

COLCHESTER REINSURANCE LIMITED

PERIODIC REPORTING PACKAGE

FOR THE TWELVE MONTHS ENDED JUNE 30, 2017

INDEX TO CONTENTS

2. STATEMENTS OF INCOME & RETAINED EARNINGS

3. NOTES TO THE FINANCIAL STATEMENTS

PREPARED BY: AON INSURANCE MANAGERS (BARBADOS) LTI

ACCOUNT EXECUTIVE: WINSTON HAMPDEN

COLCHESTER REINSURANCE LIMITED
UNAUDITED BALANCE SHEET AS AT JUNE 30, 2017
(EXPRESSED IN CANADIAN \$)

		JUNE 30, 2017	JUNE 30, 2016
ASSETS			
Cash at bank - premier accounts		5,523,121.23	6,355,216.53
Cash equivalents		0.00	0.00
Cash & cash equivalents	1	<u>5,523,121.23</u>	<u>6,355,216.53</u>
Royal Bank of Canada-Investments	2	58,388,585.97	61,142,714.50
Accrued interest receivable	3	260,700.10	277,554.17
Insurance Balances Receivable		0.00	0.00
Claims Recoverable		0.00	0.00
Provision for Losses Recoverable		6,429,000.00	6,665,000.00
Deferred Reinsurance Premiums	4	0.00	0.00
Prepaid expenses	5	6,561.95	7,007.40
		<u>65,084,848.02</u>	<u>68,092,276.07</u>
TOTAL ASSETS		<u><u>70,607,969.25</u></u>	<u><u>74,447,492.60</u></u>
Insurance balances payable		28,961.50	14,176.09
Accrued expenses	6	85,574.88	170,013.61
Accounts payable		0.00	0.00
Claims payable		321,460.18	921,473.56
		<u>435,996.56</u>	<u>1,105,663.26</u>
RESERVES			
Unearned Premium Reserve	8	0.00	0.00
Outstanding losses	7	22,751,000.00	23,276,000.00
Outstanding losses - I.B.N.R.	7	12,793,000.00	15,369,000.00
		<u>35,544,000.00</u>	<u>38,645,000.00</u>
SHAREHOLDERS EQUITY			
Share capital-common shares		1,100.00	1,100.00
Class A preference shares		3,314,000.00	3,314,000.00
Earned surplus at start of year		29,342,364.45	26,903,484.73
Net profit/(loss) for the period		2,430,497.13	2,438,879.72
		<u>35,087,961.58</u>	<u>32,657,464.45</u>
Accum. Other Comprehensive Income		(459,988.89)	2,039,364.89
TOTAL SHAREHOLDERS EQUITY		<u><u>34,627,972.69</u></u>	<u><u>34,696,829.34</u></u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		<u><u>70,607,969.25</u></u>	<u><u>74,447,492.60</u></u>

COLCHESTER REINSURANCE LIMITED
UNAUDITED STATEMENT OF INCOME
FOR THE PERIOD JULY 1, 2016 TO JUNE 30, 2017
(EXPRESSED IN CANADIAN \$)

	MOVEMENT DURING QTR	12 MONTHS TO JUNE 30 2017	12 MONTHS TO JUNE 30, 2016
UNDERWRITING INCOME			
Premiums written	0.00	1,594,237.00	1,841,076.00
Unearned premium transfer	398,559.25	0.00	0.00
GROSS EARNED PREMIUMS	<u>398,559.25</u>	<u>1,594,237.00</u>	<u>1,841,076.00</u>
Reinsurers' ceded premiums	(28,961.51)	(1,360,075.60)	(1,530,302.89)
Deferred ceded premiums	(332,778.53)	0.00	0.00
Reinsurers' ceded premiums earned	<u>(361,740.04)</u>	<u>(1,360,075.60)</u>	<u>(1,530,302.89)</u>
	36,819.21	234,161.40	310,773.11
TOTAL UNDERWRITING INCOME	<u><u>36,819.21</u></u>	<u><u>234,161.40</u></u>	<u><u>310,773.11</u></u>
UNDERWRITING EXPENSES			
Net losses paid	321,460.20	1,516,203.05	3,728,113.96
Outstanding losses adjustment	(505,000.00)	(525,000.00)	(1,272,000.00)
Transfer to IBNR	(959,000.00)	(2,576,000.00)	(3,732,000.00)
Transfer to prov. for losses recoverable	94,000.00	236,000.00	(13,000.00)
NET INCURRED LOSSES	<u>(1,048,539.80)</u>	<u>(1,348,796.95)</u>	<u>(1,288,886.04)</u>
OTHER UNDERWRITING EXPENSES			
(see schedule)	18,750.00	75,000.00	75,000.00
TOTAL UNDERWRITING EXPENSES	<u><u>(1,029,789.80)</u></u>	<u><u>(1,273,796.95)</u></u>	<u><u>(1,213,886.04)</u></u>
UNDERWRITING PROFIT / (LOSS)	1,066,609.01	1,507,958.35	1,524,659.15
GENERAL AND ADMIN EXPENSES			
(see schedule)	48,109.61	188,132.85	247,386.43
	<u>1,018,499.40</u>	<u>1,319,825.50</u>	<u>1,277,272.72</u>
INTEREST INCOME & EXCEPTIONAL ITEMS			
Interest income	425,221.05	1,749,675.60	1,913,649.17
Profit/(loss) on sale of invts	0.00	0.00	20,279.04
Profit/(loss) on exchange	0.00	0.00	0.00
Amortisation of investments	(105,224.87)	(455,609.75)	(585,066.28)
Investment management fees	(34,801.04)	(140,291.77)	(144,018.77)
Investment Custody Fees	<u>(7,212.78)</u>	<u>(29,533.09)</u>	<u>(30,065.76)</u>
	277,982.36	1,124,240.99	1,174,777.40
NET PROFIT/(LOSS) BEFORE TAX	<u>1,296,481.76</u>	<u>2,444,066.49</u>	<u>2,452,050.12</u>
INCOME TAX	3,280.98	13,569.36	13,170.40
NET PROFIT/(LOSS) AFTER TAX	<u><u>1,293,200.78</u></u>	<u><u>2,430,497.13</u></u>	<u><u>2,438,879.72</u></u>

COLCHESTER REINSURANCE LIMITED

ANALYSIS OF EXPENSES AS AT JUNE 30, 2017 FOR THE PERIOD JULY 1, 2016 TO JUNE 30, 2017

	MOVEMENT DURING QTR	12 MONTHS TO JUNE 30 2017	12 MONTHS TO JUNE 30, 2016
UNDERWRITING EXPENSES			
Brokerage commission	18,750.00	75,000.00	75,000.00
	<u>18,750.00</u>	<u>75,000.00</u>	<u>75,000.00</u>
GENERAL & ADMIN EXPENSES			
Management fees	21,500.00	83,000.00	80,000.00
Directors fees	1,530.00	9,769.32	6,120.00
Audit fees	5,000.00	26,488.89	39,883.76
Tax consultancy fees	0.00	1,113.78	1,606.55
Actuarial fees	13,988.00	36,765.91	93,954.86
Legal fees	2,354.15	6,869.15	0.00
Insurance Costs - D&O	1,937.50	8,875.00	9,250.00
Secretarial fees	0.00	6,649.25	6,710.66
Government fees	0.00	0.00	0.00
Bank and L.O.C charges	249.23	681.71	1,481.91
Communication expenses	1,550.93	4,871.85	4,853.29
Stationary	0.00	0.00	0.00
Travel	0.00	3,048.19	2,857.92
Miscellaneous expenses	(0.20)	(0.20)	667.48
Foreign Exchange	0.00	0.00	0.00
Meeting Expenses	0.00	0.00	0.00
	<u>48,109.61</u>	<u>188,132.85</u>	<u>247,386.43</u>

COLCHESTER REINSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

1. CASH ON DEPOSIT

Royal Bank - Canadian Dollar Call Account	60,380.80
Royal Bank - Premier Canadian Dollar Account	5,462,740.43
Royal Bank - Time Deposit Account	0.00
	<u>5,523,121.23</u>

CASH EQUIVALENTS

Cost	0.00
Amortization	0.00
Unrealized gain / (loss)	0.00
	<u>0.00</u>

2. INVESTMENTS

Investment at cost	60,132,105.39
Amortization	(1,283,530.53)
Portfolio at amortized cost	<u>58,848,574.86</u>
Unrealized gain / (loss)	(459,988.89)
Portfolio at market value	<u>58,388,585.97</u>

3. ACCRUED INTEREST RECEIVABLE

Investments - RBC	260,700.10
Royal Bank Time Deposit	0.00
	<u>260,700.10</u>

COLCHESTER REINSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

4. PROVISION FOR LOSS RECOVERABLES (DISCOUNTED)

Canadian Lawyers Liability Assurance Society

U/W Year	CASE RESERVES	IBNR	TOTAL
2000/2001		0.00	0.00
2001/2002	0.00	0.00	0.00
2002/2003	0.00	0.00	0.00
2003/2004	0.00	5,000.00	5,000.00
2004/2005	0.00	13,000.00	13,000.00
2005/2006	0.00	16,000.00	16,000.00
2006/2007	0.00	28,000.00	28,000.00
2007/2008	0.00	26,000.00	26,000.00
2008/2009	0.00	32,000.00	32,000.00
2009/2010	0.00	-1,000.00	-1,000.00
2010/2011	0.00	52,000.00	52,000.00
2011/2012	0.00	267,000.00	267,000.00
2012/2013	0.00	632,000.00	632,000.00
2013/2014	0.00	965,000.00	965,000.00
2014/2015	0.00	1,081,000.00	1,081,000.00
2015/2016	0.00	1,495,000.00	1,495,000.00
2016/2017	0.00	1,818,000.00	1,818,000.00
	0.00	6,429,000.00	6,429,000.00

5. DEFERRED REINSURANCE PREMIUMS

Reinsurers' Premium to be earned	(((\$1,101,614.09+229,500) *3/12)	0.00
		0.00

6. PREPAID EXPENSES

Annual Government Tax	US\$10,000 p.a.	6,561.96
Brokerage Fees	CAD75,000 p.a.	0.00
Directors Fees		0.00
Actuarial Fees		0.00
D&O Insurance Premiums	CAD9,250 p.a	0.00
		6,561.95

7. ACCOUNTS PAYABLE/ACCRUED EXPENSES

D&O Insurance Premiums	0.00
Audit fees - 2015/16	0.00
Audit fees - 2016/17	20,000.00
Management Fees	0.00
Investment Fees	34,801.04
Investment Custody Fees	4,830.84
Brokerage Commission	18,750.00
Actuarial Fees	7,193.00
Director's Fees	0.00
Legal Fees	0.00
Annual Government fee	0.00
	85,574.88

COLCHESTER REINSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

8. OUTSTANDING LOSSES (DISCOUNTED)

Canadian Lawyers Liability Assurance Society

U/W Year	CASE RESERVES	IBNR	TOTAL
1998/1999		0.00	0.00
1999/2000		0.00	0.00
2000/2001		0.00	0.00
2001/2002	0.00	0.00	0.00
2002/2003	55,000.00	5,000.00	60,000.00
2003/2004	0.00	44,000.00	44,000.00
2004/2005	0.00	150,000.00	150,000.00
2005/2006	0.00	231,000.00	231,000.00
2006/2007	0.00	271,000.00	271,000.00
2007/2008	3,581,000.00	448,000.00	4,029,000.00
2008/2009	0.00	308,000.00	308,000.00
2009/2010	11,597,000.00	226,000.00	11,823,000.00
2010/2011	6,078,000.00	839,000.00	6,917,000.00
2011/2012	375,000.00	780,000.00	1,155,000.00
2012/2013	175,000.00	1,188,000.00	1,363,000.00
2013/2014	675,000.00	1,641,000.00	2,316,000.00
2014/2015	0.00	1,640,000.00	1,640,000.00
2015/2016	0.00	2,286,000.00	2,286,000.00
2016/2017	215,000.00	2,736,000.00	2,951,000.00
	22,751,000.00	12,793,000.00	35,544,000.00

9. UNEARNED PREMIUM RESERVE

Premiums	(\$1,471,685*3/12)	0.00
	(\$92,066 *3/12)	
		0.00

10. LOSS/EQUITY RATIO

Loss Reserves	35,544,000.00
Shareholder Equity	35,087,961.58
Ratio	101%

An actuarial report is required to be submitted to the Supervisor of Insurance when the Loss Reserve/Equity Ratio exceeds 200%.

COLCHESTER REINSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

11. MARGIN OF SOLVENCY

Assets must exceed liabilities by:

- (1) (US\$125,000 in the first year of operation)
- (2) (US\$125,000, if premium Income of the previous year < US\$750,000)
- (3) (20% of premium income of the previous year, if premium income > US\$750,000 but < US\$5,000,000)
- (4) (US\$1,000,000 + 1/10 of premium income of the previous year, if premium income > US\$5,000,000)

Premiums Earned at June 30, 2016		310,773.11
----------------------------------	--	------------

Minimum Solvency Margin re (2) above		162,362.50
--------------------------------------	--	------------

Total Assets		70,607,969.25	
--------------	--	---------------	--

Less: Non-admitted Assets			
---------------------------	--	--	--

Long Term Investments		0.00	
-----------------------	--	------	--

Prepayments		6,561.95	
-------------	--	----------	--

Total Admitted Assets		70,601,407.30	
-----------------------	--	---------------	--

Total Liabilities		35,979,996.56	
-------------------	--	---------------	--

Solvency Margin (Excess of Assets over Liabilities)		34,621,410.74
---	--	---------------

Excess over Minimum Solvency Margin		<u>34,459,048.24</u>
--	--	-----------------------------

COLCHESTER REINSURANCE LIMITED
UNDERWRITING ANALYSIS AS AT JUNE 30, 2017
FOR THE PERIOD APRIL 1, 2017 TO JUNE 30, 2017

	Inward Reinsurance of CLLAS EOL 49Mx1M-20%	Inward Reinsurance of CLLAS Agg. Stop Loss 10Mx5M-100%	Inward Reinsurance of CLLAS Excess Layers 40Mx160M-5% 60Mx160M-5%	Outward Retro. of Colchester EOL 5Mx5M-20%	Outward Retro. of Colchester EOL 40Mx10M-20%	Outward Retro. of Colchester Agg. Stop Loss 15Mx2.5M-100%	Outward Retro. of Colchester Excess Layers 40Mx160M-5% 60Mx160M-5%	Total
Limits								
Policy No.	CLLAS00116	ADD 46 to 89-011	CLLAS00216	PCOLC000116	PCOLC000216	PCOLC000316	PCOLC000816	
Policy Period	1-Jul-16 to 30-Jun-17	1-Jul-16 to Jun-17	30- 1-Jul-16 to Jun-17	1-Jul-16 to 30-Jun-17	1-Jul-16 to 30-Jun-17	1-Jul-16 to 30-Jun-17	1-Jul-16 to 30-Jun-17	
Premiums Written	-	-	-	-	-	-	-	-
Trfd from Unearned Prem. Reserve	367,921.25	23,016.50	7,621.50					398,559.25
Premiums Earned	367,921.25	23,016.50	7,621.50					398,559.25
Reinsurance Premiums Ceded				-	-	-	(28,961.51)	(28,961.51)
Trfd from Deferred Reins. Prem.		-		(93,853.05)	(181,550.47)	(57,375.00)	-	(332,778.52)
Reinsurance Premiums Earned		-		(93,853.05)	(181,550.47)	(57,375.00)	(28,961.51)	(361,740.03)
Net Premiums Earned								36,819.22

App. 1a

COLCHESTER REINSURANCE LIMITED
UNDERWRITING ANALYSIS AS AT JUNE 30, 2017
FOR THE PERIOD JULY 1, 2016 TO JUNE 30, 2017

	Inward Reinsurance of CLLAS EOL 49Mx1M-20%	Inward Reinsurance of CLLAS Agg. Stop Loss 10Mx5M-100%	Inward Reinsurance of CLLAS Excess Layers 40Mx160M-5% 60Mx160M-5%	Outward Retro. of Colchester EOL 5Mx5M-20%	Outward Retro. of Colchester EOL 40Mx10M-20%	Outward Retro. of Colchester Agg. Stop Loss 15Mx2.5M-100%	Outward Retro. of Colchester Excess Layers 40Mx160M-5% 60Mx160M-5%	Total
Limits								
Policy No.	CLLAS00116	ADD 46 to 89-011	CLLAS00216	PCOLC000116	PCOLC000216	PCOLC000316	PCOLC000816	
Policy Period	1-Jul-15 to 30-Jun-16	1-Jul-15 to Jun-16	30-Jun-15 to 30-Jun-16	1-Jul-15 to 30-Jun-16	1-Jul-15 to 30-Jun-16	1-Jul-15 to 30-Jun-16	1-Jul-15 to 30-Jun-16	
Premiums Written	1,471,685.00	92,066.00	30,486.00			-		1,594,237.00
Trfd from Unearned Prem. Reserve								-
Premiums Earned	1,471,685.00	92,066.00	30,486.00					1,594,237.00
Reinsurance Premiums Ceded				(375,412.20)	(726,201.89)	(229,500.00)	(28,961.51)	(1,360,075.60)
Trfd from Deferred Reins. Prem.		-						-
Reinsurance Premiums Earned		-		(375,412.20)	(726,201.89)	(229,500.00)		(1,360,075.60)
Net Premiums Earned								234,161.40

App. 1b