CITADEL REINSURANCE COMPANY LIMITED

Consolidated Financial Statements
(With Independent Auditor’s Report Thereon)

Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of Citadel Reinsurance Company Limited

We have audited the accompanying consolidated financial statements of Citadel Reinsurance Company Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated 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 Company'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Citadel Reinsurance Company Limited and its subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other matter

U.S. generally accepted accounting principles require that certain disclosures related to short-duration contracts in Note 3 to the basic financial statements be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Financial Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
July 31, 2020

CITADEL REINSURANCE COMPANY LIMITED

Consolidated Balance Sheets

December 31, 2019 and 2018
(Expressed in United States Dollars)

	Note	As at December 31, 2019	2018
ASSETS			
Cash and cash equivalents		$ 19,257,095	$ 20,040,631
Investments	4	28,765,897	29,504,451
Accounts receivable and accrued interest		7,750,183	8,288,190
Insurance and reinsurance balances receivable		23,838,016	11,404,095
Reinsurance recoverables on loss and loss adjustment reserves	3	51,773,441	52,855,064
Prepaid reinsurance premiums provision		21,469,390	18,066,936
Deferred policy acquisition costs		6,494,034	5,629,930
Property, plant and equipment		413,585	275,937
Goodwill	5	2,180,667	2,180,667
Total assets		161,942,308	148,245,901
LIABILITIES			
Loss and loss adjustment expense reserves	3	80,630,813	79,948,418
Unearned premiums		30,985,175	24,863,065
Deferred ceding commission income		6,167,719	5,374,661
Insurance and reinsurance balances payable		16,743,362	11,526,897
Accounts payable and accruals		2,486,315	2,349,237
Total liabilities		137,013,384	124,062,278
EQUITY			
Share capital	7	20,000,000	20,000,000
Retained earnings		4,877,169	4,135,583
Equity attributable to shareholder of Citadel Reinsurance Company Limited		24,877,169	24,135,583
Non-controlling interests in subsidiaries		51,755	48,040
Total equity		24,928,924	24,183,623
Total equity and liabilities		$ 161,942,308	$ 148,245,901

See accompanying notes to consolidated financial statements

Signed on behalf of the Board

Director

Michael Director

CITADEL REINSURANCE COMPANY LIMITED

Consolidated Statements of Operations

December 31, 2019 and 2018
(Expressed in United States Dollars)

	Note	For the years ended December 31, 2019	2018
REVENUES			
Gross premiums written		$ 62,611,398	$ 63,554,581
Premiums ceded		(40,825,937)	(42,239,987)
Net premiums written		21,785,461	21,314,594
Change in net unearned premiums		(2,708,574)	1,976,439
Net premiums earned		19,076,887	23,291,033
Net investment income		1,646,941	1,330,500
Net realized and unrealized gains (losses) on investments		148,392	(938,517)
Net acquisition income		222,891	384,600
Other income		8,200,104	7,174,120
Total revenues		29,295,215	31,241,736
EXPENSES			
Loss and loss adjustment expenses		16,126,866	16,815,654
General and administrative expenses		12,340,120	12,389,132
Net foreign exchange losses		74,320	167,992
Total expenses		28,541,306	29,372,778
Profit before income tax		753,909	1,868,958
Income tax benefit (expense)	9	506,093	(145,838)
Net Profit		1,260,002	1,723,120
Profit attributable to non-controlling interests		18,416	103,172
Net profit attributable to shareholder of Citadel Reinsurance Company Limited		$ 1,241,586	$ 1,619,948

See accompanying notes to consolidated financial statements

CITADEL REINSURANCE COMPANY LIMITED

Consolidated Statements of Changes in Shareholder's Equity

December 31, 2019 and 2018
(Expressed in United States Dollars)

	Shareholder's equity			
	Total equity	**Retained earnings**	**Share capital** (Note 7)	**Non-controlling interest in subsidiaries** (Note 12)
Balance at December 31, 2017	$ 22,460,503	$ 2,515,635	$ 20,000,000	$ (55,132)
Net Profit	1,723,120	1,619,948	–	103,172
Balance at December 31, 2018	24,183,623	4,135,583	20,000,000	48,040
Net Profit	1,260,002	1,241,586	–	18,416
Dividend	(514,701)	(500,000)	–	(14,701)
Balance at December 31, 2019	$ 24,928,924	$ 4,877,169	$ 20,000,000	$ 51,755

See accompanying notes to consolidated financial statements

CITADEL REINSURANCE COMPANY LIMITED

Consolidated Statements of Cash Flows

December 31, 2019 and 2018
(Expressed in United States Dollars)

	For the years ended December 31, 2019	2018
Cash flows from operating activities:		
Net Profit	$ 1,260,002	$ 1,723,120
Adjustments for:		
Net realized and unrealized (gains) losses on investments	(711,799)	866,227
Net unrealized foreign exchange losses	29,008	111,500
Depreciation expense	195,713	191,191
Changes in assets and liabilities:		
Accounts receivable and accrued interest	538,009	(319,173)
Insurance and reinsurance balances receivable	(11,352,298)	(8,540,787)
Deposit assets	-	14,331,303
Loss and loss adjustment expense reserves	682,396	12,385,445
Unearned premiums	6,122,110	(4,891,802)
Deferred ceding commission income	793,058	(776,120)
Prepaid reinsurance premiums	(3,402,454)	2,906,084
Deferred policy acquisition costs	(864,104)	803,737
Insurance and reinsurance balances payable	5,216,465	(4,388,240)
Deposit liabilities	-	(14,331,303)
Accounts payable and accruals	137,078	220,755
Net cash (used in) provided by operating activities	(1,356,816)	291,937
Cash flows from investing activities:		
Proceeds on disposal of investments	14,468,346	14,676,972
Purchases of investments	(13,047,714)	(15,622,949)
Purchases of property, plant and equipment	(332,652)	(25,948)
Net cash provided by (used in) investing activities	1,087,980	(971,925)
Cash flows from financing activities:		
Dividends paid	(500,000)	-
Dividends to non-controlling interests	(14,700)	-
	(514,700)	-
Decrease in cash and cash equivalents	(783,536)	(679,988)
Cash and cash equivalents - beginning of year	20,040,631	20,720,619
Cash and cash equivalents - end of year	$ 19,257,095	$ 20,040,631
Comprised of:		
Cash and cash equivalents	18,466,842	17,243,420
Restricted cash and cash equivalents	790,253	2,797,211
Supplementary notes:		
Consolidated net income tax payments (refunds)	47,697	(8,216)

See accompanying notes to consolidated financial statements

1. NATURE OF BUSINESS

Citadel Reinsurance Company Limited (the "Company"), which underwrites insurance and reinsurance, was incorporated under the laws of Bermuda on January 4, 1984 and is registered as a Class 3A insurer under The Insurance Act 1978, amendments thereto and related regulations ("The Act"). The Company is managed and has its principal place of business in Bermuda. The Company's ultimate parent company is Sirius International Limited, a company incorporated in Bermuda.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in accordance with generally accepted accounting principles, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the balance sheet date. Estimates also affect the reported amounts of income and expenses for the reporting period. Actual results could differ from those estimates. The Company's principal estimates relate to the development or determination of the following:

- Valuation of investments and determination of hierarchical inputs used to measure fair value of investments;
- Loss and loss adjustment expense reserves; and
- Insurance and reinsurance balances recoverables

Certain reclassifications have been made to prior year amounts to conform to the 2019 presentation. There is no impact of these reclassifications on net profit or shareholder's equity.

Consolidation

These financial statements include the operations of the Company and its wholly-owned subsidiaries, (collectively, the 'Group') namely Citadel International Reinsurance Company Limited ("CIRCL"), Citadel Risk Services UK Limited, Citadel Group Representatives, Inc, Citadel Risk Management, Inc, ("CRMI"), Citadel Risk Services, Inc. ("CRS"), American Millennium Insurance Company ("AMIC"), Green Park (US) Incorporated and Citadel Tennessee Captive Insurance Company.

CIRCL is a segregated account company, incorporated in Bermuda. There are fifteen segregated cells (2018 - twelve) within CIRCL, two of which (2018 - two) have been consolidated into these financial statements on the basis that the Company owns 100% of the preferred shares in one of the cells and 65% of the preferred shares in the other. The remaining 35% of the latter cell's income is recognised as a minority interest. To the extent that the cell has a deficiency in excess of its share capital, the full amount of the deficiency is consolidated into these financial statements. To the extent that the cell's retained earnings exceed its share capital the non-controlling 35% interest is accrued on the balance sheet.

The Company and CRS jointly own 81.62% (2018 - 81.62%) of Great Falls Holding Company ("GFH"), a company incorporated in Delaware, U.S.A. GFH has a wholly owned subsidiary, Great Falls Insurance Company ("GFI"), which is engaged in the business of writing workers compensation insurance and employment practices liability insurance in the states of Maine and New Hampshire, U.S.A. The operations of GFH and GFI have been consolidated in these financial statements on the basis that the Company owns 81.62% of the issued capital. The remaining 18.38% (2018 - 18.38%) is recognised as a non-controlling interest (Note 12). GFI has been in run-off since 2018.

On February 29, 2016, the Company completed the acquisition of 51.0% of Citadel Management Bermuda Limited (formerly Cedar Management Limited). The remaining 49.0% is recognized as a non-controlling interest (Note 12).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

On February 29, 2016, CRMI completed the acquisition of 51.0% of the interests held in Cedar Consulting, LLC. The remaining 49.0% is recognized as a non-controlling interest (Note 12).

On November 16, 2016, Citadel Tennessee Captive Insurance Company ("CTCIC") was incorporated in Tennessee, U.S.A. This company was capitalized by CRMI in March 2017, and on April 5, 2017 became licensed to conduct business as a protected cell captive insurance company in Tennessee effective January 1, 2017. CTCIC commenced trading during 2018.

Premiums and Acquisition Costs

Written premiums comprise the premiums on insurance contracts entered into during the accounting period and are disclosed gross of commission payable to intermediaries and exclude taxes and duties levied on premiums. Premiums are recognised when receivable and are earned on either a daily or monthly pro-rata basis over the term of the related policies.

The Group assumes and cedes reinsurance in the normal course of business, with retention limits varying by line of business. Premiums on reinsurance business are recognised in the same manner as they would be if the reinsurance were considered direct business.

Premiums written and ceded, and commissions payable on certain policies are subject to adjustment based upon actual loss experience. Since actual loss experience may differ from expected amounts, ultimate net premiums earned, or the commissions expense may differ materially from the amounts recorded in the financial statements. Any resulting premium or commission adjustments are reflected in the operating results of the period in which the adjustment is determined.

The provision for unearned premiums represents that portion of the premiums written in respect of the current and prior years, which is attributable to the unexpired term of the corresponding policy in force.

Acquisition costs are comprised of ceding commissions, brokerage, premium taxes, profit commissions and other expenses that relate directly to the writing of insurance and reinsurance contracts. Acquisition costs that are incremental and directly attributable to new and renewal business that has been secured are deferred and amortized over the underlying term of the related policy.

Loss and Loss Adjustment Expense Reserves

Loss and loss adjustment expenses include all claims for losses incurred during the year, whether reported or not, related handling costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. Estimates for loss and loss adjustment expense reserves are established based on undiscounted estimates of the ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs. The estimated provisions established for the Group's reinsurance business is determined in a similar manner to direct business and is based on reports received from the company ceding the insurance business.

The Group's loss and loss adjustment expense provisions are mainly derived from standard actuarial methods. As the provisions are based upon known facts and interpretation of circumstances, the provision setting process is a complex and dynamic process influenced by a large variety of factors. In establishing a provision for unpaid claims and claims expenses, management considers facts currently known, the current state of laws and litigation and current estimates of reported losses and loss expenses. Liabilities are recognized for known claims when sufficient information has been developed to indicate the involvement of a specific policy and management can reasonably estimate the Company's liability. In addition, a provision for adverse development for reported notifications and incurred but not reported claims is recorded based on the recommendations of an independent actuary.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss and Loss Adjustment Expense Reserves (continued)

The actuary has utilized the Loss Development and Bornhuetter-Ferguson methods using the paid and the reported loss and loss adjustment expense history of the Company and industry data. Each of these two methods creates two estimates for each business segment and the actuary's indicated loss and expenses reserve range is based upon a selective weighting of these methods.

Management believes that the provision for losses and loss adjustment expenses at December 31, 2019 is reasonable to cover the ultimate net cost of losses incurred, however, such liability is necessarily based on estimates and no representation is made that the ultimate liability may not exceed such estimates. Subsequent revisions to estimated ultimate losses will be reflected in operations in the period in which they are determined.

Disclosures about Short-Duration Contracts

The Company adopts FASB Accounting Standards Update (ASU) 2015-09 which requires insurance entities that issue short-duration contracts to provide detailed disclosures relative to the reserve for losses and loss adjustment expenses. This information includes incurred and paid claims development information by accident year on a net basis after risk mitigation through reinsurance. The disclosures are provided in Note 3 Loss and Loss adjustment expenses reserves.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired by the Company. Goodwill is recorded as an asset and is not amortized. In accordance with the Intangibles – Goodwill and Other Topic of the FASB ASC, the Company performs, at a minimum, an annual valuation of its goodwill to test for impairment or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. For purposes of annual impairment evaluation, goodwill is assigned to the applicable reporting unit of the acquired entities giving rise to the goodwill.

It is the Company's policy to conduct impairment testing based on the Company's current business strategy in light of present industry and economic conditions, as well as the Company's future expectations. If, as a result of the assessment, the Company determines that the value of its goodwill and intangible assets are impaired, the Company will record an impairment charge in the period in which the determination is made.

Cash and Cash Equivalents

Cash and cash equivalents are short-term, highly liquid investments maturing in less than 90 days that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Investments

In accordance with the Financial Instruments Topic of the FASB ASC, the Company differentiates between held-to-maturity investments, which are recognised at amortized cost, and held-for-trading investments, which are recognised at fair value with unrealized gains and losses being reported as investment income in the consolidated statement of operations.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

Fair values of financial instruments are disclosed in the notes to the financial statements when they differ from the carrying values. Where amounts receivable and payable are subject to normal credit terms, their carrying values are used as an approximation of their fair values.

Fair value is defined as the price to sell an asset or transfer a liability (i.e. the “exit price”) in an orderly transaction between market participants. Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. An asset or a liability’s categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The hierarchy is broken down into three levels as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These are generally company generated inputs and are not market based inputs.

The Company used the following valuation technique and assumptions in estimating the fair value of financial instruments as well as the general classification of such financial instruments pursuant to the above fair value hierarchy:

At each valuation date, the Company uses a market approach technique to estimate the fair value of our fixed maturities portfolios, when possible. This market approach includes, but is not limited to, prices obtained from third party pricing services and broker-dealers for identical or comparable securities. The pricing services use market quotations for securities that have quoted prices in active markets. When quoted market prices are unavailable, the pricing services prepare estimates of fair value measurements using observable market inputs such as yield curves, credit risks and spreads, measures of volatility, expected cash flows including prepayment speeds, reported trades and broker/dealer quotes.

A review of fair value hierarchy classifications is conducted on an annual basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets and liabilities. Reclassifications between Level 1, 2 and 3 of the fair value hierarchy are reported as transfers in and/or out as of the beginning of the period in which the reclassifications occur.

Foreign Currency Translation

Monetary assets and liabilities are translated into U.S. dollars at year-end exchange rates and non-monetary assets and liabilities at the exchange rates prevailing when the assets were acquired, or liabilities incurred. Income and expenses are translated at the rate of exchange prevailing at the transaction date. Translation gains and losses are included in foreign exchange gains or losses unless the gain or loss is a result of trading foreign currency as part of the Company’s overall investment strategy, in which case the income is recognized as other income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

The Company's subsidiaries that are based in Bermuda, the United States of America and the United Kingdom are subject to the tax laws of those jurisdictions and the jurisdictions in which they operate.

Income taxes have been recognized in accordance with current standards on those operations that are subject to income taxes. Deferred tax assets and liabilities result from net operating loss carryforwards and temporary differences between the carrying amounts of existing assets and liabilities recorded in the consolidated financial statements and their respective tax bases. A valuation allowance for a portion or all of deferred tax assets is recorded as a reduction to deferred tax assets if it is more likely than not that such portion or all of such deferred tax assets will not be realized.

New Accounting Standards adopted during the year

On January 1, 2019, the Company adopted Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09") and all subsequent amendments to the ASU (collectively, "ASC 606") which creates a single framework for recognizing revenue from customers for contracts that fall within its scope. Certain contracts with customers are specifically excluded from the scope of ASC 606, including insurance contracts accounted for under Accounting Standard Codification 944, Financial Services – Insurance. The Company's services that fall within the scope of ASC 606 are presented within Other Income and are recognized as revenue as the Company satisfies its obligation to the customer. Services that fall within the scope of ASC 606 include third-party policy, claims management and back-office administration, contract fronting, segregated account facilities, broker replacement and consulting services.

In January 2016, the FASB issued Accounting Standards Update "AUS 2016-01, Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities." The amendments in this update address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. For non-public entities, the amendments were effective for annual periods beginning after December 15, 2018. The adoption of this standard did not have a material effect on the Company's financial statements.

In February 2018, the FASB issued "ASU 2018-03, Technical Corrections and Improvements to Financial Instruments – Overall". The amendments address a number of corrections and improvements to ASU 2016-01. For non-public entities, the amendments are effective for annual periods beginning after December 15, 2018. The adoption of this standard did not have a material effect on the Company's financial statements.

New Accounting Standards to be adopted

In June 2016, the FASB issue ASU 2016-13, which amends the guidance on impairment of financial instruments and significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The ASU will replace the existing "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost and require entities to record allowances for available-for-sale debt securities rather than reduce the carrying amount under the existing other-than-temporary-impairment model. The ASU is effective for annual reporting periods beginning after December 15, 2019.

In August 2018, the FASB issued ASU 2018-13, which changes the fair value measurement disclosure requirements of ASC 820. The amendments in this ASU are the result of a broader disclosure project called "FASB Concepts Statement, Conceptual Framework for Financial Reporting – Chapter 8: Notes to Financial Statements". The ASU is effective for accounting reporting periods beginning after December 15, 2019.

The Company has determined that all other recently issued pronouncements do not apply to its operations.

(Expressed in United States Dollars)

3. LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

(i) Gross loss and loss adjustment expense reserves and reinsurance recoverables comprise:

		2019		2018
Gross loss and loss adjustment expenses	$	80,630,813	$	79,948,418
Reinsurance recoverables		(51,773,441)		(52,855,064)
Net loss and loss adjustment expense reserves	$	28,857,372	$	27,093,354

(ii) Loss development table

The following changes have occurred in the loss and loss adjustment reserves:

		2019		2018
Net loss and loss adjustment expense reserves: beginning of year	$	27,093,354	$	26,544,806
Loss and loss expenses incurred related to losses occurring in:				
Current year		12,114,353		13,534,136
Prior year		4,012,513		3,281,518
Total loss and loss expenses incurred		16,126,866		16,815,654
Losses and loss expenses paid related to losses occurring in:				
Current year		1,518,467		3,049,384
Prior year		12,844,381		13,217,722
Total loss and loss expenses paid		14,362,848		16,267,106
Net loss and loss adjustment expense reserves: end of year	$	28,857,372	$	27,093,354

During 2019, loss and loss expenses incurred attributable to insured events in prior years total $4,012,513 (2018: $3,281,518). These losses principally represent the impact of continued strengthening of provisions for outstanding claims in respect of USA commercial automobile liability policies written by American Millennium Insurance Company in 2017 and prior years (2018: USA commercial automobile liability policies written by American Millennium Insurance Company during 2014, and a USA commercial trucking automobile liability quota share reinsurance program written by Citadel Reinsurance Company Limited between August 2012 and May 2014.)

(iii) Short Duration Contract Disclosures

The following is information about incurred and paid claims development as of December 31, 2019, net of reinsurance, as well as cumulative claim frequency and the total of incurred but not reported liabilities plus expected development on reported claims included within the net incurred claims amounts. Some of the information provided in the following tables, is Required Supplementary Information (RSI) under US GAAP, and therefore it does not form part of these consolidated audited financial statements. Claims development information for all periods except the current reporting period and any information derived from it – including average annual percentage payout of claims incurred – is considered RSI and is identified as RSI in the tables presented.

3. LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES (continued)

(iii) Short Duration Contract Disclosures (continued)

The Company has provided eight years claims development history in its initial application of ASU 2015-09, covering the accident years 2012 to 2019. In late 2011, the Citadel group of companies acquired its affiliate, American Millennium Insurance Company ("AMIC") which fundamentally changed the nature and scale of the group's operations. The following tables encompass the first full year of claims development following the acquisition of AMIC and management consider the determination of complete and accurate information prior to 2012 as impracticable.

The first table presents the estimated ultimate cost of claims and the development of claim payments for the accident years 2012 to 2019. For example, as reflected in the upper section of the table, the original estimated ultimate cost of claims of $454,000 with respect to the accident year 2012 was re-estimated to be $404,000 at December 31, 2019. The bottom half of the table shows the cumulative amounts paid during successive years related to each accident year, and with respect to the accident year 2012, by the end of 2019 $403,000 had actually been paid in settlement of claims.

The original estimates will be increased or decreased, as more information becomes known about the individual claims and overall claim frequency and severity. The Group aims to maintain reserves in respect of its general insurance and reinsurance business that protect against adverse future claims experience and development. The Group establishes reserves in respect of the current accident year (2019), where the development of claims is less mature, that allow for the greater uncertainty attaching to the ultimate cost of current accident year claims.

As claims develop and the ultimate cost of claims become more certain, the absence of adverse claims experience will result in a release of reserves from earlier accident years, or in the case of adverse claims experience a strengthening of reserves, as shown in the loss development table and movement tables above.

Management believes that the assumptions used when establishing its provision for loss and loss adjustment expenses represent a realistic and appropriate basis for estimating those reserves. However, these assumptions are subject to change and the Company continually reviews and adjusts its reserve estimates taking into account all currently known information and updated assumptions related to unknown information. The claims provisions established in 2019 and 2018 are reviewed by professional and independent actuaries and are consistent with the mid-range of ultimate loss ratios as determined by the actuaries.

3. LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES (continued)

(iii) Short Duration Contract Disclosures (continued)

Liability for Unpaid Claims and Claims Adjustment Expenses

US Workers Compensation Insurance

Incurred Losses and Loss Adjustment Expenses, Net of Reinsurance ($'000)

	Years ended December, 31								Total of IBNR, net of reinsurance	Cumulative Claim Count
	2012 note (i)	2013 note (i)	2014 note (i)	2015 note (i)	2016 note (i)	2017 note (i)	2018 note (i)	2019	2019	2019
Accident Year										
2012	454	414	444	420	419	410	403	404	1	196
2013		885	983	1,064	1,023	951	936	914	1	447
2014			1,132	1,115	1,113	1,193	1,257	1,345	45	632
2015				1,590	1,515	1,574	1,589	1,703	79	766
2016					1,905	1,846	1,639	1,650	204	831
2017						2,807	2,925	2,718	564	1,002
2018							778	678	235	211
2019								-	-	-
Total	454	1,299	2,559	4,189	5,975	8,781	9,527	9,412	1,129	4,085

Cumulative Paid Losses and Loss Adjustment Expenses, Net of Reinsurance ($'000)

	Years ended December, 31							
	2012 note (i)	2013 note (i)	2014 note (i)	2015 note (i)	2016 note (i)	2017 note (i)	2018 note (i)	2019
Accident Year								
2012	119	280	335	375	404	403	403	403
2013		292	604	785	871	914	913	913
2014			335	648	788	946	1,023	1,065
2015				606	1,002	1,181	1,387	1,495
2016					639	1,150	1,322	1,395
2017						1,035	1,892	2,050
2018							281	363
2019								-
								7,684
Reserves for losses and losses expenses, 2012 to 2019, net of reinsurance								1,728
Reserves for losses and losses expenses, before 2012, net of reinsurance								0
Reserves for losses and losses expenses, net of reinsurance								1,728

Note (i) Years ended December 31, 2012 to 2018 are Required Supplementary Information and are unaudited.

3. LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES (continued)

(iii) Short Duration Contract Disclosures (continued)

Liability for Unpaid Claims and Claims Adjustment Expenses

US Commercial Auto Liability Insurance

	Incurred Losses and Loss Adjustment Expenses, Net of Reinsurance ($'000) Years ended December, 31								Total of IBNR, net of reinsurance	Cumulative Claim Count
	2012 note (i)	2013 note (i)	2014 note (i)	2015 note (i)	2016 note (i)	2017 note (i)	2018 note (i)	2019	2019	2019
Accident Year										
2012	2,308	2,793	2,649	3,091	3,099	3,044	3,078	3,078	-	675
2013		1,856	1,991	2,049	2,300	2,322	2,322	2,310	-	1,124
2014			2,253	2,248	3,064	3,336	3,188	3,428	30	1,331
2015				3,173	3,523	4,493	5,418	5,474	50	1,424
2016					7,894	7,867	8,477	9,711	471	2,425
2017						7,322	7,572	8,966	903	2,403
2018							7,597	8,752	2,169	2,203
2019								5,812	3,734	1,324
Total	2,308	4,649	6,893	10,561	19,880	28,384	37,652	47,531	7,357	12,909

	Cumulative Paid Losses and Loss Adjustment Expenses, Net of Reinsurance ($'000) Years ended December, 31							
	2012 note (i)	2013 note (i)	2014 note (i)	2015 note (i)	2016 note (i)	2017 note (i)	2018 note (i)	2019
Accident Year								
2012	990	1,444	1,901	2,701	2,985	3,019	3,077	3,078
2013		688	1,051	1,483	2,071	2,274	2,309	2,308
2014			529	1,031	1,712	2,962	2,970	3,158
2015				648	1,587	3,449	4,553	5,164
2016					1,381	3,581	5,579	7,972
2017						1,396	3,356	6,357
2018							1,188	4,413
2019								1,065
								33,515
Reserves for losses and losses expenses, 2012 to 2019, net of reinsurance								14,016
Reserves for losses and losses expenses, before 2012, net of reinsurance								-
Reserves for losses and losses expenses, net of reinsurance								14,016

Note (i) Years ended December 31, 2012 to 2018 are Required Supplementary Information and are unaudited.

3. LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES (continued)

(iii) Short Duration Contract Disclosures (continued)

Liability for Unpaid Claims and Claims Adjustment Expenses

Reinsurance Assumed

	Incurred Losses and Loss Adjustment Expenses, Net of Reinsurance ($'000)								
	Years ended December, 31								Total of IBNR, net of reinsurance
	2012 note (i)	2013 note (i)	2014 note (i)	2015 note (i)	2016 note (i)	2017 note (i)	2018 note (i)	2019	2019
Accident Year									
2012	5,977	6,300	6,185	6,099	6,109	6,072	6,001	6,220	24
2013		8,576	8,383	13,588	18,741	19,600	19,664	19,822	44
2014			10,010	11,877	14,233	15,239	16,344	16,466	479
2015				5,558	5,506	5,455	5,761	6,070	140
2016					4,037	4,026	3,586	3,292	379
2017						5,928	6,469	6,040	1,259
2018							5,159	5,175	1,968
2019								6,251	4,546
Total	5,977	14,876	24,578	37,122	48,626	56,320	62,984	69,336	8,839

	Cumulative Paid Losses and Loss Adjustment Expenses, Net of Reinsurance ($'000)							
	Years ended December, 31							
	2012 note (i)	2013 note (i)	2014 note (i)	2015 note (i)	2016 note (i)	2017 note (i)	2018 note (i)	2019
Accident Year								
2012	1,096	2,957	3,969	4,878	5,382	5,537	5,799	6,020
2013		1,080	43	4,889	13,295	18,114	19,430	19,807
2014			1,401	3,207	8,703	12,590	14,306	14,531
2015				3,331	4,084	4,558	5,307	5,647
2016					1,030	2,038	2,580	2,798
2017						1,800	3,817	4,421
2018							1,581	2,564
2019								438
								56,226
Reserves for losses and losses expenses, 2012 to 2019, net of reinsurance								13,110
Reserves for losses and losses expenses, before 2012, net of reinsurance								3
Reserves for losses and losses expenses, net of reinsurance								13,113

Note (i) Years ended December 31, 2012 to 2018 are Required Supplementary Information and are unaudited.

3. LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES (continued)

(iv) Reconciliation of Loss Development Information to the Reserves for Losses and Loss Expenses

The reconciliation of the net incurred and paid claims development tables to the liability for claims and claim adjustment expenses in the consolidated statement of financial position at December 31, 2019 is as follows:

($'000s)	Net outstanding losses and loss expenses	Loss reserves recoverable	Gross outstanding losses and loss expenses
US Workers Compensation	1,728	372	2,100
US Commercial Auto Liability	14,016	48,117	62,133
Reinsurance Assumed	13,113	3,284	16,397
Total outstanding losses and losses expenses	28,857	51,773	80,630

(v) Claims Duration

The following table presents unaudited supplementary information about average historical claims duration as of December 31, 2019 based on cumulative incurred and historical paid losses and allocated loss adjustment expense patterns presented above.

	Average Annual Percentage Payout of Incurred Losses by Age (in Years)							
	1	2	3	4	5	6	7	8
US Workers Compensation	35.3%	27.9%	10.7%	8.7%	5.2%	1.5%	10.7%	-
US Commercial Auto Liability	16.6%	22.9%	22.7%	22.3%	9.3%	2.5%	3.7%	-
Reinsurance	17.0%	12.7%	20.6%	24.6%	14.5%	3.5%	7.1%	-

(vi) Reinsurance credit risk

The Group uses reinsurance and retrocessional reinsurance to manage its net retention on individual risks as well as overall exposure to losses while providing it with the ability to offer policies with sufficient limits to meet policyholder needs. In a reinsurance transaction, an insurance company transfers, or cedes, all or part of its exposure in return for a portion of the premium. In a retrocessional reinsurance transaction, a reinsurance company transfers, or cedes, all or part of its exposure in return for a portion of the premium. The ceding of insurance does not legally discharge the Group from its primary liability for the full amount of the policies, and the Group will be required to pay the loss and bear collection risk if the reinsurer fails to meet its obligations under the reinsurance or retrocessional agreement.

A credit risk exists with ceded reinsurance to the extent that any reinsurer is unable to meet the obligations assumed under the reinsurance or retrocessional contracts. Allowances of $147,000 have been established for amounts deemed uncollectible at December 31, 2019 (2018: $nil).

The Group evaluates the financial condition of its reinsurers on a regular basis and also monitors concentrations of credit risk with reinsurers. As at December 31, 2019, the reinsurance balance recoverable on unpaid losses and loss expenses was $51,773,441 (2018: $52,855,064) and the reinsurance balance recoverable on paid losses was $14,537,452 (2018: $5,702,429). All reinsurance premiums ceded and reinsurance recoverable are either fully collateralized or placed with reinsurers that are rated A- or greater by A.M. Best.

(Expressed in United States Dollars)

4. INVESTMENTS

	2019	2018
Held-for-trading, at fair value	$ 4,782,421	$ 2,203,435
Held-to-maturity, at amortized cost	23,983,476	27,301,016
	$ 28,765,897	$ 29,504,451

Held-for-trading

	2019 Fair value	2018 Fair value
Ordinary shares	$ 1,889,268	$ 1,500,471
Preferred shares	1,405,581	702,964
Corporate and Municipal Bonds	1,297,604	-
Treasury notes	189,968	-
	$ 4,782,421	$ 2,203,435

Held-to-maturity

The amortized cost, gross unrealized gains and losses and estimated fair value of held-to-maturity investments as of December 31, 2019 and 2018, are as follows:

	2019			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair Value
Preferred shares	$ 1,028,325	$ 111,690	$ (3,809)	$ 1,136,206
Floating notes	906,656	-	-	906,656
Corporate bonds	15,511,350	296,773	(207,475)	15,600,648
Treasury notes	6,537,145	83,344	(35,867)	6,584,622
	23,983,476	491,807	(247,151)	24,228,132

	2018			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair Value
Preferred shares	$ 1,274,055	$ 71,951	$ (45,562)	$ 1,300,444
Floating notes	970,716	39,245	(41,596)	968,365
Corporate bonds	20,338,671	24,223	(608,034)	19,754,860
Treasury notes	4,717,574	24,065	(93,824)	4,647,815
	$ 27,301,016	$ 159,484	$ (789,016)	$ 26,671,484

(Expressed in United States Dollars)

4. INVESTMENTS (continued)

The investment portfolio is managed following prudent standards of diversification across counterparties, issuers, asset classes and geographical regions. Investment guidelines are designed to limit the holdings of a single issue and issuer, control non-US dollar currency exposure and minimize sovereign risk. At December 31, 2019, 91% (2018 - 89%) of the fair value of the held-for-trading and held-to-maturity fixed and floating income portfolio was rated investment grade (considered equivalent to Standard & Poor's' credit rating of BBB or above).

Fair value hierarchy – Held-for-trading

The following table represents the fair value hierarchy for the Company's Held-for-trading investments measured at fair value as at December 31, 2019:

	2019			
	Level 1	Level 2	Level 3	Total
Ordinary shares	$ 1,889,268	$ –	$ –	$ 1,889,268
Preferred shares	1,405,581	–	–	1,405,581
Corporate and Municipal bonds	–	1,297,604	–	1,297,604
Treasury funds	–	189,968	–	189,968
	$ 3,294,849	$ 1,487,572	$ –	$ 4,782,421

The following table represents the fair value hierarchy for the Company's Held-for-trading investments measured at fair value as at December 31, 2018:

	2018			
	Level 1	Level 2	Level 3	Total
Ordinary shares	$ 1,500,471	$ –	$ –	$ 1,500,471
Preferred shares	702,964	–	–	702,964
	$ 2,203,435	$ –	$ –	$ 2,203,435

Fair value hierarchy – Held-to maturity

The following table represents the fair value hierarchy for the Company's Held-to-maturity investments measured at fair value as at December 31, 2019:

	2019			
	Level 1	Level 2	Level 3	Total
Preferred shares	$ 1,136,206	$ –	$ –	$ 1,136,206
Floating notes	–	906,656	–	906,656
Corporate and Municipal bonds	–	15,600,648	–	15,600,648
Treasury funds	–	6,584,622	–	6,584,622
	$ 1,136,206	$ 23,091,926	$ –	$ 24,228,132

(Expressed in United States Dollars)

4. INVESTMENTS (continued)

The following table represents the fair value hierarchy for the Company's Held-to-maturity investments measured at fair value as at December 31, 2018:

	2018			
	Level 1	Level 2	Level 3	Total
Preferred shares	$ 1,300,444	$ –	$ –	$ 1,300,444
Floating notes	–	968,365	–	968,365
Corporate and Municipal bonds	–	19,754,860	–	19,754,860
Treasury funds	–	4,647,815	–	4,647,815
	$ 1,300,444	$ 25,371,040	$ –	$ 26,671,484

<u>Investments:</u>

The Company did not impair its investment in the Held-to-maturity portfolio in 2019 or 2018. The Company considers impairment as other than temporary if evidence indicating that an investment's cost is recoverable within a reasonable period of time is outweighed by evidence to the contrary. The Company also considers its ability and intent to hold an investment until such recovery of the security's fair value. Recognition of impairment losses for declines in the value of securities attributable to issuer-specific events are based upon all relevant facts and circumstances for each investment. Factors considered by management include, but are not limited to, the impact of issuer-specific events, dividend flow, industry-specific events, current and expected future market and economic conditions, the nature of the investment, the severity and duration of the impairment and the volatility of the security's market price.

The amortized cost and estimated fair value amounts for preferred shares and corporate bonds held at December 31, 2019 and December 31, 2018 are shown by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

There were no securities transferred between Level 1, Level 2 or Level 3 during the years ended December 31, 2019 and 2018.

<u>Cash and cash equivalents:</u>
The carrying amounts reported in the Consolidated Balance Sheets for Cash and cash equivalents represent their estimated fair values.

(Expressed in United States Dollars)

4. INVESTMENTS (continued)

The maturity distribution for fixed maturities held as of December 31, 2019 was:

	Held-to-maturity		Held-for-trading
	Amortized cost **2019**	Fair value **2019**	Fair value **2019**
Due within one year	$ 3,673,551	$ 3,678,820	$ 374,782
Due after one year through five years	10,821,062	11,080,094	2,410,315
Due after five years	8,582,208	8,562,561	108,057
	$ 23,076,821	$ 23,321,475	$ 2,893,154

The maturity distribution for fixed maturities held as of December 31, 2018 was:

	Held-to-maturity		Held-for-trading
	Amortized cost **2018**	Fair value **2018**	Fair value **2018**
Due within one year	$ 3,807,897	$ 3,794,549	$ -
Due after one year through five years	12,246,937	12,169,653	-
Due after five years	10,275,466	9,738,917	702,964
	$ 26,330,300	$ 25,703,119	$ 702,964

Excluded from the above table are floating rate note securities Held-to maturity, with a fair value of $906,656 as of December 31, 2019 (2018 - $968,365). The interest rates are reset quarterly, based on a margin over the Australian 90-day bank bill benchmark rate. Most of these securities have passed early redemption dates and can be redeemed at any time by the issuer of the securities. In such cases, this would be taken as the maturity date.

Credit Risk

The Company aims to maintain a diversified investment portfolio including issuer and sector stratification. The largest exposures to credit concentration risk of single issuers as a percentage of the Company's total investments are as follows:

Concentration of Credit Risk	Fair Value $	% of total Investments
US Treasury Notes & Bonds	4,816,025	16.6%
Federal National Mortgage Association	1,220,317	4.2%
Flaherty & Crumrine	1,026,228	3.5%
Lincoln National Corporation	905,999	3.1%
Citigroup Inc	769,803	2.7%
Bank of America Corp	672,450	2.3%
National Australia Bank	653,200	2.3%
AllState Corp	605,090	2.1%
Fulton Financial Co	592,661	2.0%
JPMorgan Chase & Co	582,145	2.0%

As at December 31, 2019 Cash and cash equivalents are held with 20 financial institutions (2018 – 22).

(Expressed in United States Dollars)

5. ACQUISITIONS AND GOODWILL

The Company accounts for acquisitions using the acquisition method of accounting, which requires that the acquirer recognize and measure the identifiable assets acquired and liabilities assumed at their acquisition-date fair values.

During the year ended December 31, 2016, the Company recorded goodwill of $504,145 for the acquisition of Citadel Management Bermuda Limited (formerly Cedar Management Limited) and $42,783 for the acquisition of Cedar Consulting, LLC.

During the year ended December 31, 2011, the Company recorded $1,633,739 of goodwill on the determination of the final purchase price of the acquisition of American Millennium Insurance Company.

The Company has determined that no impairment of goodwill exists as of December 31, 2019 and 2018.

6. UNEARNED PREMIUMS AND DEFERRED ACQUISITION COSTS

	2019	2018
Gross unearned premiums provision	$ 30,985,175	$ 24,863,065
Prepaid reinsurance premiums provision	(21,469,390)	(18,066,936)
Net unearned premiums provision	9,515,785	6,796,129
Deferred policy acquisition costs	(6,494,034)	(5,629,930)
Deferred ceding commission income	6,167,719	5,374,661
Net deferred acquisition costs	(326,315)	(255,269)

7. SHARE CAPITAL

Share capital is comprised of the following authorized, issued and fully paid shares of the par value $1 each:

	2019	2018
Common shares (20,000,000 shares in 2019 and 2018)	$ 20,000,000	$ 20,000,000

A dividend of $500,000 was declared and paid during 2019 (2018 - $nil).

8. PLEDGED ASSETS

Pursuant to its assumed reinsurance arrangements, the Company is required to provide its ceding companies with collateral to secure its obligations to them. The Company has provided its ceding companies with insurance trusts with cash and cash equivalents amounting to $411,927 at December 31, 2019 (2018 - $1,935,000) and with investments with a carrying value of $3,512,216 at December 31, 2019 (2018 - $nil).

In addition, pledged but unmatched cash and cash equivalents at December 31, 2019 of $378,326 (2018: $862,211) and investments with a carrying value at December 31, 2019 of $1,446,120 (2018: $911,754) have been deposited with US financial institutions to meet licensing requirements of USA states in which the Group is licensed to operate.

(Expressed in United States Dollars)

9. TAXATION

The Company is incorporated in Bermuda, and under current Bermuda law, is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event of such taxes being imposed the Company will be exempted from taxation until the year 2035. The Company is subject to withholding tax on investment income from foreign securities.

The Company's subsidiaries that are based in the United States and the United Kingdom are subject to the tax laws of those jurisdictions and the jurisdictions in which they operate.

The components of income tax (credit) expense were as follows:

		2019		2018
Current tax (benefit) / expense	$	(375,883)	$	392,167
Deferred tax (benefit) / expense		(130,210)		(246,329)
Total tax (benefit) / expense	$	(506,093)	$	145,838

At December 31, 2019, the Company had recorded:

- total tax receivables of $1,792,925 within accounts receivable and accrued interest (2018 - $1,285,899) including total deferred tax assets of $1,018,602 (2018 - $888,392), and
- total tax payables of $420,367 in accounts payable and accruals (2018 - $480,471).

The Company has not recorded any interest or penalties during the years ended December 31, 2019 and 2018.

Deferred income taxes reflect net operating loss carry forwards and the tax impact of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for income tax purposes. The significant components of the net deferred tax assets and liabilities as of December 31, 2019 and 2018 are as follows:

		2019		2018
Outstanding losses and loss expenses	$	160,150	$	123,528
Unearned premiums		350,277		295,291
Net operating loss carry forwards		452,436		222,404
Other		149,578		201,412
Unrealized losses		30,200		45,757
Total deferred tax assets		1,142,641		888,392
Valuation allowance		(124,039)		-
Total deferred tax assets net of valuation allowance	$	1,018,602	$	888,392

As of December 31, 2019, the Company has a net deferred tax asset of $452,436 (2018 - $222,404) generated by net operating loss carry forwards ("NOLs") of approximately $1,810,318 (2018 - $1,092,382) relating to Federal and State NOLs in the United States expiring through to the year 2036. The assets are recognized at the relevant Federal and State tax rates.

Realization of deferred tax assets associated with the NOLs is dependent upon generating sufficient taxable income prior to their expiration. Although realization is not assured, management believes it is more likely than not that the results of future operations will generate sufficient taxable income to realize the net balance of deferred tax assets carried forward. A valuation allowance of $124,039 has been established to reflect management's estimate of the temporary deductible differences that may expire prior to their utilization has been recorded at December 31, 2019. The total deferred tax assets net of valuation allowance are included within accounts receivable and accrued interest.

10. RELATED PARTY TRANSACTIONS

Included in accounts payable and accruals are advances made by affiliated companies totaling $38,057 (2018 - $45,986).

Included in accounts receivable and accrued interest are advances made to the parent company and affiliates totaling $3,694,860 (2018 - $3,812,037). The advances are non-interest bearing and repayable on demand.

11. CONTINGENCIES AND COMMITMENTS

The Company is liable on reinsurance ceded to the extent that the companies to which the business is ceded do not meet their contractual obligations. In the opinion of management, no loss to the Company is expected to arise in the future as a result of reinsurance ceded.

12. NON-CONTROLLING INTEREST

In connection with the Company's co-investments in Great Falls Insurance Company, Great Falls Holding Company has issued ordinary shares to a non-controlling interest. These shares represent an 18.38% (2018 - 18.38%) ownership interest in Great Falls Holding Company and the carrying value of that interest is presented in Equity.

In connection with the Company's acquisition of Citadel Management Bermuda Limited (formerly Cedar Management Limited) on February 29, 2016, non-controlling interests also own shares in this company. These shares represent a 49.0% (2018 - 49.0%) ownership interest and the carrying value of that interest is presented in Equity.

In connection with CRMI's acquisition of Cedar Consulting, LLC on February 29, 2016, non-controlling interests also hold interests in this company. These interests represent a 49.0% (2018 - 49.0%) ownership interest and the carrying value of that interest is presented in Equity.

13. STATUTORY REQUIREMENTS

As a registered insurance company under the Bermuda Insurance Act 1978 Act ("the Act"), the Company is required to prepare Statutory Financial Statements and to file a Statutory Financial Return each year. The Act also requires the Company to meet certain minimum capital and surplus requirements. To satisfy these requirements, the Company was required to maintain a minimum level of statutory capital and surplus of $2,805,530 at December 31, 2019 (2018 - $2,213,365). The Company's statutory capital and surplus was $22,544,057 at December 31, 2019 (2018 - $21,937,886). The Company is also required to maintain a minimum liquidity ratio whereby the value of its relevant assets is not less than 75% of the amount of its relevant liabilities. At December 31, 2019 the Company's relevant assets of $26,744,805 exceed 75% of the relevant liabilities of $25,743,285 which is $19,307,464 and the minimum liquidity ratio is therefore met.

For Commercial insurers, payments of dividends exceeding 25% of total statutory capital and surplus in previous years' financial statements, require a directors' affidavit to be filed with the Registrar at least 7 days before payment stating the company would comply with requirements for solvency margins laid down per Section 31B of Insurance Act 1978.

The National Association of Insurance Commissioners (NAIC) requires the Company's two affiliates, American Millennium Insurance Company and Great Falls Insurance Company to submit annual risk-based capital filings. The filings are intended to help the regulators identify insurers that are in financial difficulty by establishing minimum capital needs based upon risks applicable to the operations of the specific insurer. At December 31, 2019 and December 2018, the capital and surplus of both affiliates were in excess of their respective risk based capital and minimum capital and surplus requirements.

13. STATUTORY REQUIREMENTS (continued)

Under a consent order issued by the New Jersey Banking and Insurance Department dated August 31, 1991, payment of dividends by American Millennium Insurance Company requires the prior approval of the New Jersey Department of Banking and Insurance. There have been no dividends declared or paid by the Company during 2019 and 2018.

Under the laws of the State of Maine, USA, Great Falls Insurance Company may not pay dividends to stockholders from any source other than statutory unassigned surplus. At December 31, 2019 and 2018 the Company has unassigned surplus of $1,573,764 and $1,707,893 respectively.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 31, 2020, which is the date the December 31, 2019 financial statements were available to be issued.

On July 23, 2020, the Company sold its 51.0% ownership share in Citadel Management Bermuda Limited and CRMI sold its 51.0% of the interests held in Cedar Consulting, LLC, to affiliates of the Davies Group.

Since December 31, 2019 many countries have experienced an outbreak of the Covid-19 virus and on March 11, 2020, the World Health Organization declared the disease to be a global pandemic. The situation is developing rapidly and the long-term impact of this pandemic on the global economy is unclear at this time. The Company mainly writes US Commercial Automobile Liability, General Third-Party Liability business and Surety business through the US subsidiaries and parent company, which may be adversely affected by the pandemic. Citadel's management is monitoring the developments closely. Areas within the financial statements that could be materially impacted include the Loss and loss adjustment expense reserves, amounts recoverable from reinsurers and the fair market value of investments, all of which could change meaningfully. These impacts cannot be reasonably estimated at this time.