Insurance (Nevis) Ltd. also provides client accounting services on a quarterly and annual basis. Furthermore, the approved Auditor of the company is Rives & Associates, LLP based in North Carolina, United States, which prepares annual audited financial statements to the company in compliance with the provisions of the NIIO 2004 (and amendments).

Summary

As the company continues to develop itself, it is anticipated that additional personnel will be recruited to fulfill some of the existing functions that are currently being outsourced. It is also an ambition of the management team to seek a formal Rating for the company during the course of 2017.

Our core products

Bonds

Across the whole world, government agencies at all levels could, in the past, obtain a business license or perform work for them. Surety bonds guarantee that companies and business professionals will work ethically and according to the laws that regulate the industry in their geographic location. A company or business professional's bond not only reassures these regulatory agencies but also reassures consumers, who feel more confident when choosing enterprises to work with.

Risk appetite: USD 5,000,000

Political Risks

Despite great opportunities, putting assets or investments into a country where the political situation is unstable can be very risky. Combined with terror threatening organizations that operate worldwide, there are concerns as to whether traditional policies that cover these risks provide enough protection against possible threat. Political Risk Insurance covers a broad range of risks resulting from unpredictable events that could threaten overseas investment. Several government investment pools have been created to address political risks. However, coverage varies greatly from country to country, something that can lead to gaps in coverage, especially for multinational companies. We compete with other reinsurers, often providing broader coverage at lower prices.

Risk appetite: USD 10,000,000

Property and Casualty

Property insurance protects a person or a company with an interest in physical property against its loss or the loss of its income producing abilities. We provide services for insurance companies that write the different lines of property insurance. Casualty insurance protects a person or a company against legal liability for losses caused by injury to other people or damage to the property of others. Casualty is commonly referred as Liability insurance. We offer a wide range of solutions to meet the needs of additional capital in the event of a loss.

Risk appetite: USD 10,000,000

Our core products

Aviation



Aviation is one of the world's highest regulated industries. We are able to offer various solutions to meet the risk coverage needs of airline operators, aviation product manufacturers and airport service providers. Our underwriting practices result in the long-term profit potential for our clients, providing best coverages at competitive rates.

Risk appetite: USD 3,000,000

Marine



Insurance companies specialised in Marine can minimise losses with our comprehensive products. Hull, Protection and Indemnity, Loss of Hire, Builder's Risks, Offshore Drilling – we offer reinsurance services throughout the whole world.

Risk appetite: USD 3,000,000

Cargo



Cargo insurance is used to protect against the loss of goods while they are being carried. Despite the common term, 'marine cargo insurance,' or, 'air cargo insurance,' protection may start from the moment the goods leave the point of origin to go to its destination or even when going to a storage warehouse. Coverages have been created to give the client the broadest protection from the most common external causes of loss.

Risk appetite: USD 3,000,000

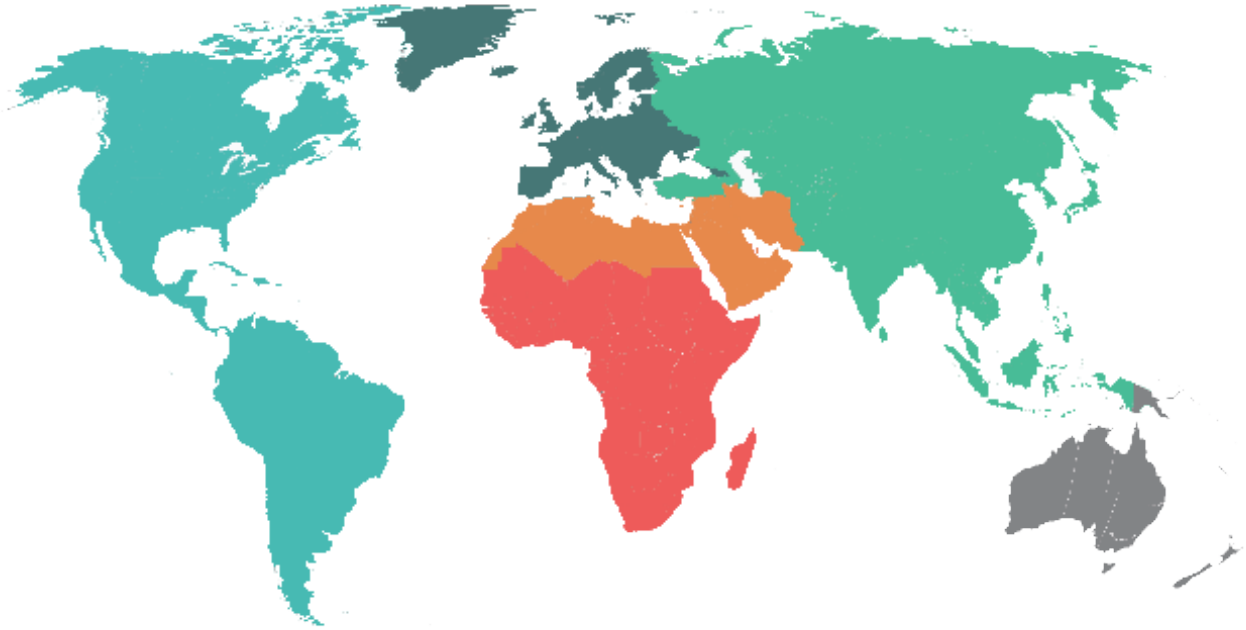
Structured Complex Solutions



We are very familiar with today's volatile and competitive market challenges. Our ability to apply portfolio risk modelling and use advanced technical analysis makes our clients feel confident to manage their risks today and in the future.

Risk appetite depends on market conditions. Please ask for quote

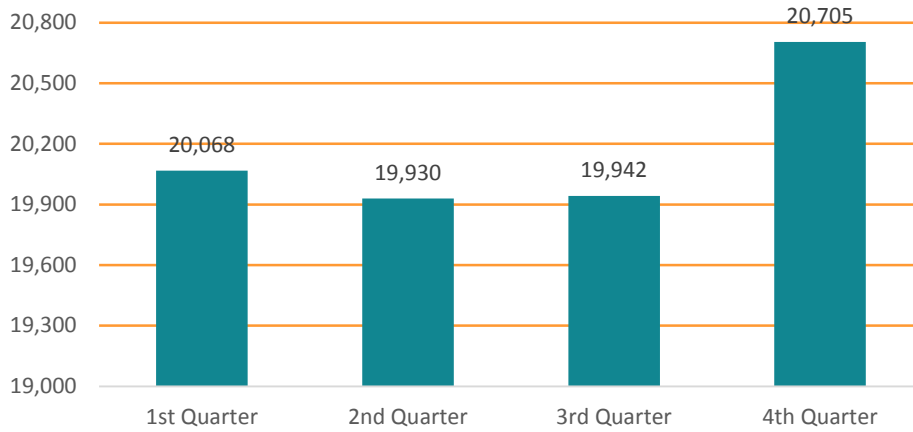
Regions of operation



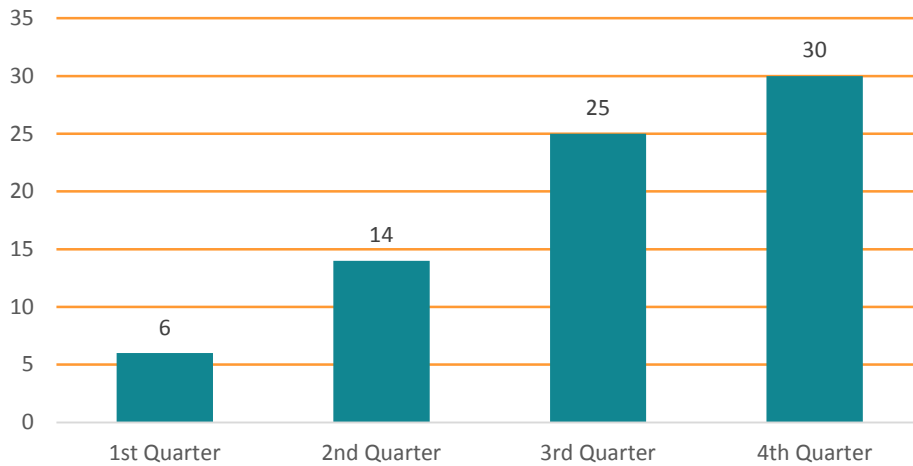
● Americas	1%
● Europe	3%
● MENA	6%
● Sub-Saharan Africa	87%
● Asia	3%
● Australia and Oceania	0%

2015 Financial Statements

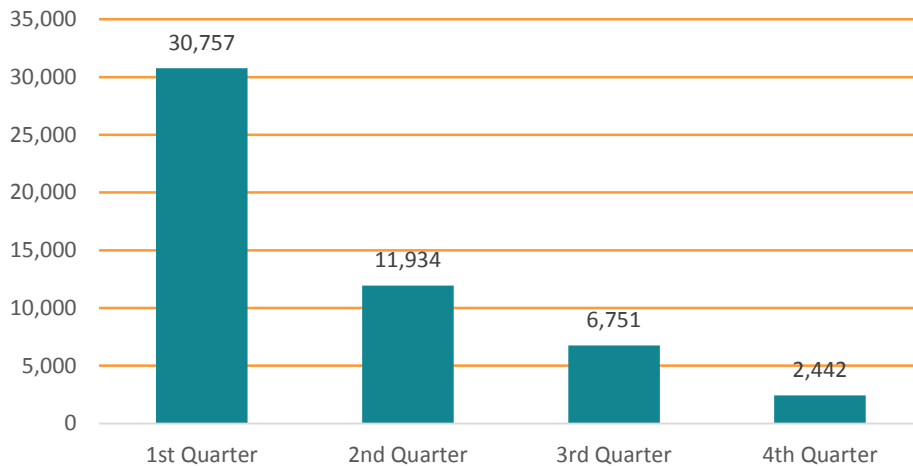
Premiums Written (USD in thousands)



Number of contracts written

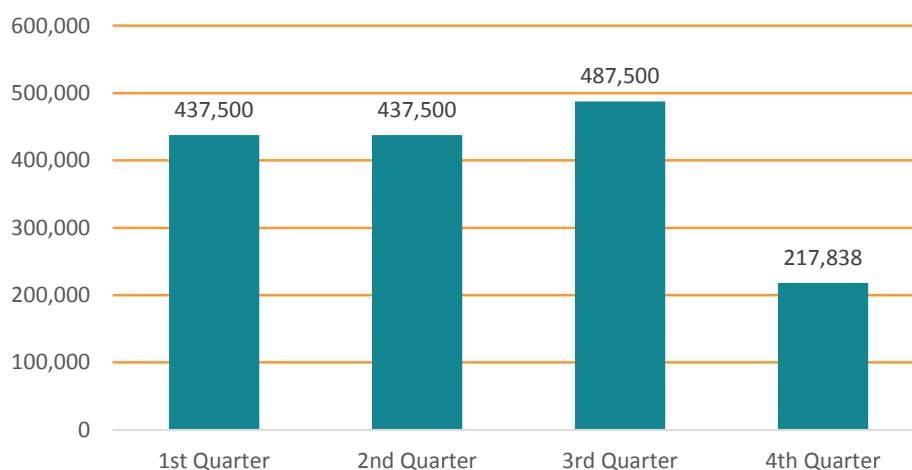


Total Assets (USD in thousands)

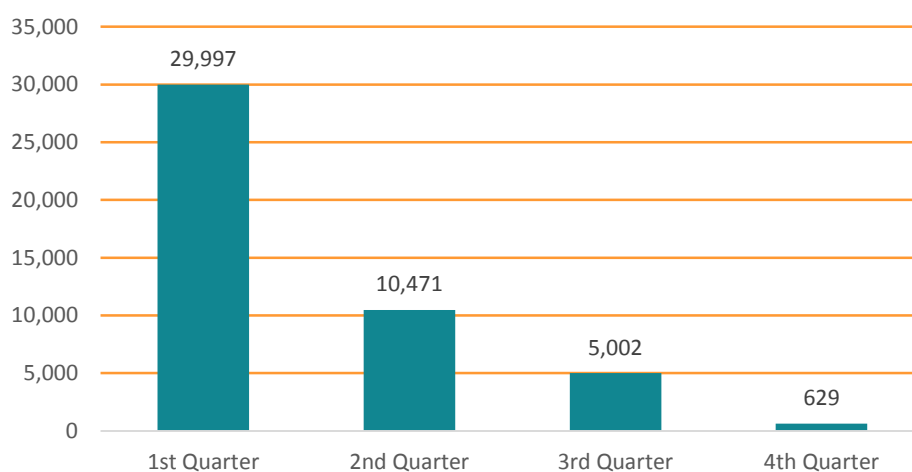


2015 Financial Statements

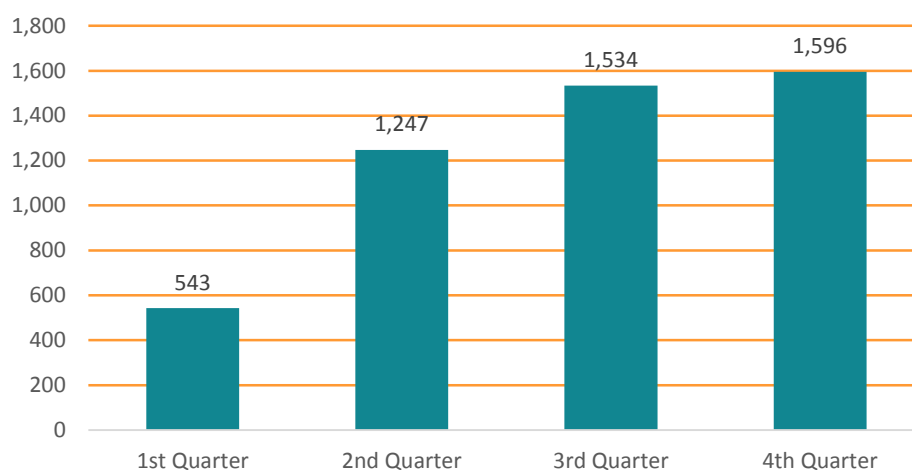
Losses incurred (USD in thousands)



Total Liabilities (USD in thousands)



Net Income (USD in thousands)





Member:
American Institute of
Certified Public Accountants

Rives & Associates, LLP
Certified Public Accountants

Member:
North Carolina Association of
Certified Public Accountants

www.rivescpa.com

Independent Auditors' Report

To the Board of Directors
SKY RE Facultative and Treaty Ltd.
Island of Nevis

Report on the Financial Statements

We have audited the accompanying financial statements of SKY RE Facultative and Treaty Ltd., which comprise the statements of financial position as of December 31, 2015, and the related statements of profit and loss, and changes in shareholders' equity, and the statements of cash flows for the year ended December 31, 2015 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to present fairly, in all material respects, the financial position of SKY RE Facultative and Reinsurance Ltd. as of December 31, 2015, and the results of its operations and its cash flows for the year ended December 31, 2015 in accordance with International Financial Reporting Standards as issued by the International Standards Board.

Rives & Associates LLP

Lexington, North Carolina
September 29, 2016

www.rivescpa.com

Statement of Financial Position

December 31, 2015

Assets

	Notes	2015
Current assets:		
Prepaid reinsurance	1	582,256
Premiums receivable	1	654,46
Prepays		1,058
Other assets		3,000
Due from affiliate	7	34,885
Reinsurance recoverable on unpaid losses	1,6	96,037
Accrued interest receivable		2,821
Investments	1,3,4	-
Cash and invested assets:	1,5	795,177
Total assets		2,441,957

Shareholder's equity and liabilities

	Notes	2015
Shareholder's equity:		
Common stock, \$1.00 par value, 75,000 shares authorized, issued and outstanding		75,000
Paid in capital		29,200
Retained earnings		1,708,530
Total shareholder's equity		1,812,730
Liabilities:		
Loss and loss adjustment expense reserves	1,6	217,838
Unearned premiums	1	73,888
Reinsurance payable	1	331,076
Accrued expenses		6,425
Total liabilities		629,227
Total shareholder's equity and liabilities		2,441,957

Statement of Profit or Loss

Year Ended December 31, 2015

Underwriting income

Underwriting income:	Notes	2015
Assumed premiums earned	1.2	20,704,981
Ceded premiums earned	1.2	(18,988,004)
Premiums earned, net		1,716,977

Underwriting expenses

Underwriting income:	Notes	
Losses incurred, net	1.6	25,517
Commission and brokerage, net		227,155
General and administrative expenses		123,332
Total underwriting expenses		376,004
Net underwriting income		1,340,973

Profit

Investment income		
Interest	4	20,935
Foreign exchange loss	4	234,575
Total investment income (loss)		255,510
Profit		1,596,483

Statement of Changes in Shareholder's Equity Year Ended December 31, 2015

	Common Stock		Paid in Capital	Retained Earnings	Total
	Share	Amount			
Balance at January 1, 2015	75,000	75,000	4,200	137,047	216,247
Net income	-	-	-	1,596,483	1,596,483
Dividend paid	-	-	-	(25,000)	(25,000)
Capital contributions	-	-	25,000	-	25,000
Balance at December 31, 2014	75,000	75,000	29,200	1,708,530	1,812,730

Statement of Cash Flows Year Ended December 31, 2015

Cash flows from operating activities:	2015
Profit	1,596,483
Cash flows from change in:	
Prepaid reinsurance	148,140
Premiums Receivable	(409,060)
Prepays	(11,343)
Other assets	(3,000)
Due from affiliate	(34,545)
Reinsurance recoverable on unpaid losses	245,179
Accrued interest receivable	(2,821)
Loss and loss adjustment expense reserves	(219,662)
Unearned premiums	(600,370)
Reinsurance payable	(225,951)
Accrued expenses	(1,575)
Net cash provided by operating activities	481,475

Cash flows from investing activities:

Cost of investments acquired	200,000
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Cash flows from financing activities:

Dividend paid	(25,000)
Capital contributions	25,000
Net increase in cash and cash equivalents	681,475
Cash and cash equivalents, beginning of year	113,702
Cash and cash equivalents, end of year	795,177

Notes to the Financial Statements

December 31, 2015

NOTE 1 — NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Sky Re Facultative and Treaty Ltd. (the Company) was established in December of 2013 within the Island of Nevis to carry on Insurance Business in the class of Reinsurance, under the Nevis International Insurance Ordinance of 2004, as amended. The purpose of the Company is to issue inward reinsurance treaties and facultative policies in the following risk categories: property, casualty, aviation, space, marine, cargo, and specialty.

Statement of Compliance

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). When IFRS is silent, as it is in respect of the measurement of insurance products, the IFRS framework allows reference to another comprehensive body of accounting principles. In this instance, the Company defers to accounting principles generally accepted in the United States (US GAAP). The financial statements were authorized for issuance by the Board of Directors on September 28, 2016.

Functional and Presentation

Currency

These financial statements are expressed in United States Dollars (\$), consistent with the predominant functional currency of the Company's operations.

Monetary assets and liabilities denominated in foreign currencies are translated into United States Dollars (\$) at the closing rates of exchange prevailing at the reporting date. Foreign currency transactions are translated at the rates prevailing on the transaction dates. Foreign exchange gains or losses arising from the settlement of

such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

Basis of Presentation

The financial statements of the Company have been prepared on the accrual basis of accounting where revenue is recognized when earned and expenses are recognized when incurred.

The statements of financial position of the Company is presented in order of increasing liquidity.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing these financial statements.

IFRS 4, Insurance Contracts, was issued in March 2004 and specifies the financial reporting for insurance contracts by an insurer. The current standards I Phase I in the IASB insurance contract project and does not specify the recognition or measurement of insurance contracts.

Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Notes to the Financial Statements

December 31, 2015

NOTE 1 — NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Company classifies all highly liquid investments with a maturity of three months or less when purchased as cash and cash equivalents.

Investments

The Company's investments in marketable equity securities are held for an indefinite period and thus are classified as available for sale. There were no unrealized gains or losses for the year ended December 31, 2015 and 2014. Available-for-sale securities are recorded at fair value as investments on the statements of financial position, with the change in fair value during the period excluded from earnings and recorded as a component of other comprehensive income. Realized investment gains and losses are included as a component of revenues based on specific identification of the investment sold.

The Company's investments are exposed to various risks, such as interest rate, market, currency and credit risks. Due to the level of risk associate with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment assets reported in the financial statements.

Impairment of Financial Assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial

assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the statements of profit or loss.

Impairment losses recognized in the statement of profit or loss on equity investments are not reversed through the statements of profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the statement of profit or loss.

Premium Revenue and Unearned Revenue

Assumed and ceded premiums are generally recognized on a pro rata basis over the policy term. The portion of assumed premiums that will be earned in the future is deferred and reported as unearned premiums. The portion of ceded premiums that will be incurred in the future is deferred and reported as prepaid reinsurance.

Reinsurance

Premiums assumed comprise the total premiums receivable for the whole period of cover provided by inwards reinsurance contracts entered into during the accounting period and are recognized on the date on which the insurance contract commences. Premiums assumed include any adjustments arising in the accounting period for changes in estimated premium in respect of reinsurance assumed in prior accounting periods

Premiums assumed are based upon reports received

Notes to the Financial Statements

December 31, 2015

NOTE 1 — NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

from ceding companies. Estimates of premiums assumed and unearned premium are made at the individual contract level, based on historical patterns and experience from the ceding company and management judgment for certain business that has not been reported to the Company. Premiums ceded comprise the total premium payable for the whole period of coverage provided by outwards reinsurance contracts entered into during the accounting period and are recognized on the date on which the insurance contract commences. Premiums ceded include any adjustments arising in the accounting period for changes in premium in respect of reinsurance ceded in prior accounting periods.

Insurance and reinsurance receivables are recognized when due and are measured on initial recognition at the

fair value of the consideration received or receivable. The carrying value of the insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statements of profit or loss.

Fair Value of Financial Instruments

The carrying amounts reflected in the statements of financial position for cash and accounts payable, approximate the respective fair values due to the short maturities of those instruments. cash and accounts payable, approximate the respective fair values due to the short maturities of those instruments.

NOTE 2 — REINSURANCE

Certain premiums and losses are ceded to other unrelated insurance companies through quota share reinsurance arrangements and various excess of loss reinsurance agreements. The ceded reinsurance agreements are intended to provide the Company with the ability to minimize its exposure to losses within its surplus resources. These reinsurance agreements do not relieve the Company from its primary obligation to its policyholder. The Company remains liable to its policyholder to the extent that any reinsurer does not meet its obligations for reinsurance ceded to it under reinsurance contracts. Therefore, the Company is subject to credit risk with respect to the obligations of its reinsurers, and any failure on the part of these reinsurers could have a material adverse effect on the Company's business, financial condition, and results of operations.

The effects of reinsurance on premiums written and earned were as follows:

	2015	
	Written	Earned
Assumed premiums	\$20,110,323	\$20,704,981
Ceded premiums	(18,838,614)	(18,988,004)
	\$1,271,709	\$1,716,977

In 2014, the Company purchased an income bond from one of its reinsurers in the amount of \$200,000. The bond was callable on December, 22, 2014. In lieu of paying off the bond as scheduled, the reinsurer agreed to set off the Company's deposit premiums in 2015. During 2015 the bond was redeemed.

Notes to the Financial Statements

December 31, 2015

NOTE 3 — FAIR VALUE MEASUREMENTS

The fair value of financial instruments is measured according to a fair value hierarchy which reflects the significance of market inputs in the valuation. The hierarchy is described and discussed below.

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;

Level 2

- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. No level 3 inputs were used.

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth the level within the fair value hierarchy, for the Company's investments at fair value as of December 31:

	2015			
	Level 1	Level 2	Level 3	Total
Corporate bond	-	-	-	-

Notes to the Financial Statements

December 31, 2015

NOTE 4 — CASH AND CASH EQUIVALENTS

The portfolio cash and cash equivalents are comprised of the following as of December 31:

2015	
Cash (USD)	\$ 154,037
Cash denominated in EUR converted to USD	15,866
Security deposit	25,045
Fixed deposit (USD)	600,229
Total	\$ 795,177

NOTE 5 — INVESTMENTS

The portfolio of investments is carried at their fair market value. Market values and unrealized gains and losses pertaining to the investment portfolio as of December 31:

2015				
	Cost	Unrealized Gains	Unrealized Losses	Fair value
Corporate bonds	-	-	-	-

The following schedule summarized investment income for the years ended December 31:

2015	
Interest	\$20,934
Foreign exchange gain (loss)	234,575
Total investment income (loss)	\$255,509

Notes to the Financial Statements

December 31, 2015

NOTE 6 — LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

Activity in the liability for unpaid loss and loss adjustment expense reserves is summarized for the year ended December 31:

	2015
Balance at January, 1	\$ 437,500
Less reinsurance recoverables	341,216
Net balance at January, 1	96,284
Incurred related to:	
Current year	59,474
Prior years	(33,957)
Total incurred	25,517
Paid related to:	
Current year	-
Prior years	-
Total paid	-
Net balance at December, 31	121,801
Plus, reinsurance recoverable	96,037
Balance at December, 31	\$ 217,838

NOTE 7 — RELATED PARTIES

As of December 31, 2015 and 2014, the Company has recorded amounts due from affiliates of \$34,885 and \$340, respectively. The amount consist of fees and expenses paid by the Company on behalf of the owners.

NOTE 8 — CONCENTRATIONS OF CREDIT RISK

The Company's exposure to potential loss from financial assets and insurance contracts primarily relates to insurance risk, credit risk, liquidity risk and various market risks, including interest rate, market price fluctuation risk, and foreign currency risk. The Company manages these risks using risk management policies and practices.

Notes to the Financial Statements

December 31, 2015

NOTE 9— DATE OF MANAGMENT'S REVIEW

Subsequent events are events or transactions that occur after the financial statements date but before the financial statements are issued or available to be issued. Recognized subsequent events consist of events or transactions that provide additional evidence about conditions that existed at the date of the statements of financial position including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events consist of events that provide evidence about conditions that did not exist at the date of the statements of financial position but arose after that date. Management has evaluated subsequent events through September 29, 2016, the date of which the financial statements were available to be issued.



P.O. Box 733,
Suite #15
Hunkins Waterfront Jewels
Main Road, Charlestown,
Nevis West Indies

+1 (786) 375-8103

re@sky.re
www.sky.re

2015