CITADEL REINSURANCE COMPANY LIMITED

Consolidated Financial Statements

(With Independent Auditor’s Report Thereon)
Years Ended December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Citadel Reinsurance Company Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows, for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Predecessor Auditor's Opinion on 2020 Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2020 were audited by another auditor whose report, dated August 27, 2021, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a period of one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the disclosure of short-duration contracts included in Note 3 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 Stated 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 financial statements, and other knowledge we obtained during our audit of the basic 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.

Deloitte Ltd.

August 4, 2022

CITADEL REINSURANCE COMPANY LIMITED

Consolidated Balance Sheets

December 31, 2021 and 2020
(Expressed in United States Dollars)

	Note	As at December 31,	
		2021	**2020**
ASSETS			
Cash and cash equivalents		$ 25,059,643	$ 28,106,684
Investments	4	29,797,004	23,816,792
Accounts receivable and accrued interest		9,847,137	7,576,217
Insurance and reinsurance balances receivable		14,564,190	13,111,902
Reinsurance recoveries on paid losses	3	12,077,367	10,731,054
Reinsurance recoverable	3	74,872,819	65,789,652
Prepaid reinsurance premiums		22,280,059	18,829,932
Deferred acquisition costs		9,791,675	7,601,871
Fixed assets		213,992	298,663
Goodwill	5	-	1,633,739
Total assets		198,503,886	177,496,506
LIABILITIES			
Loss and loss adjustment expense reserves	3	115,173,968	104,477,612
Unearned premiums		37,941,409	32,839,204
Deferred ceding commission income		6,599,536	4,965,964
Insurance and reinsurance balances payable		17,958,520	14,981,624
Accounts payable and accrued expense		2,205,260	2,752,281
Total liabilities		179, 878,693	160,016,685
EQUITY			
Share capital	7	20,000,000	20,000,000
Accumulated losses		(3,237,484)	(2,385,351)
Equity attributable to shareholder of Citadel Reinsurance Company Limited		16,883,516	17,614,649
Noncontrolling interests in subsidiaries		1,862,677	(134,828)
Total equity		18,625,193	17,479,821
Total equity and liabilities		$ 198,503,886	$ 177,496,506

See accompanying notes to consolidated financial statements

Signed on behalf of the Board

______________________________ Director

______________________________ Director

CITADEL REINSURANCE COMPANY LIMITED

Consolidated Statements of Operations

December 31, 2021 and 2020
(Expressed in United States Dollars)

	Note	For the years ended December 31, 2021	2020
REVENUES			
Gross premiums written		$ 71,696,473	$ 63,017,705
Premiums ceded		(45,725,757)	(34,270,199)
Net premiums written		25,970,716	28,747,506
Change in net unearned premiums		(1,779,891)	(4,401,434)
Net premiums earned		24,190,825	24,346,072
Net investment income		771,686	894,991
Net realized and unrealized gains on investments		227,153	426,441
Other income		5,851,361	5,178,009
Total revenues		31,041,025	30,845,513
EXPENSES			
Loss and loss adjustment expenses		17,921,497	25,392,044
Net acquisition costs		3,752,071	2,800,618
General and administrative expenses		9,338,408	10,661,797
Net foreign exchange gains		(60,149)	(113,726)
Impairment of goodwill	5	1,633,739	-
Total expenses		32,585,566	38,740,733
Loss before income tax		(1,544,541)	(7,895,220)
Income tax (expense) benefit	9	(103)	623,535
Net Loss		(1,544,644)	(7,271,685)
Profit (Loss) attributable to noncontrolling interests		16,450	(9,165)
Net loss attributable to shareholder of Citadel Reinsurance Company Limited		$ (1,561,094)	$ (7,262,520)

See accompanying notes to consolidated financial statements

CITADEL REINSURANCE COMPANY LIMITED

Consolidated Statements of Changes in Shareholder's Equity

December 31, 2021 and 2020
(Expressed in United States Dollars)

	Shareholder's equity			
	Total equity	**Retained earnings / (accumulated losses)**	**Share capital** (Note 7)	**Noncontrolling interest in subsidiaries** (Note 12)
Balance at December 31, 2019	$ 24,928,924	$ 4,877,169	$ 20,000,000	$ 51,755
Net Loss	(7,271,685)	(7,262,520)	–	(9,165)
Other movements	(177,418)	–	–	(177,418)
Balance at December 31, 2020	17,479,821	(2,385,351)	20,000,000	(134,828)
Net loss	(1,544,644)	(1,561,094)	–	16,450
Other movements	2,690,016	708,961	–	1,981,055
Balance at December 31, 2021	$ 18,625,193	$ (3,237,484)	$ 20,000,000	$ 1,862,677

See accompanying notes to consolidated financial statements

CITADEL REINSURANCE COMPANY LIMITED

Consolidated Statements of Cash Flows

December 31, 2021 and 2020
(Expressed in United States Dollars)

	For the years ended December 31, 2021	2020
Cash flows from operating activities:		
Net Loss	$ (1,544,644)	$ (7,271,685)
Adjustments for:		
Net realized and unrealized gains on investments	(227,152)	(426,441)
Net unrealized foreign exchange losses	3,720	123,704
Depreciation expense	94,077	125,271
Profit on partial sale of subsidiary	690,016	(978,435)
Impairment of goodwill	1,633,739	–
Changes in assets and liabilities:		
Accounts receivable and accrued interest	(2,270,920)	173,966
Insurance balances receivable	(1,452,288)	(3,811,338)
Reinsurance balances receivable	(1,346,313)	3,806,398
Reinsurance recoverable on loss and loss adjustment expense reserves	(9,083,167)	(14,016,211)
Loss and loss adjustment expense reserves	10,696,356	23,846,800
Unearned premiums	5,102,205	1,854,029
Deferred ceding commission income	1,633,572	(1,201,755)
Prepaid reinsurance premiums	(3,450,127)	2,639,458
Deferred acquisition costs	(2,189,804)	(1,107,837)
Insurance and reinsurance balances payable	2,976,896	(1,761,738)
Accounts payable and accrued expenses	(547,021)	265,966
Net cash provided by operating activities	719,145	2,260,152
Cash flows from investing activities:		
Proceeds on maturity and disposal of investments	13,718,428	15,458,498
Purchases of investments	(19,475,208)	(10,206,656)
Proceeds from partial sale of subsidiary	1,000,000	1,347,945
Purchases of fixed assets	(9,406)	(10,350)
Net cash (used in) provided by investing activities	(4,766,186)	6,589,437
Cash flows from financing activities:		
Proceeds from issue of shares by subsidiary	1,000,000	–
Net cash provided by financing activities	1,000,000	-
Increase (decrease) in cash and cash equivalents	(3,047,041)	8,849,589
Cash and cash equivalents - beginning of year	28,106,684	19,257,095
Cash and cash equivalents - end of year	$ 25,059,643	$ 28,106,684
Comprised of:		
Unrestricted cash and cash equivalents	18,106,353	19,934,052
Restricted cash and cash equivalents	6,953,290	8,172,632
Supplementary notes:		
Consolidated net income tax payments	34,900	70,888

See accompanying notes to consolidated financial statements

1. NATURE OF BUSINESS

Citadel Reinsurance Company Limited ("Citadel Re"), which underwrites primarily 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"). Citadel Re is managed and has its principal place of business in Bermuda. Together with its subsidiaries (collectively referred to as the "Company" or the "Group") the Group provides innovative solutions to regional and specialty insurers in Europe and the United States ("US").

The Group'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 ("US GAAP"). 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 other-than-temporary impairment of investments;
- Loss and loss adjustment expense reserves;
- Recoverability of acquisition costs;
- Insurance and reinsurance balances recoverable;
- Recoverability of deferred tax assets; and
- Determination impairment of goodwill.

Certain reclassifications have been made to prior year amounts to conform to the 2020 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 subsidiaries,

In November 2021, Citadel Reinsurance Company Limited sold a 9.9% stake in Citadel Risk Holdings Inc ("CRHI") to a third party for $2,650,000. The balance of proceeds outstanding at December 31, 2021 of $1,650,000 is recognised in Accounts receivable and accrued interest. In 2021, CRHI issued shares representing a 3.75% stake in its share capital to a third party for $1,000,000 cash.

Citadel International Reinsurance Company Limited ("CIRCL") is a segregated accounts company, incorporated in Bermuda. There are eighteen segregated cells (2020 - seventeen) within CIRCL, two of which (2020 - 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 noncontrolling 35% interest is accrued on the balance sheet.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation (continued)

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss and Loss Adjustment Expense Reserves (continued)

Management believes that the provision for losses and loss adjustment expenses at December 31, 2021 is reasonable to cover the ultimate net cost of losses incurred on a gross and net basis, 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.

Reinsurance

Reinsurance premiums and loss and loss adjustment expenses ceded to other companies are accounted for on a basis consistent with those used in accounting for original policies issued and pursuant to the terms of the reinsurance contracts. The Company records premiums earned and loss and loss adjustment expenses incurred and ceded to other companies as reduction of premium revenue and loss and loss adjustment expenses. The Company accounts for commissions allowed by reinsurers on business ceded as ceding commission, which is a reduction of acquisition costs and other underwriting expenses. The Company earns commissions on reinsurance premiums ceded in a manner consistent with the recognition of the earned premium on the underlying insurance policies, on a pro-rata basis over the terms of the policies reinsured. Reinsurance recoverable relate to the portion of reserves and paid loss and LAE that are ceded to other companies. The Company remains contingently liable for all loss payments in the event of failure to collect from reinsurers.

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.

Noncontrolling Interests

The Company accounts for its noncontrolling interests in accordance with ASC Topic 810 "Consolidations" and presents such noncontrolling shareholders' interest in the equity section of the Consolidated Balance Sheets. Net income (loss) attributable to noncontrolling interests is presented separately in the Consolidated Statements of Operations.

Cash and Cash Equivalents

The Company maintains its cash accounts in several banks and other financial institutions. Cash equivalents consist of investments in money market funds and short-term, highly liquid investments maturing in less than 90 days and are stated at cost, which approximates fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 944, *"Financial Services - Insurance"* ("ASC 944"), 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 a component of investment income in the accompanying consolidated statements of operations.Purchases and sales of investments are recorded on a trade date basis. Realized gains or losses on sales of investments are determined based on the first in first out cost method. Net investment income is recognized when earned and includes interest and dividend income together with amortization of market premiums and discounts using the effective yield method and is net of investment management fees.

Fair Value of Financial Instruments

ASC Topic 820, "Fair Value Measurements and Disclosures" ("ASC 820") defines fair value as the price that would be received upon the sale of an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between open market participants at the measurement date. Additionally, ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into three levels based on the reliability of inputs 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; and

Level 3 – Valuations based on models where significant inputs are unobservable. The unobservable inputs generally reflect our own assumptions about assumptions that market participants would use.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Taxation

The Company accounts for income taxes using ASC Topic 740 "Income Taxes" for its subsidiaries operating in taxable jurisdictions.

Deferred income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes. A valuation allowance is recorded if it is more likely than not that some or all of a deferred tax asset may not be realized. The Company considers future taxable income and feasible tax planning strategies in assessing the need for a valuation allowance. In the event the Company determines that it will not be able to realize all or part of its deferred income tax assets in the future, an adjustment to the deferred income tax assets would be charged to income in the period in which such determination is made. In addition, if the Company subsequently assesses that the valuation allowance is no longer needed, a benefit would be recorded to income in the period in which such determination is made. U.S. GAAP allows for the recognition of tax benefits of uncertain tax positions only where the position is more likely than not to be sustained assuming examination by tax authorities. A liability is established for any tax benefit claimed in a tax return in excess of this threshold. Income tax related interest and penalties would be included as income tax expense. The Company has not recorded or accrued any interest or penalties during the years ended December 31 2021 and 2020..

Other revenue recognition

Revenues are derived by the Company's subsidiaries from segregated account rental and management fees and third-party administration services. Contracts govern each source of revenue and set out the performance obligations of the subsidiaries. Income is recognized evenly during the financial year, except where a new management agreement is entered into, or an existing management agreement is terminated during a financial year, in which case the fee income is recognized on a pro-rata basis in the year of inception/termination. The even spread of income recognition is intended to match the performance obligations which are typically spread evenly across the duration of the contract.

Fiduciary Assets and Liabilities

The assets and liabilities of the segregated cells of CIRCL that are not consolidated were $122,678,367 and $96,660,615 at December 31, 2021 and 2020, respectively. CIRCL is not a principal to, or has any rights, under the reinsurance contracts or other transactions within these segregated cells. Accordingly, since these are not assets and liabilities of CIRCL they are not included in the accompanying Consolidated Balance Sheets.

New Accounting Standards adopted during the year

In February 2016, the FASB issued ASU 2016-02, Leases, and, in July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases and ASU 2018-11, Leases. ASU 2016-02 requires lessees to recognise operating leases on balance sheet through a lease asset and a related financial liability. The standard update is effective for annual periods beginning after December 15, 2021. The ASU does not have a material impact on the Company's consolidated financial statements.

New Accounting Standards to be adopted

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments, which requires loans, receivables and available-for-sale debt securities to record credit losses through an allowance for credit losses account. The update introduces a new impairment model, known as the current expected credit loss model, which is based on expected losses rather than incurred losses. Under the new credit loss model, the Group will be required to recognise an allowance for its expected credit losses on certain financial assets including trade receivables, debt instruments not measured at fair value, and reinsurance receivables. Available-for-sale debt securities will record credit losses through an allowance for credit losses, which will be limited to the amount by which fair value is below amortised cost. The Group is currently assessing the impact of the standard on the consolidated financial statements. The standard update is effective for annual periods beginning after January 2023.

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 recoverable comprise:

	2021	2020
Gross loss and loss adjustment expense reserves	$ 115,173,968	$ 104,477,612
Reinsurance recoverable	(74,872,819)	(65,789,652)
Net loss and loss adjustment expense reserves	$ 40,301,149	$ 38,687,960

(ii) Loss development table

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

	2021	2020
Net loss and loss adjustment expense reserves - beginning of year	$ 38,687,960	$ 28,857,372
Loss and loss expenses incurred related to losses occurring in:		
Current year	18,808,725	12,679,878
Prior years	(887,228)	12,712,166
Total loss and loss expenses incurred	17,921,497	25,392,044
Losses and loss expenses paid related to losses occurring in:		
Current year	1,560,146	1,302,057
Prior years	14,748,162	14,259,399
Total loss and loss expenses paid	16,308,308	15,561,456
Net loss and loss adjustment expense reserves - end of year	$ 40,301,149	$ 38,687,960

During 2021, the positive development of loss and loss expenses incurred attributable to insured events in prior years totaled $887,228 (2020: Adverse development of $12,712,166). These losses principally represent the impact of an aggregate stop loss effective from April 1, 2021 which significantly reduces the likelihood of future possible adverse development on business produced for the Company's subsidiary, American Millennium Insurance Company ("AMIC") by Texas managing general agents.

(iii) Short Duration Contract Disclosures

The following is information about incurred and paid claims development as of December 31, 2021, 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 nine years claims development history in its initial application of ASU 2015-09, covering the accident years 2012 to 2021. In late 2011, Citadel Re acquired AMIC which fundamentally changed the nature and scale of the Group's operations. The following tables encompass the first full year of claims development of the three principal classes of the Group's insurance and reinsurance operations following the acquisition of AMIC. Management consider the determination of complete and accurate information prior to 2012 as impracticable.

The first table below presents the estimated ultimate cost of claims and the development of claim payments for the accident years 2012 to 2021 for the US Workers Compensation Insurance business. 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, 2021. 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 2021 $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 (2021), 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 by considering all currently known information and updated assumptions related to unknown information. The claims provisions established in 2021 and 2020 are reviewed by 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

	2012 note (i)	2013 note (i)	2014 note (i)	2015 note (i)	2016 note (i)	2017 note (i)	2018 note (i)	2019 note (i)	2020 note (i)	2021	Total of IBNR, net of reinsurance 2021	Cumulative Claim Count 2021
Accident Year												
2012	454	414	444	420	419	410	403	404	404	404	1	200
2013		885	983	1,064	1,023	951	936	914	915	915	2	454
2014			1,132	1,115	1,113	1,193	1,257	1,345	1,721	1,712	5	632
2015				1,590	1,515	1,574	1,589	1,703	1,671	1,753	79	767
2016					1,905	1,846	1,639	1,650	1,638	1,675	129	829
2017						2,807	2,925	2,718	2,484	2,219	105	997
2018							778	678	590	545	96	213
2019									-	-	-	-
2020									-	-	-	-
2021												
Total	454	1,299	2,559	4,189	5,975	8,781	9,527	9,412	9,423	9,223	417	4,092

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 note (i)	2020 note (i)	2021
Accident Year										
2012	119	280	335	375	404	403	403	403	403	403
2013		292	604	785	871	914	913	913	913	913
2014			335	648	788	946	1,023	1,065	1,223	1,707
2015				606	1,002	1,181	1,387	1,495	1,533	1,653
2016					639	1,150	1,322	1,395	1,451	1,483
2017						1,035	1,892	2,050	2,056	2,090
2018							281	363	417	426
2019										-
2020										-
2021										-

	8,675
Reserves for losses and losses expenses, 2012 to 2021, net of reinsurance	548
Reserves for losses and losses expenses, before 2012, net of reinsurance	-
Reserves for losses and losses expenses, net of reinsurance	548

Note (i) Years ended December 31, 2012 to 2020 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

Accident Year	2012 note (i)	2013 note (i)	2014 note (i)	2015 note (i)	2016 note (i)	2017 note (i)	2018 note (i)	2019 note (i)	2020 note (i)	2021	Total of IBNR, net of reinsurance 2021	Cumulative Claim Count 2021
2012	2,308	2,793	2,649	3,091	3,099	3,044	3,078	3,078	3,078	3,078	-	675
2013		1,856	1,991	2,049	2,300	2,322	2,322	2,310	2,317	2,317	-	1,125
2014			2,253	2,248	3,064	3,336	3,188	3,428	3,588	3,694	47	1,331
2015				3,173	3,523	4,493	5,418	5,474	5,790	5,851	16	1,424
2016					7,894	7,867	8,477	9,711	10,359	10,238	172	2,384
2017						7,322	7,572	8,966	10,468	9,366	148	2,328
2018							7,597	8,752	12,748	11,670	590	2,215
2019								5,812	7,424	6,711	839	1,493
2020									3,512	3,123	1,252	929
2021										5,175	2,730	740
Total	2,308	4,649	6,893	10,561	19,880	28,384	37,652	47,531	59,284	61,223	5,795	14,644

Cumulative Paid Losses and Loss Adjustment Expenses, Net of Reinsurance ($'000)
Years ended December, 31

Accident Year	2012 note (i)	2013 note (i)	2014 note (i)	2015 note (i)	2016 note (i)	2017 note (i)	2018 note (i)	2019 note (i)	2020 note (i)	2021
2012	990	1,444	1,901	2,701	2,985	3,019	3,077	3,078	3,078	3,078
2013		688	1,051	1,483	2,071	2,274	2,309	2,308	2,313	2,317
2014			529	1,031	1,712	2,962	2,970	3,158	3,362	3,567
2015				648	1,587	3,449	4,553	5,164	5,731	5,801
2016					1,381	3,581	5,579	7,972	9,257	9,552
2017						1,396	3,356	6,357	8,327	8,856
2018							1,188	4,413	8,219	9,816
2019								1,065	3,071	4,929
2020									975	1,302
2021										1,295
										50,512

Reserves for losses and losses expenses, 2012 to 2021, net of reinsurance	10,708
Reserves for losses and losses expenses, before 2012, net of reinsurance	3
Reserves for losses and losses expenses, net of reinsurance	10,711

Note (i) Years ended December 31, 2012 to 2020 are Required Supplementary Information and are unaudited.

Effective April 1, 2021, AMIC entered into an Aggregate Stop Loss reinsurance agreement ("Agreement") with a third-party reinsurer. The Reinsurer shall be liable to indemnify and reinsure AMIC for 100% of its net retention of any losses in excess of claims paid at April 1, 2021 on US commercial automobile liability policies produced for AMIC by three managing general agents based in Texas. The effect of the Agreement is to reinsure any future adverse claims development that might occur on the business covered beyond March 31, 2021.

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

Accident Year	2012 note (i)	2013 note (i)	2014 note (i)	2015 note (i)	2016 note (i)	2017 note (i)	2018 note (i)	2019 note (i)	2020 note (i)	2021	Total of IBNR, net of reinsurance 2021
2012	5,977	6,300	6,185	6,099	6,109	6,072	6,001	6,220	6,239	6,239	24
2013		8,576	8,383	13,588	18,741	19,600	19,664	19,822	19,842	19,847	44
2014			10,010	11,877	14,233	15,239	16,344	16,466	18,161	18,172	34
2015				5,558	5,506	5,455	5,761	6,070	6,066	6,205	141
2016					4,037	4,026	3,586	3,292	3,232	3,363	207
2017						5,928	6,469	6,040	5,940	5,340	363
2018							5,159	5,175	6,743	6,562	895
2019								6,251	7,572	10,269	1,985
2020									9,167	9,513	5,647
2021										13,634	12,744
Total	5,977	14,876	24,578	37,122	48,626	56,320	62,984	69,336	82,962	99,144	22,084

Cumulative Paid Losses and Loss Adjustment Expenses, Net of Reinsurance ($'000)
Years ended December, 31

Accident Year	2012 note (i)	2013 note (i)	2014 note (i)	2015 note (i)	2016 note (i)	2017 note (i)	2018 note (i)	2019 note (i)	2020 note (i)	2021
2012	1,096	2,957	3,969	4,878	5,382	5,537	5,799	6,020	6,031	6,038
2013		1,080	43	4,889	13,295	18,114	19,430	19,807	19,812	19,850
2014			1,401	3,207	8,703	12,590	14,306	14,531	15,457	17,957
2015				3,331	4,084	4,558	5,307	5,647	5,812	6.031
2016					1,030	2,038	2,580	2,798	2,856	3.049
2017						1,800	3,817	4,421	4,751	5,193
2018							1,581	2,564	4,267	5,994
2019								438	1,345	3,811
2020									327	1,924
2021										255
										70,102
Reserves for losses and losses expenses, 2012 to 2021, net of reinsurance										29,039
Reserves for losses and losses expenses, before 2012, net of reinsurance										3
Reserves for losses and losses expenses, net of reinsurance										29,042

Note (i) Years ended December 31, 2012 to 2020 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 is as follows:

At December 31, 2021 ($'000s)	Net outstanding losses and loss expenses	Loss reserves recoverable	Gross outstanding losses and loss expenses
US Workers Compensation	548	-	548
US Commercial Auto Liability	10,711	64,044	74,755
Reinsurance Assumed	29,042	10,829	39,871
Total outstanding losses and losses expenses	40,301	74,873	115,174

At December 31, 2020 ($'000s)	Net outstanding losses and loss expenses	Loss reserves recoverable	Gross outstanding losses and loss expenses
US Workers Compensation	1,427	372	1,799
US Commercial Auto Liability	14,954	57,533	72,487
Reinsurance Assumed	22,307	7,885	30,192
Total outstanding losses and losses expenses	38,688	65,790	104,478

(v) Claims Duration

The following table presents unaudited supplementary information about average historical claims duration as of December 31, 2021 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	9
US Workers Compensation	36.3%	28.5%	10.2%	6.2%	3.9%	0.0%	4.1%	16.3%	0.0%
US Commercial Auto Liability	16.6%	20.6%	26.4%	19.6%	8.1%	3.2%	3.0%	1.2%	1.4%
Reinsurance	12.5%	13.3%	23.2%	26.5%	11.6%	2.8%	3.5%	5.6%	0.3%

(vi) Reinsurance credit risk

The Company 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.

(Expressed in United States Dollars)

(vi) Reinsurance credit risk (continued)

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 $436,748 have been established for amounts deemed uncollectible at December 31, 2021 (2020: $292,697).

The Company evaluates the financial condition of its reinsurers on a regular basis and monitors concentrations of credit risk with reinsurers. As at December 31, 2021, the reinsurance balance recoverable on unpaid losses and loss expenses was $74,872,819 (2020: $65,789,652) and the reinsurance balance recoverable on paid losses was $12,077,367 (2020: $10,731,054).

As of December 31, 2021 98% (2020: 99%) of the total credit risk exposure from reinsurance premiums ceded and reinsurance recoverable was either fully collateralized or placed with reinsurers that are rated A- or higher by A.M. Best.

4. INVESTMENTS

	2021	**2020**
Held-for-trading, at fair value	$ 5,565,985	$ 3,660,327
Held-to-maturity, at amortized cost	24,231,019	20,156,465
	$ 29,797,004	$ 23,816,792

Held-for-trading

	2021 **Fair value**	**2020** **Fair value**
Ordinary shares	$ 2,054,126	$ 2,179,475
Preferred shares	1,400,885	1,072,684
Bonds	2,110,974	403,126
Government bonds	-	5,042
	$ 5,565,985	$ 3,660,327

Held-to-maturity

The amortized cost, gross unrealized gains and losses and estimated fair value of held-to-maturity investments as of December 31, 2021 and 2020, are as follows:

	2021			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair Value
Preferred shares	$ 1,576,331	$ 38,180	$ (3,389)	$ 1,611,122
Bonds	19,542,192	100,407	(324,884)	19,317,715
Government bonds	3,112,496	18,669	(32,287)	3,098,878
	$ 24,231,019	$ 157,256	$ (360,560)	$ 24,027,715

(Expressed in United States Dollars)

4. INVESTMENTS (continued)

	2020			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair Value
Preferred shares	$ 846,838	$ 67,299	$ -	$ 914,137
Bonds	15,199,759	547,870	(256,907)	15,490,722
Government bonds	4,109,868	119,888	(19,094)	4,210,662
	$ 20,156,465	$ 735,057	$ (276,001)	$ 20,615,521

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, 2021, 98% (2020 - 93%) of the fair value of the held-for-trading and held-to-maturity fixed and floating income portfolio were rated investment grade (considered equivalent to Standard & Poor's' credit rating of BBB or higher).

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, 2021:

	2021			
	Level 1	Level 2	Level 3	Total
Ordinary shares	$ 2,054,126	$ –	$ –	$ 2,054,126
Preferred shares	1,400,885	–	–	1,400,885
Bonds	–	2,110,974	–	2,110,974
	$ 3,455,011	$ 2,110,974	$ –	$ 5,565,985

The following table represents the fair value hierarchy for the Company's Held-for-trading investments measured at fair value as at December 31, 2020:

	2020			
	Level 1	Level 2	Level 3	Total
Ordinary shares	$ 2,179,475	$ –	$ –	$ 2,179,475
Preferred shares	1,072,684	–	–	1,072,684
Bonds	–	403,126	–	403,126
Government bonds	–	5,042	–	5,042
	$ 3,252,159	$ 408,168	$ –	$ 3,660,327

(Expressed in United States Dollars)

4. INVESTMENTS (continued)

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, 2021:

	2021			
	Level 1	Level 2	Level 3	Total
Preferred shares	$ 1,611,122	$ –	$ –	$ 1,611,122
Bonds	–	19,317,715	–	19,317,715
Government bonds	–	3,098,878	–	3,098,878
	$ 1,611,122	$ 22,416,593	$ –	$ 24,027,715

The following table represents the fair value hierarchy for the Company's Held-to-maturity investments measured at fair value as at December 31, 2020:

	2020			
	Level 1	Level 2	Level 3	Total
Preferred shares	$ 914,137	$ –	$ –	$ 914,137
Bonds	–	15,490,722	–	15,490,722
Government bonds	–	4,210,662	–	4,210,662
	$ 914,137	$ 19,701,384	$ –	$ 20,615,521

Investments:

The Company did not impair any investments in 2021 or 2020. 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 bonds held at December 31, 2021 and December 31, 2020 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, 2021 and 2020.

Cash and cash equivalents:
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, 2021 was:

	Held-to-maturity		Held-for-trading
	Amortized cost **2021**	Fair value **2021**	Fair value **2021**
Due within one year	$ 1,577,641	$ 1,586,322	$ 207,651
Due after one year through five years	12,892,581	12,812,637	2,326,046
Due after five years	9,760,797	9,628,756	978,162
	$ 24,231,019	$ 24,027,715	$ 3,511,859

The maturity distribution for fixed maturities held as of December 31, 2020 was:

	Held-to-maturity		Held-for-trading
	Amortized cost **2020**	Fair value **2020**	Fair value **2020**
Due within one year	$ 3,255,717	$ 3,195,723	$ 493,663
Due after one year through five years	10,644,558	11,080,035	916,498
Due after five years	6,256,190	6,339,763	70,691
	$ 20,156,465	$ 20,615,521	$ 1,480,852

(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.

In 2011, the Company recorded $1,633,739 of goodwill on the determination of the final purchase price of the acquisition of AMIC.

In 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. Effective 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.
As both subsidiaries were sold, the goodwill recorded on these entities was extinguished in 2020.

During 2021, the Company has written off the goodwill relating to the acquisition of AMIC which was deemed to be permanently impaired. The Company recognized an impairment loss of $1,633,739 as a result. No impairment was recorded during the year ended December 31, 2020.

6. UNEARNED PREMIUMS AND DEFERRED ACQUISITION COSTS

	2021	2020
Gross unearned premiums	$ (37,941,409)	$ (32,839,204)
Prepaid reinsurance premiums	22,280,059	18,829,932
Net unearned premiums	(15,661,350)	(14,009,272)
Deferred acquisition costs	9,791,675	7,601,871
Deferred ceding commission income	(6,599,536)	(4,965,964)
Net deferred acquisition costs	3,192,139	2,635,907

7. SHARE CAPITAL

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

	2021	2020
Common shares (20,000,000 shares in 2021 and 2020)	$ 20,000,000	$ 20,000,000

No dividends were declared and paid during 2021 and 2020.

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 $3,661,689 at December 31, 2021 (2020 - $7,345,213) and with investments with a carrying value of $10,314,908 at December 31, 2021 (2020 - $2,965,211).

In addition, pledged but unmatched cash and cash equivalents at December 31, 2021 of $1,844,473 (2020: $827,419) and investments with a carrying value at December 31, 2021 of $0 (2020: $1,023,403) have been deposited with US financial institutions to meet licensing requirements of US state regulatory authorities.

(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's subsidiaries that are based in the US and the United Kingdom are subject to the tax laws of those jurisdictions.

The components of income tax charge (benefit) were as follows:

		2021		2020
Current tax benefit	$	30,885	$	(203,774)
Deferred tax benefit		(30,782)		(419,761)
Total tax charge (benefit)	$	103	$	(623,535)

At December 31, 2021, the Company had recorded:

- total tax receivables of $2,451,333 within accounts receivable and accrued interest (2020 - $2,416,200) including total deferred tax assets of $1,469,146 (2020 - $1,438,365); and
- total tax payables of $255,359 in accounts payable and accruals (2020 - $173,963).

The Company has not recorded any interest or penalties during the years ended December 31, 2021 and 2020.

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, 2021 and 2020 are as follows:

		2021		2020
Outstanding losses and loss expenses	$	103,241	$	158,066
Unearned premiums		386,669		292,917
Net operating loss carry forwards		2,344,863		1,886,715
Unrealized losses		12,536		36,371
Other		265,813		399,397
Total deferred tax assets		3, 113,122		2,773,466
Valuation allowance		(1,643,976)		(1,335,101)
Total deferred tax assets net of valuation allowance	$	1,469,146	$	1,438,365

As of December 31, 2021, the Company has a gross deferred tax asset of $2,344,863 (2020 - $1,886,715) generated by net operating loss carry forwards ("NOLs") of approximately $10,620,839 (2020 - $8,485,894) relating to Federal and State NOLs in the United States. 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 $1,643,976 has been established at December 31, 2021 to reflect management's estimate of the temporary deductible differences that may expire prior to their utilization. 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 $16,094 (2020 - $30,505). Included in accounts receivable and accrued interest are advances made to the parent company totaling $4,395,886 (2020 - $4,219,913). The advances are non-interest bearing and repayable on demand.

11. CONTINGENCIES AND COMMITMENTS

a) Letters of Credit

At December 31, 2021 and 2020, we had letters of credit outstanding of $1,428,000 and $296,000, respectively. The letters of credit are for collateral purposes and are secured by cash of $1,428,000 (2020 - $296,000).

b) Operating Lease Commitments

The Group leases office space under operating leases expiring in various years through 2024. Future minimum lease payments at December 31, 2021 under non-cancellable operating leases for the next three years are approximately $348,412, $344,678 and $8,118 for the years ended December 31, 2022, 2023 and 2024, respectively.

c) Concentration of Credit Risk

As at December 31, 2021 Cash and cash equivalents are held with 21 financial institutions (2020 – 19) and Investment portfolios are held with 4 financial institutions (2020 – 6).

12. NONCONTROLLING INTEREST

Great Falls Holding Company, an indirect subsidiary of the Company has a noncontrolling interest. the noncontrolling interest represents an 18.38% (2020 - 18.38%) ownership interest in Great Falls Holding Company and the carrying value of that interest is presented in Equity.

In 2021 the Company's sold a noncontrolling interest in Citadel Risk Holdings Inc. The shares sold represent a 9.9% (2020 - 0%) ownership interest in 2021 in Citadel Risk Holdings Inc and the carrying value of that interest is presented in Equity. A further 3.75% noncontrolling interest in Citadel Risk Holdings Inc resulting from a new issue of capital was also acquired by a third party during 2021, 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 $4,356,328 at December 31, 2021 (2020 - $3,697,799). The Company's statutory capital and surplus was $18,563,886 at December 31, 2021 (2020 - $15,551,735). 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, 2021 the Company's relevant assets of $43,758,566 exceed 75% of the relevant liabilities of $53,890,726 which is $40,418,045 and the minimum liquidity ratio is therefore met.

For Commercial insurers, payments of dividends exceeding 25% of total statutory capital and surplus in previous year's 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.

13. STATUTORY REQUIREMENTS (continued)

The National Association of Insurance Commissioners ("NAIC") requires the Company's two affiliates, AMIC and Great Falls Insurance Company ("GFI") 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, 2021 and December 2020, the capital and surplus of Great Falls Insurance was in excess of their respective risk based capital and minimum capital and surplus requirements.

AMIC's 2021 filing indicates that it exceeded the minimum capital requirements as determined by the NAIC. AMIC's 2020 filing indicated that it was at company action level. AMIC's immediate parent entity, Citadel Risk Holdings, Inc, provided AMIC with an additional $6,200,000 capital in two instalments during June and August 2021, and at which point AMIC exceeded the minimum risk-based capital requirement of 300% as determined by the NAIC.

Under a consent order issued by the New Jersey Banking and Insurance Department dated August 31, 1991, payment of dividends by AMIC requires the prior approval of the New Jersey Department of Banking and Insurance. There have been no dividends declared or paid by AMIC during 2021 and 2020.

Under the laws of the State of Maine, US, GFI may not pay dividends to stockholders from any source other than statutory unassigned surplus. At December 31, 2021 and 2020 the GFI has unassigned surplus of $1,594,299 and $1,515,200 respectively. There have been no dividends declared or paid by GFI during 2021 and 2020.

14. MARKET RISK

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 Covid-19 pandemic developed rapidly, causing disruption to global supply chains and adversely impacting many industries. The outbreak caused a material adverse impact on economic and market conditions and triggered a period of global economic slowdown. 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. Although the Company cannot estimate the length or gravity of the impact of the Covid-19 outbreak at this time, if the pandemic continues, it may have an adverse impact on the Company's results of future operations and financial position.

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 4, 2022, which is the date the December 31, 2021 financial statements were available to be issued.

In July 2022 the Company received correspondence from the Bermuda Monetary Authority relating to a counterparty for which the Company is currently seeking further clarification. The financial impact, if any, would be reflected in the 2022 financial statements and is not expected to have any impact on these financial statements.