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2021

Audited Financials

SELECTA Insurance & Reinsurance
Company (Caribbean) Limited

P.O. Box 355
Hunkins Waterfront Jewels, Main Street
Charlestown, Nevis West Indies

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DIRECTOR STATMENT

DEAR LADIES AND GENTLEMEN,

Every year, independent experts from all over the world choose a word or expression reflecting the ethos, mood, or preoccupations of the past twelve months. Presenting our financial results for the year 2021, not only would we want to follow this trend, but also make it bigger the next year. This year SELECTA Insurance & Reinsurance Company (Caribbean) Ltd presents you three words that summarize our stance.

First, reliability. In the past year we have more than twice increased the total value of our assets. Even though it resulted in considerable costs in the form of a contingency reserve, we were also successful in achieving a high degree of predictability regarding our incurred losses. Looking at 2021 from the current perspective in the future, we have nothing but to acknowledge the great efforts that we have put in to attain a continual AM Best ranking.

Second, mobility. We have participated in many important insurance and reinsurance conferences and made sure to establish relations with new partners all over the world, thus ensuring more business for the years to come.

Third, gratitude. Not only to our employees, who set the goals higher each year and make our achievements possible, but also, of course, to our clients and partners. And if you are one of them, be sure we appreciate your contribution and value the trust you give to us.

Thinking about the next year's report, which will define the results of the year 2022, we would like to ensure that every time we are aiming higher, and the upcoming year will be no exception.
We remain at your service 24 hours a day 7 days a week, 365 days a year.

THE BOARD OF DIRECTORS

MR. VASILY KOZLOV

Chief Executive Officer

of Selecta Insurance & Reinsurance Co Carib Ltd, Charlestown, Nevis WI

MRS. LETICIA NISBETT-DORE

Independent Director

of Selecta Insurance & Reinsurance Co Carib Ltd, Charlestown, Nevis WI

PROFESSIONAL ACTIVITIES

Our professional activities are based on:

INDIVIDUAL APPROACH TO THE CLIENT

RELIABLE REINSURANCE PROTECTION

PRUDENT UNDERWRITING POLICY

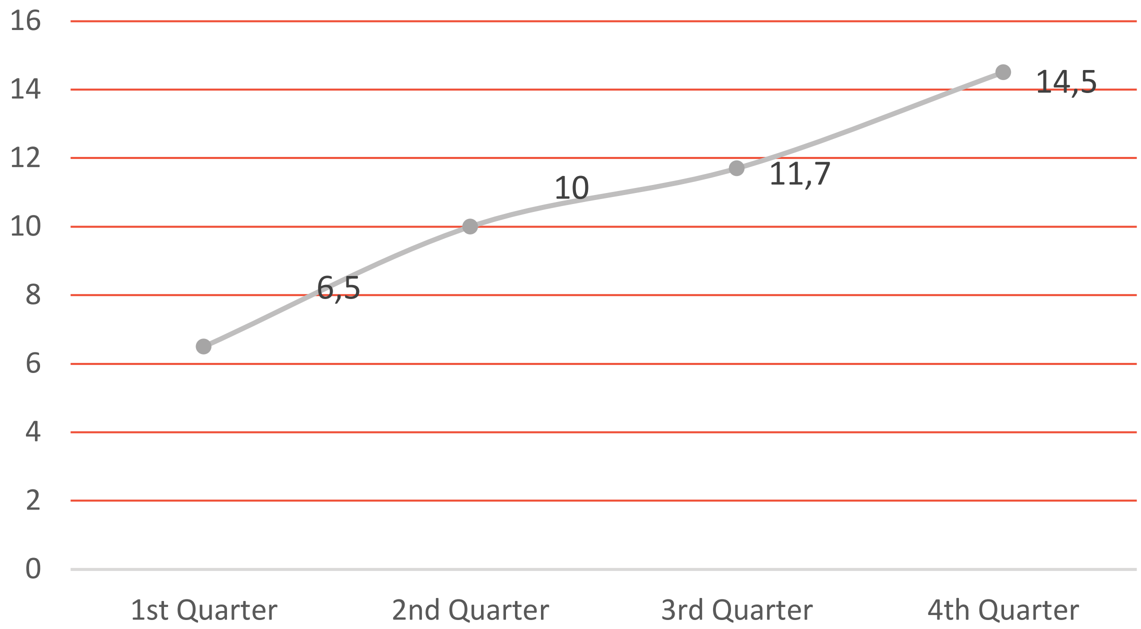
PROMPT CLAIMS ADJUSTMENT

PROFESSIONAL TEAM

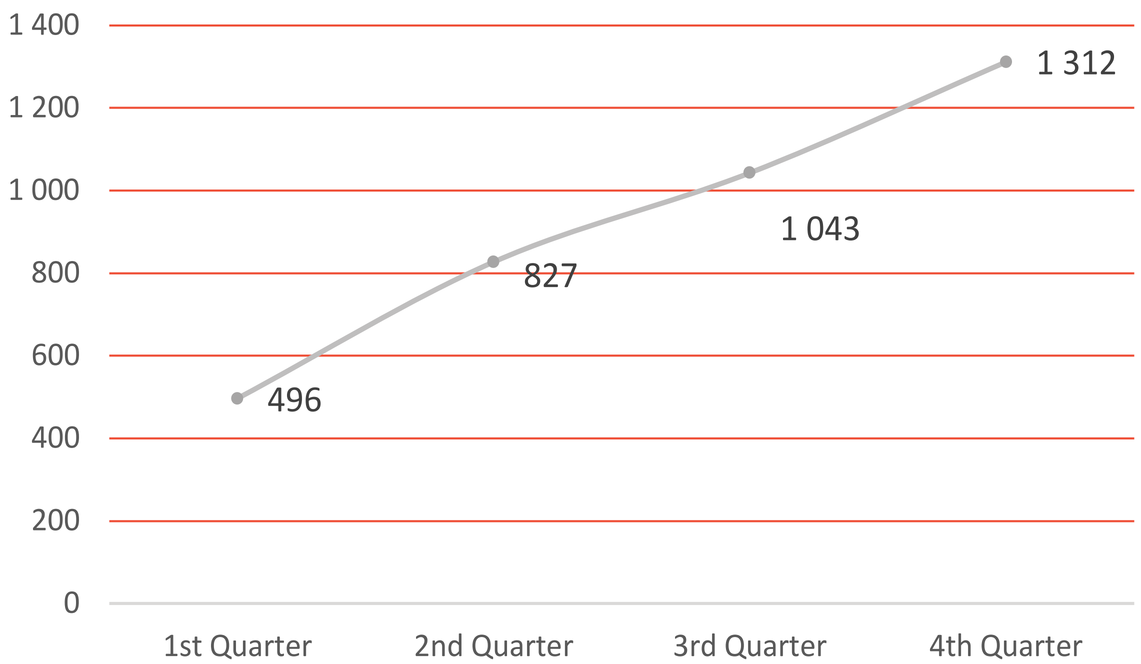
HIGH FINANCIAL SOLVENCY AND STABILITY

FINANCIAL STATEMENTS 2021

Premiums Written (USD in million)

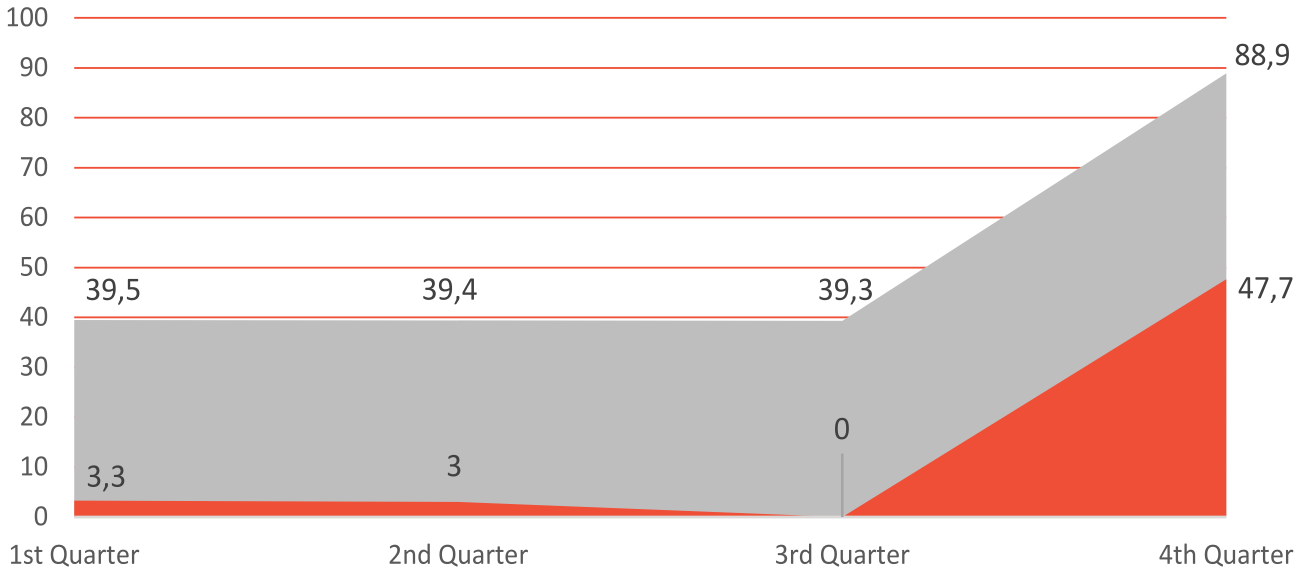


Number of contracts written



FINANCIAL
STATEMENTS 2021

Total Assets and Net Assets (USD in million)



INDEPENDENT AUDITOR'S REPORT

By RH CPAs, PLLC.

Independent Auditors' Report

To the Board of Directors
Selecta Insurance and Reinsurance Company (Caribbean) Ltd.
Island of Nevis

Opinion

We have audited the financial statements of Selecta Insurance and Reinsurance Company (Caribbean) Ltd. (the Company), which comprise the statements of financial position as of December 31, 2021 and 2020 and the statements of profit or loss and comprehensive income, statements of changes in shareholder's equity and statements of cash flows for the years 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 at December 31, 2021 and 2020, and its financial performance and its cash flows for the years ended December 31, 2021 and 2020, 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 the Island of Nevis, and we have fulfilled our 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.

Emphasis of Matter

We draw attention to Note 13 of the financial statements which describes contingencies relating to various reported claims. Our opinion is not modified in respect of 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 the management either intend to liquidate the Company or to cease operations, or have 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 opinions. 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 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 audits 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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 transitions 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.

The engagement partner on the audit resulting in this independent auditors' report is Diana Hardy.

RH CPAs, PLLC

Greensboro, North Carolina
September 29, 2022

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS	Note	2021	2020
Non-current assets:			
Cash held on deposit	6	$ 197,776	$ 2,555,964
Total non-current assets		197,776	2,555,964
Current assets:			
Deferred reinsurance premium	2	1,307,295	1,078,847
Deferred acquisition cost		574,488	1,158,987
Prepaid expenses		96,014	75,657
Premiums receivable	2	4,294,829	14,127,410
Reinsurance recoverable on unpaid losses	2,9	6,444,033	1,953,375
Due from affiliates	8	8,504,261	4,973,503
Cash held on deposit - current portion	6	2,555,964	-
Cash and cash equivalents	2,7	65,040,018	13,091,928
Total current assets		88,816,902	36,459,707
Total assets		$ 89,014,678	$ 39,015,671

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	2021	2020
Shareholders' equity:			
Common stock, $1.00 par value, 100,000,000 shares authorized, 50,000,000 issued and outstanding	2	$ 50,000,000	$ 75,000
Paid in capital		1,201,200	1,126,200
Retained (deficit) earnings		(3,705,782)	3,112,557
Total shareholders' equity		47,495,418	4,313,757
Liabilities:			
Loss and loss adjustment expense reserves	2,9	32,928,014	19,656,215
Unearned premiums	2	5,110,866	10,573,611
Premium deficiency reserve		-	259,404
Reinsurance payable	2	2,053,665	968,33
Accrued expenses		1,395,939	3,217,743
Accounts payable		30,776	26,612
Total liabilities		41,519,260	34,701,914
Total shareholder's equity and liabilities		$ 89,014,678	$ 39,015,671

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

Underwriting income:	Note	2021	2020
Underwriting income:			
Premiums earned			
Assumed premiums earned	2,4	$ 20,051,357	$ 35,262,677
Ceded premiums earned	2,4	(5,268,748)	(4,879,398)
Premiums earned, net		14,782,609	30,383,279
Other underwriting income (expense)		19,672	2,548
Total underwriting income		14,802,281	30,385,827
Underwriting expenses:			
Losses incurred, net	2,9	17,841,364	17,119,078
Change in premium deficiency reserve		(259,404)	259,404
Commissions and brokerage, net		2,882,026	5,480,441
Total underwriting expenses		20,463,986	22,858,923
Net underwriting income		(5,661,705)	7,526,904
Other (expense) income:			
General and administrative expenses	10	(3,284,227)	(3,696,059)
Net investment (expense) income	6	2,159,119	(1,351,820)
Foreign exchange gain (loss), net		(387,756)	140,878
Net other income	12	356,23	806,363
Total other expense		(1,156,634	(4,100,638)
Net profit (loss)		(6,818,339)	3,426,266
Other comprehensive income		-	-
Total comprehensive (loss) income		$ (6,818,339)	$ 3,426,266

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020

	Common Stock		Paid in Capital	Retained Earnings	Total
	Shares	Amount			
Balance at January 1, 2020	$ 75,000	$ 75,000	$ 626,200	$ (313,709)	$ 387,491
Net profit	-	-	-	3,426,266	3,426,266
Capital contribution			500,000		500,000
Balance at December 31, 2020	$ 75,000	$ 75,000	$ 1,126,200	3,112,557	4,313,757
Net loss	-	-	-	(6,818,339)	(6,818,339)
Capital contribution	49,925,000	49,925,000	75,000	-	50,000,000
Balance at December 31, 2021	$ 50,000,000	$ 50,000,000	$ 1,201,200	$ (3,705,782)	$ 47,495,418

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

Cash flows from operating activities:	2021	2020
Net (loss) profit	$ (6,818,339)	$ 3,426,266
Adjustments to reconcile net profit (loss) to net cash flow from operations		
Unrealized foreign exchange losses (gains)	228,604	(157,689)
Cash flows from changes in:		
Deferred reinsurance premium	(228,448)	(145,739)
Deferred acquisition cost	584,499	715,236
Prepaid expenses	(20,357)	651
Premiums Receivable	9,603,977	(8,995,930)
Reinsurance recoverable on unpaid losses	(4,490,658)	(1,953,375)
Due from affiliates	(3,530,758)	(3,844,459)
Loss and loss adjustment expense reserves	13,271,799	14,396,160
Unearned premiums	(5,462,745)	(1,036,290)
Premium deficiency reserve	(259,404)	259,404
Reinsurance payable	1,085,336	968,329
Accrued expenses	(1,821,804)	1,954,033
Accounts payable	4,164	(7,161)
Net cash provided from operating activities	2,145,866	5,579,436
Cash flows from investing activities:		
Deposits for investments in derivatives	(197,776)	(2,555,964)
Net cash used in investing activities	(197,776)	(2,555,964)
Cash flows from financing activities:		
Receipts from capital contribution	50,000,000	500,000
Net cash provided from financing activities	50,000,000	500,000
Net increase in cash and cash equivalents	51,948,090	3,523,472
Cash and cash equivalents, beginning of year	13,091,928	9,568,456
Cash and cash equivalents, end of year	$ 65,040,018	$ 13,091,928

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 - NATURE OF BUSINESS AND STATEMENT OF COMPLIANCE

NATURE OF BUSINESS

Selecta Insurance and Reinsurance Company (Caribbean) 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, guarantee, liability, energy, and specialty. The Company is 100% owned by Sigma Family Ltd.

The financial statements were authorized for issuance by the Board of Directors on September 29, 2022..

STATEMENT OF COMPLIANCE

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in United States Dollars ($) which is the Company's functional and presentation currency.

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 and comprehensive income.

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.

ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2 below.

CURRENT AND NON-CURRENT CLASSIFICATION

The accompanying statements of financial position items are classified as non-current and current. The current balances relate to items that the Company expects to sell, use, pay for or realize in the ordinary course of business within 12 months, and those that do not fall into this category are considered to be non-current. At December 31, 2021 and 2020, the Company had cash held on deposit which was classified as non-current assets.

GROUPING OF ITEMS

Certain items in the accompanying financial statements are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

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 investment security portfolio consists of a related party corporate bond, which has been classified as held to maturity based on the Company's positive intent and ability to hold it to maturity. The investment security held to maturity is carried at amortized cost. The amortization of premiums and

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

accretion of discounts are recognized in interest income using a method that approximates the effective interest method.

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.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently remeasured to fair value at each reporting date. Changes in values of all derivatives of a financing nature are included within investment income and financing costs in the statement of profit or loss and comprehensive income.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows. The Company has one cash-generating unit for which impairment testing is performed.

Impairment charges are included in the statement of profit or loss and comprehensive income, except to the extent they reverse gains previously recognized in other comprehensive income.

INSURANCE CONTRACTS

Insurance contracts are those contracts where the Company (the Insurer) has accepted significant insurance risk from another party (the Policyholders) by agreeing to compensate the Policyholders if a specified uncertain future event (the Insured Event) adversely affects the Policyholders. These contracts are accounted for in accordance with IFRS 4, Insurance Contracts. As a general guideline, the Company determines whether it has significant insurance risk by comparing benefits that would be payable if the Insured Event did or did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Premium deficiency reserve is recognized per actuarial valuation when unearned premium reserve is not sufficient to meet related future claims and expenses per actuarial valuation results.

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

REINSURANCE

The Company assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business.

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.

REVENUE RECOGNITION

Premium Revenue and Unearned Revenue

Premiums written comprise the premiums on contracts incepting in the financial year. Premiums written are stated gross of commissions' payable to agents and exclusive of taxes levied on premiums. The Company earns premium income evenly over the term of the insurance policy generally using the pro rata method. The portion of the premium related to the unexpired portion of the policy at the end of the fiscal year is reflected in unearned premiums. The underwriting results are recognized principally by reference to the annual accounting basis and are determined after making provisions for claims incurred. Income is accounted for in the year in which the risks are assumed. Premiums are recognized as revenue over the period of insurance coverage. Unearned premium represents that portion of premiums written and assumed that apply to the unexpired terms of policies in force.

Net investment income

This includes interest income on bank accounts and deposits held with bank.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company measures its financial assets and liabilities in accordance with IFRS. The carrying amounts reported on the statements of financial position for cash and cash equivalents, premium receivable, due from affiliates, deferred reinsurance, deferred acquisition cost, reinsurance recoverable, reinsurance payable, accounts payable and accrued expenses approximate the respective fair values. This is generally due to their short maturities.

PROVISIONS

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

Loss and Loss-Related Expenses

The reserves for unpaid losses and loss adjustment expenses are estimated using individual case-basis valuations and statistical analysis. Management believes that the reserves for losses and loss adjustment expenses are adequate to cover the ultimate cost of losses and loss adjustment expenses thereon. However, because of the limited population of insured risk, limited historical data, economic conditions,

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

judicial decisions, legislation, and other reasons, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liability at the financial position date. Loss and loss adjustment expenses reserve estimated are reviewed periodically and adjusted as necessary as experience develops or new information becomes known. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

TAXATION

Under current legislation in Island of Nevis, there is no income, estate, corporate, capital gain or other taxes payable by the Company. Accordingly, no provision for income tax has been made.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Company's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates that have a significant risk of causing material adjustments to the carrying amounts of assets within the next financial year are discussed below:

(a) nvestments at amortized cost

In classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as investments at amortized cost, the Company evaluates its intention and ability to hold such investments up to maturity. Management has confirmed its intention and determined its ability to hold investments up to maturity. If the Company fails to keep these investments to maturity other than for specific circumstances as allowed under the standards, it will be required to reclassify the whole class as available-for-sale financial assets. In such a case, the investments would therefore be measured at fair value, not amortized cost.

(b) Estimation of the provision for losses

There are several sources of uncertainty that need to be considered in the estimate of a loss provision liability for claims incurred prior to the date of the statement of financial position. For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. Management has determined the current year loss provisions based on an individual case-basis valuation and statistical analysis.

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 3 – FUTURE ACCOUNTING AND REPORTING CHANGES

Future accounting and reporting changes that may impact the Company's financial reporting and disclosure are as follows:

(a) Proposed Amendments to IFRS 4 "Insurance Contracts"

In December, 2015, the IASB issued proposed amendments to IFRS 4 which address concerns about the different effective dates of IFRS 9 and the new insurance contracts standard that will replace IFRS 4. The amendments propose an optional temporary exemption from applying IFRS 9 "Financial Instruments" that would be available to companies whose predominant activity is to issue insurance contracts. The amendments would permit deferral of adopting IFRS 9 until annual periods beginning on or after January 1, 2023 or until the new insurance contract standard becomes effective if at an earlier date.

The amendments also propose an option for entities issuing insurance contracts within the scope of IFRS 4 to apply the "overlay approach" to the presentation of qualifying financial assets, removing from net income and presenting instead in OCI, the impact of measuring Fair Value Through Profit and Loss ("FVTPL") financial assets at fair value through profit or loss under IFRS 9 when they would not have been so measured under IAS 39. The Company is assessing the impact of these proposed amendments.

(b) IFRS 17 "Insurance Contracts"

In May 2017, the IASB issued IFRS 17 that will replace IFRS 4 on its effective date for accounting periods beginning on or after January 1, 2023. IFRS 17 is the first comprehensive and truly international IFRS Standard establishing the accounting for insurance contracts. Under the IFRS 17 model, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk. The discount rate will reflect current interest rates. If the present value of future cash flows would produce a gain at the time a contract is issued the model would also require a "contractual service margin" to offset the day 1 gain. The contractual service margin would amortize over the life of the contract. There would also be a new income statement presentation for insurance contracts, including a revised definition of revenue, and additional disclosure requirements.

(c) Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively.

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 3 – FUTURE ACCOUNTING AND REPORTING CHANGES (CONTINUED)

(d) Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The amendments are effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 - REINSURANCE

Certain premiums and losses are ceded to other unrelated insurance companies through treaty and facultative 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:

	2021		2020	
	Written _	Earned	Written _	Earned
Assumed premiums	$ 14,588,614	$ 20,051,357	$ 34,226,386	$ 35,262,677
Ceded premiums	(5,497,196)	(5,268,748)	(5,025,137)	(4,879,398)
Total	$ 9,091,418	$ 14,782,609	$ 29,201,249	$ 30,383,279

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 5 – 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.

Level 2 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;
- 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.

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.

At December 31, 2021 and 2020, the Company does not have any investments which are measured at fair value. Investments in derivatives are detailed below.

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 6 – INVESTMENTS IN DERIVATIVE INSTRUMENTS

During the years ended December 31, 2021 and 2020, the Company invested in derivative instruments andpurchased two options contracts, the details of which is as follows:

Contract type	Commitment Date	Maturity Date	Option Premium Paid	Cash held on Deposit by Bank at December 31, 2021
Oil Brent call option	May 7, 2020	January 7, 2022	$ 600,000	$ 2,346,672
S&P 500 put option	August 13, 2020	December 27, 2022	500,000	209,292
Gold put option	May 25, 2021	June 1, 2023	300,000	197,776
			$ 1,400,000	$ 2,753,740

During the years ended December 31, 2021 and 2020, the Company paid total option premium of $300,000 and $1,100,000 respectively and recognized total investment income (losses) of $2,367,204 and ($300,322) respectively, relating to these options.

Net investment income (expense) for the years ended December 31, 2021 and 2020 consist of following:

	2021	2020
Option premiums	$ (300,000)	$ (1,100,000)
Gain on option contracts	2,369,428	-
Realized losses on option disposals	-	(242,000)
Losses on deposit revaluation	(2,224)	(58,322)
Interest on bank accounts and deposits	91,915	48,502
Net investment income (expense)	$ 2,159,119	$ (1,351,820)

In April 2020, the Company entered into an asset management agreement with Patyrykin and Family Limited (the Asset Manager), a related party by virtue of common directorship. Under the terms of this agreement, the Asset Manager was to purchase S&P500 put options of SPX Dec15'22 for purchase price not higher than $60 per contract and total purchase value not more than $900,000. In August 2020, the Asset Manager's individual brokerage account was terminated and the complete investment of $900,000 was not made. Purchased option contracts were disposed of and then repurchased through commercial bank, the details of which is disclosed above. The Company incurred and recorded total realized investment losses of $242,000 on the disposal of these option contracts purchased through the Asset Manager.

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 7 – CASH AND CASH EQUIVALENTS

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

	2021	2020
Cash (USD)	$ 64,764,809	$ 8,495,729
Cash (EUR)	185,066	1,255,193
Cash (GBP)	33,690	33,610
Fixed deposit (USD)	56,453	3,307,396
Total	$ 65,040,018	$ 13,091,928

NOTE 8 – RELATED PARTIES

As of December 31, 2021, and 2020, the Company has amounts due from affiliates of $8,504,261 and $4,973,503, respectively. These balances mainly consist of premiums collected by these affiliates on behalf of the Company and/or fees and expenses paid by the Company on behalf of these affiliates.

At December 31, 2021 and 2020, due from affiliate balance included due from Sun UW MGA FZE-LLC (Sun UW FZE) of $8,472,041 and $4,497,289 respectively, and due from Sun UW S.R.O Czech (Sun UW Czech) of $11,361 and $261,465 respectively, in respect of premiums collected on behalf of the Company. Both these entities are underwriting agencies and related parties by virtue of same ultimate beneficial owner and management. The Company entered into contracts with customers through these related entities in their respective jurisdiction and they deal with the Company's customers and collects premiums on behalf of the Company and then remit the premiums, net of commission, to the Company, on demand. For the years ended December 31, 2021 and 2020, the Company written net premiums of $7,888,290 and $13,053,412, respectively, through Sun UW FZE and $1,413,533 and $2,075,647, respectively through Sun UW Czech. At December 31, 2021 and 2020, total premiums receivable balance includes premium receivable of $2,072,591 and $5,532,854 respectively, from Sun UW FZE and $726,429 and $1,039,039 respectively, from Sun UW Czech, for premiums yet to be received from the Customers.

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 9 - 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:

	2021	2020
Balances at January 1	$ 19,656,215	$ 5,260,055
Less reinsurance recoverable	1,953,375	-
Net balances	17,702,840	5,260,055
Losses incurred during the year	17,841,364	17,119,078
Losses paid during the year	(9,060,223)	(4,676,293)
Net balances at December 31	26,483,981	17,702,840
Plus: Reinsurance recoverable	6,444,033	1,953,375
Balances at December 31	$ 32,928,014	$ 19,656,215

In the opinion of the management, this provision is adequate to cover the estimated ultimate outstanding losses as at December 31, 2021. Consistent with most companies with similar insurance operations, the Company's reserve for losses and loss adjustment expenses is ultimately based on management's reasonable expectations of future events. It is reasonably possible that the expectations associated with these amounts could change in the near term (i.e. within one year) and that the effect of such changes could be material to the financial statements.

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 10 – GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following for the years ending December 31:

	2021	2020
Management and administrative	$ 296,578	$ 26,304
Directors fees	508,590	450,240
Performance bonus	1,498,753	2,488,136
Consultancy	379,440	504,823
Actuarial	23,500	15,200
Corporate services	14,150	14,150
Audit and accounting	58,000	71,000
Travel	22,284	22,790
Research and subscriptions	47,490	21,234
Information technology	46,576	49,620
Bank charges	29,959	33,093
Bad debts	357,355	-
Other expenses (income), net	1,552	(531)
Total general and administrative expenses	$ 3,284,227	$ 3,696,059

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 11 – RISK MANAGEMENT

The Company's exposure to potential loss from financial assets and insurance contracts primarily relates to governance risk, regulatory risk, insurance risk, financial risk, and operational risk. The Company's objectives, policies and processes for managing those risks and the methods used to measure them are summarized below:

GOVERNANCE FRAMEWORK

Professional and effective risk management is essential to maintaining a favorable financial performance for all insurance companies.

The Company evaluates every risk underwritten by using a rating scale system and overall knowledge of the account.

REGULATORY FRAMEWORK

Regulators are primarily interested in protecting the rights to the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or external disasters.

The Company is regulated by the Registrar of Insurance of the Nevis Financial Services Department (the NFSD). The NFSD regulates, supervises and inspects all insurance companies, insurance managers and other intermediaries operating within the island of Nevis to ensure compliance with the provisions established in the Nevis International Ordinance, 2004 (as amended).

The regulations not only prescribe approval and monitoring activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimize the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as they arise.

INSURANCE RISK

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. Therefore, the objective of the Company is to ensure sufficient reserves are available to cover the claims and payments.

In order to minimize the Company's exposure arising from large claims, in the normal course of business, the Company may enter into contracts with other parties for reinsurance purposes. Such reinsurance is to offset a portion of the claims exposure that may arise. The Company has also limited its exposure by imposing maximum claim amounts on its insurance contracts and limiting the period when claims should be reported.

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 11 – RISK MANAGEMENT

FINANCIAL RISK

The Company's principal financial instruments are financial assets due from affiliates, premium receivable and cash and cash equivalents.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, and credit risk. Management reviews and agrees policies for managing each of these risks and they are summarized below:

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is exposed to interest rate risk on some of its investments and cash and cash equivalents. The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and interest bearing investments and borrowings are denominated.

Foreign Currency Risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations since predominantly all of the business transactions are in U.S. Dollars and U.S. Dollars pegged currencies and consequently the Company does not hedge its foreign currency exposure.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The maximum exposure to credit risk before any credit enhancements is the carrying amount of the financial assets.

OPERATIONAL RISK

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
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NOTE 11 – RISK MANAGEMENT

perform, operational risk can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating an effective control framework and by monitoring and responding to potential risks, the Company is able to manage risk.

The Company contracts for its supervisory, general and administrative and insurance services with service providers and professional organizations. As a result the Company has no employees of its own. The financial statements reflect the costs of the various service providers.

CAPITAL MANAGEMENT

The Company's objective when managing capital is to comply with the insurance capital requirements which are set and regulated in accordance with the provision of the Ordinance. In order to be licensed as a reinsurance business, a reinsurance company is required to have a minimum fully paid up capital of $75,000. The Company fully complied with this requirement during the reported financial period.

Minimum Margin of Solvency

The Company's ability to pay dividends and other distributions is subject to statutory restriction. As a licensed reinsurer, the Company is required under the terms of the Ordinance to maintains a minimum margin of solvency (the amount by which its "allowable assets" exceed its liabilities) equivalent to the greater of the minimum amount of contributed capital or 20% of the net retained premium up to $5,000,000. Net premiums in excess of $5,000,000 shall have an additional required solvency margin of $1,000,000 plus 10% of the amount by which the net retained premium exceeds $5,000,000.

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 11 – RISK MANAGEMENT

The Company's minimum margin of solvency is as follows:

	2021	2020
Required minimum margin of solvency	$ 2,978,261	$ 4,538,328
	2021	2020
Total allowable assets	$ 87,036,881	$ 36,702,180
Total liabilities	(41,519,260)	(34,701,914)
	$ 45,517,621	$ 2,000,266
Surplus (deficit)	$ 42,539,360	$ (2,538,062)

NOTE 12 – NET OTHER INCOME

During the years ended December 31, 2021 and 2020, the Company had net legal income of $356,230 and $806,363 respectively, which included the awarded amounts of $427,903 received under an arbitration settlement with National Insurance Company Ltd. in 2021 and $835,520 settlement charges recovered in 2020, from Al Koot Insurance and Reinsurance Company. Both these entities were one of the participants in an excess of loss protections issued by the Company.

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 13 – CONTINGENCIES AND COMMITMENTS

As of December 31, 2021, the Company has following pending legal matters:

a) In June 2019, a loss notification was made to the Company by PSTV Energy DMCC (PSTV), a policyholder, in relation to Trade Credit Insurance policy covering a customer of the Sonara refinery in the Cameroons. The claim of $15.3 million was submitted for the fire incident at the refinery which closed down the facility. After evaluating the claims facts and supporting details, the Company has rejected the claim on a number of bases that includes i) the cause of the fire was apparently an act of terrorism and thus a political risk and such risks are excluded under the Company's policy, ii) PSTV failed to lodge a surety to cover its exposure to any loss thus mitigating its financial exposure pursuant to the policy terms, iii) the loss submission was premature under the policy provisions as there has been no formal certification of the quantum of the loss, iv) it appears that PSTV may have other insurance policies which would cover such loss and those policies would be triggered before the Company's policy. Further, there is a financial limitation in the Company's policy of $2 million per loss. No legal action has been commenced by PSTV. Hence, management believes that there is no adverse outcome expected from this claim and accordingly no provision is required in the Company's financial statements.

b) In February 2018, claim amounting to MXN 59,250,000 (i.e. the Company's share of 75% of the total claim amount of MXN 79 million) equivalent to $3,128,184, was submitted by Seguros Inbursa, i.e. the direct insurer in a risk in which the Company participated as a retrocessionaire on an excess of loss basis. This claim relates to a fire loss which occurred in January 2018 in Mexico when a truck carrying 35,000 liters of diesel collided with a tunnel and then burst into flames damaging the road and the bridge. It has been informed to the Company by the broker that the claim has been fully paid off by the direct insurer however, the Company has not been able to obtain the complete requested information and documentation from the underlying parties involved in this matter or from the insured. Further, the Company also noted that no subrogation proceedings have been taken against the owner/operator of the truck although the original insured has been paid and the insurer seems reluctant to take any steps against third parties. Thus, the Company has concerns about the quantum of the claim and also the liability itself. Until the requested information and documentation is received, management is not in a position to ascertain whether this notification

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 13 – CONTINGENCIES AND COMMITMENTS

will turn into a claim and accordingly no provision against this claim was considered necessary..

c) In 2021, a total loss claim was filed for yacht "Ultra Dash" which was grounded in adverse weather conditions in the Bahamas on December 20, 2020 and then rescued and towed to Florida, USA for repair. However, during the course of the repairs on August 20, 2021, a fire consumed the yacht and it became a total loss. Preliminary findings established that the fire was caused by the negligence of the yard's employees. Accordingly, the Company commenced a subrogation action in the local courts. At present the Company is in settlement discussions with the counter party and accordingly, no provision was considered necessary for this claim as of December 31, 2021.

SELECTA INSURANCE AND REINSURANCE COMPANY (CARIBBEAN) LTD.
NOTES TO THE FINANCIAL STATEMENTS
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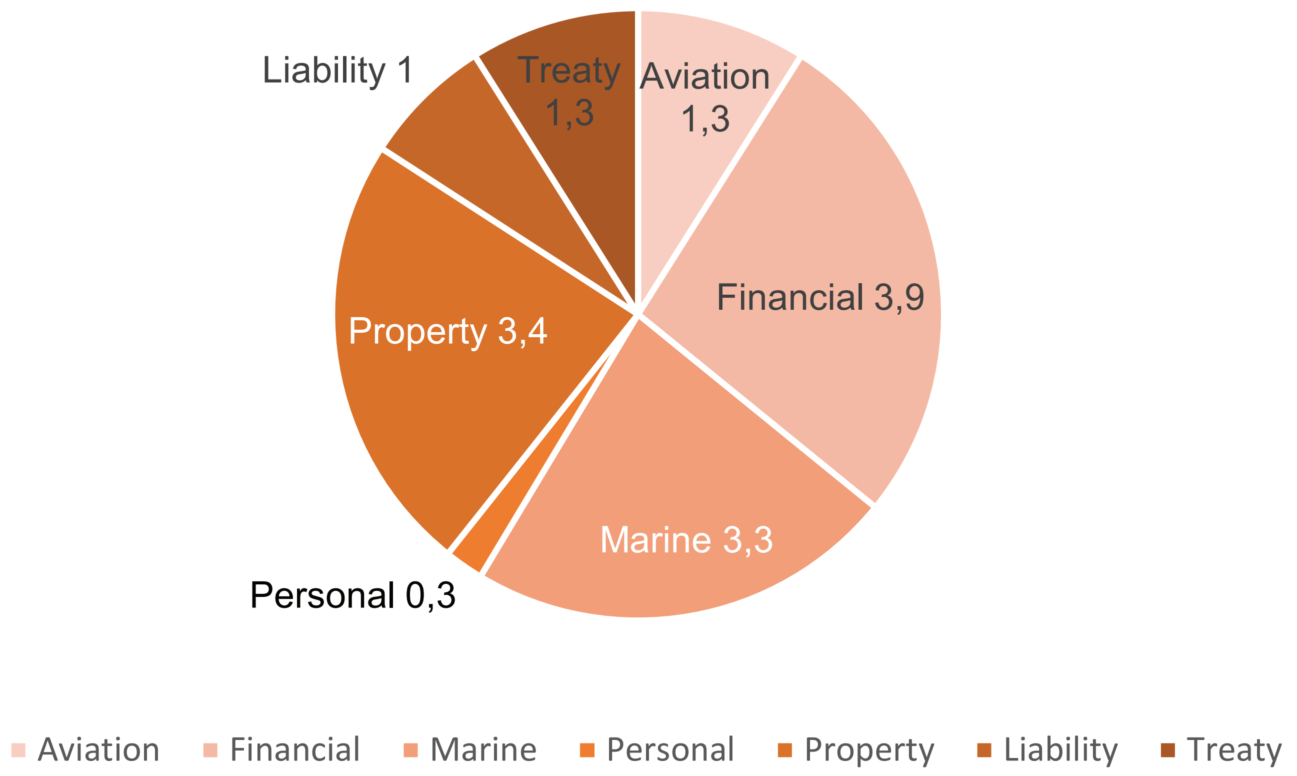
NOTE 14 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the financial statement 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 balance sheet including the estimates inherent in the process of preparing the financial statements. Non-recognized subsequent events consist of events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date. Management has evaluated subsequent events through September 29, 2022, the date of which the financial statements were available to be issued.

LINES OF BUSINESS

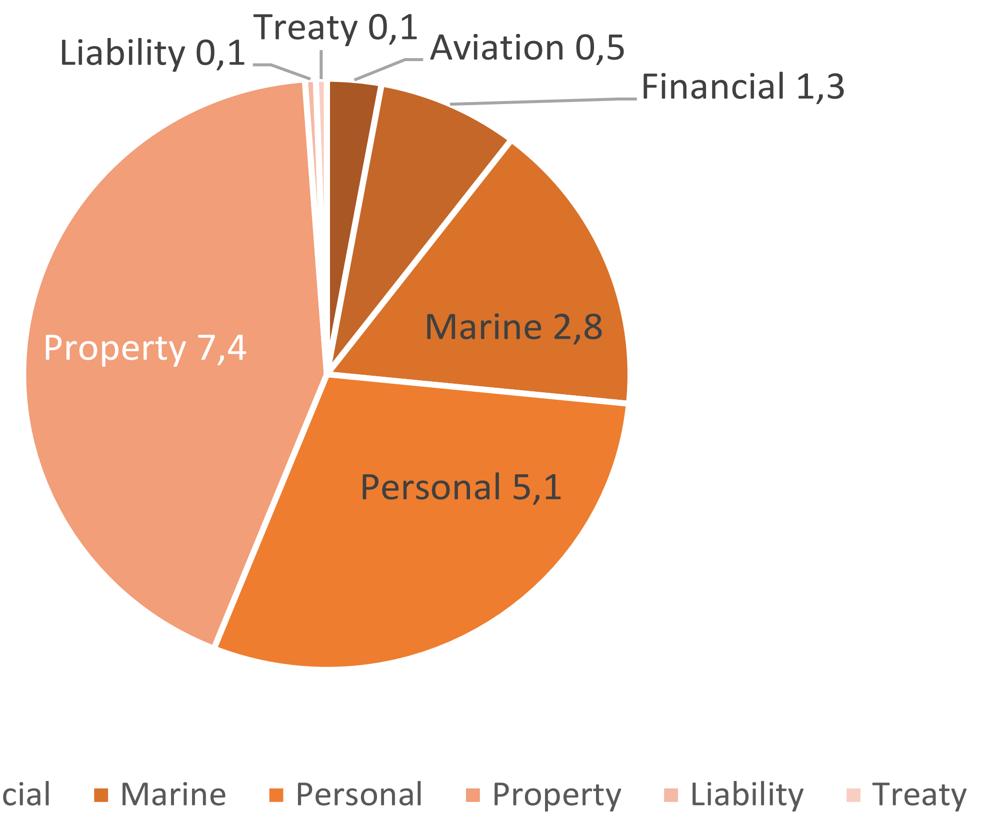
Written Premium (USD in million)



Written Premium	
Aviation	1,3
Financial	3,9
Marine	3,3
Personal	0,3
Property	3,4
Liability	1
Treaty	1,3

LINES OF
BUSINESS

Losses (USD in million)



Losses	
Aviation	0,5
Financial	1,3
Marine	2,8
Personal	5,1
Property	7,4
Liability	0,1
Treaty	0,1

CONTACT US

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