Greenlight Reinsurance Ireland, Designated Activity Company

Reports and Financial Statements

For the financial year ended 31 December 2021

Greenlight Reinsurance Ireland, Designated Activity Company

Contents **Page**

Greenlight Reinsurance Ireland, Designated Activity Company

Directors and Other Information

Directors

Bryan Murphy	(Non-Executive Director)
Patrick O'Brien	(Executive Director)
Daniel Roitman (American)	(Non-Executive Director)
Lesley Caslin	(Independent Non-Executive Director)
Michael Brady	(Independent Non-Executive Director)
Neil Greenspan (American)	(Non-Executive Director)

Company Secretary & Registered Office

Edward Brady
50 City Quay
Dublin 2
D02 F588

Company Number: 475022

Independent Auditor

Mazars
Chartered Accountants & Statutory Audit Firm
Block 3
Harcourt Centre
Harcourt Road
Dublin 2
D02 A339

Principal Banker

HSBC
Grand Canal Square
Dublin 2
D02 P820

Solicitor

A&L Goodbody
IFSC
North Wall Quay
Dublin 1
D01 H104

Greenlight Reinsurance Ireland, Designated Activity Company

Directors' Report

The directors present their report and the audited financial statements of Greenlight Reinsurance Ireland, Designated Activity Company ("the Company") for the financial year ended 31 December 2021.

Principal activity
The principal activity of the Company is the provision of Property and Casualty reinsurance business.

Business review and future developments
Gross premiums written for the year 2021 were $205.6m (2020: $77.5m). The increase in gross premiums written of $128.1m is primarily driven by the growth in premium in Funds at Lloyd's (FAL) business and Specialty contracts.

The combined ratio has improved in the year primarily driven by profits on the Funds at Lloyd's and Specialty business and positive loss development on non-standard auto contracts.

The net investment return of 8.8% for the year 2021 compared to 0.5% for the prior year is mostly driven by investment gains in Quarter 4, 2021.

The Company's 2022 plan reflects additional growth in gross written premium with a further increase in the Company's Funds at Lloyds business to reflect the improving reinsurance market. The Company is optimistic about market opportunities in 2022.

Results and dividends
The results for the year were as follows:

	2021	2020
	US$	US$
Profit / (Loss) before taxation	3,978,405	(2,205,045)
Corporation tax charge *	—	(423,818)
Profit / (Loss) brought to reserves	3,978,405	(2,628,863)

*See note 8

The directors do not recommend the payment of a dividend (2020: nil).

The Statement of Comprehensive income for the Company for the year ended 31 December 2021 is set out on pages 12 and 13. The Statement of Financial Position of the Company at the same due date is set out on page 14. The Statement of Changes in Equity is presented on page 15.

Key Performance Indicators ("KPIs")
The Company monitors the progress of its business by reference to the following KPIs:

	2021	2020
	US$	US$
Gross premiums written	205,607,348	77,454,761
Net premiums written	59,842,148	34,281,483
Earned premiums, net of reinsurance	55,303,727	25,176,026
Loss ratio	66.6%	85.4%
Combined ratio*	90.6%	109.7%
Investment return	8.8%	0.5%

*Excludes corporate expenses or any foreign exchange gain or loss

The Board uses a variety of internal metrics for monitoring the performance of the Company and to evaluate the results against appropriate market benchmarks.

Directors, secretary and their interests
The names of the persons who were directors and secretary at any time during the financial year ended 31 December 2021 are set out below. Unless otherwise indicated they served for the full year.

Bryan Murphy	(Non-Executive Director)
Patrick O'Brien	(Executive Director)
Daniel Roitman (American)	(Non-Executive Director)
Lesley Caslin	(Independent Non-Executive Director)
Michael Brady	(Independent Non-Executive Director)
Neil Greenspan (American)	(Non-Executive Director)
Edward Brady	(Company Secretary)

The beneficial interests of the directors and secretary in the share capital of the parent company Greenlight Capital Re, Ltd (the "Parent") as at 31 December 2021 were as follows:

	Ordinary shares	Restricted shares subject to forfeiture
Bryan Murphy	113,988	11,745
Patrick O'Brien	18,988	98,088
Daniel Roitman	380,000	—
Neil Greenspan	—	74,584

Mr. E. Brady's beneficial interests in the Parent comprised of an insignificant number of common shares of the Parent. Ms. Caslin and Mr. M. Brady do not own common shares in the Parent.

The directors remuneration is disclosed in Note 6.

Statement of directors' responsibilities
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with Irish law and regulations. Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with Companies Act 2014 and Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "Insurance Contracts". Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company as at the financial year end date and of the statement of comprehensive income of the Company for the financial year and otherwise comply with the Companies Act 2014.

In preparing these financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and statement of comprehensive income of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and the European Union (Insurance and Reinsurance Undertakings: Financial Statements) Regulations 2016 and enable the financial statements to be audited.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern
The directors have assessed the going concern impact of various risks on the Company's operations through conducting a rigorous assessment of the potential risk outcomes. These factors have been considered by the directors as part of the Company's annual Own Risk and Solvency Assessment process, with the likely financial impact on profitability and solvency assessed in terms of the going concern basis of preparation of the financial statements.

As at year end the Company's net asset position is \$57.2m (2020: \$52.8m) and a solvency coverage ratio of 154% (2020: 204%). By virtue of the strength of its net asset position, the directors have concluded that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of these financial statements. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Political donations
The Company did not make any political donations during the year (2020: nil).

COVID-19
The ongoing coronavirus pandemic ("COVID-19") is a risk that has had an adverse impact on the property and casualty insurance and reinsurance industry over the last two years. The Company continues to monitor the situation closely. The Company has included in the loss and loss adjustment reserves its best estimate of losses arising from the COVID-19 pandemic as outlined in note 3.6. The Company has limited direct exposure to some of the classes most impacted by the pandemic including event cancellation, business interruption and directors and officers liability. However, the Company has some exposure to these classes via its Funds at Lloyds book, which is reduced by the inuring reinsurance the Syndicates purchase. Accordingly, estimates used in the preparation of the Company's financial statements, primarily those associated with the estimations of loss and loss adjustment expense reserves may be subject to adjustments in future periods.

Climate change
Climate change has the potential to have a significant impact on weather patterns and loss events. The Company is exposed to climate change primarily from its FAL book and a limited number of natural catastrophe reinsurance contracts it writes.
The Company has seen elevated levels of cat activity and unusual weather events in recent years. The Company will continue to closely monitor cat activity and amend its appetite for natural catastrophe business to reflect market conditions and climate change developments. As this business is predominantly short tail in nature, the Company can re-balance the portfolio quickly, if required. The risks associated with climate change were also considered in the Own Risk and Solvency Assessment (ORSA) process.

Inflation
In recent months we have seen an increase in inflationary pressures. Initially these pressures were linked to supply chain issues and the fallout from Covid-19 and were expected to be temporary. This issue has been escalated by the Russian invasion of Ukraine. It is possible that inflation could remain elevated for some time. Higher than anticipated inflation could lead to an increase in loss costs and the need to strengthen loss reserves. The impact of inflation on loss costs will likely be more pronounced for longer tail business lines, where it takes a period of time to finalise and settle claims. In general, the Company's underwriting book is skewed towards shorter tail classes and therefore the impact should be less pronounced.

Events since the year end

On 24 February 2022, Russia commenced an invasion of Ukraine. The invasion has had a significant impact on a number of financial markets. The Company is closely monitoring the situation and has potential exposure to the conflict in its Aviation, Marine and Terror / Political Violence book. The Company's estimate is at a preliminary stage, but all risks are protected by a combination of the 80% Group Quota share and the Aggregate Stop Loss. The Directors will continue to monitor this ongoing situation for further developments which may impact the Company.

There are no other events since the statement of financial position date to report.

Corporate Governance
The Company is subject to "Corporate Governance Requirements for Insurance Undertakings 2015" (the "Code") but is not deemed to be a "major institution" under the terms of the Code.

Directors' report - continued

Accounting records

The measures taken by the directors to secure compliance with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records are the design and implementation of necessary policies and procedures for recording transactions, the employment of competent accounting personnel with appropriate expertise and the provision of adequate resources to the financial function. The accounting records of the Company are located at 50 City Quay, Dublin 2, Ireland, D02 F588 .

Directors' compliance statement

As required by section 225(2) of the Companies Act 2014, the directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in that legislation). The directors confirm that they have drawn up and adopted a compliance policy statement setting out the Company's policies in relation to complying with relevant obligations and have put in place appropriate arrangements and structures that are, in the directors' opinion, designed to secure material compliance with the relevant obligations. These arrangements and structures were reviewed by the directors during the financial year.

Principal risks and uncertainties

The directors consider that the principal risks and uncertainties facing the Company are:

- market risk on financial instruments, including equity price risk, foreign currency risk, interest rate risk and credit risk;
- uncollectibility of loss reserves recoverable;
- risk of a downgrade or withdrawal of the Company's A- (Stable Outlook) rating by A.M. Best rating agency;
- risk of final settlement of losses varying significantly from the reserves estimated by the Company; and
- risk of adverse loss development on the insurance risks assumed.

As outlined in note 20 to the financial statements, various polices, procedure and controls are utilised by the directors and management to manage and mitigate these risks as necessary.

Statement of disclosure of information to auditors

As far as each person who is a director of the Company at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with this report, of which the auditor is unaware. Each director has taken all steps that they are obliged to take as a director in order to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Audit Committee

An Audit Committee has been established by the Company. The purpose of the Audit Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to the external reporting of financial information, the internal control framework and the independence and effectiveness of internal and external audit.

Statutory auditors

Mazars, Chartered Accountants and Statutory Audit Firm, were first appointed statutory auditor on 7 August 2020. Pursuant to the Greenlight Group audit tender process in 2021, Deloitte will be appointed as auditor of the Company for the financial year ending 31 December 2022. Mazars will resign as the Company's auditor following completion of their statutory and regulatory audits for the financial year ended 31 December 2021.

Michael Brady

Director - Michael Brady

Patrick O'Brien

Director - Patrick O'Brien

30 March 2022

Date

mazars

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GREENLIGHT REINSURANCE IRELAND, DESIGNATED ACTIVITY COMPANY

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Greenlight Reinsurance Ireland, Designated Activity Company ('the Company') for the year ended 31 December 2021, which comprise the statement of comprehensive income (technical and non-technical account), the statement of financial position, the statement of changes in equity, and notes to the financial statements, including the summary of significant accounting policies set out in note 3. The financial reporting framework that has been applied in their preparation is the Companies Act, 2014, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" issued by the Financial Reporting Council.

In our opinion, the accompanying financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2021, and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts"; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. 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 independent of the Company in accordance with the ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard for Auditors (Ireland) issued by the Irish Auditing and Accounting Supervisory Authority ("IAASA"), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included but were not limited to the following:

- assessed the design and implementation of key controls surrounding management's going concern assessment process;
- reviewed reasonableness of the financial information contained within this assessment;
- evaluated management's future business plan and challenged growth rate assumptions used in forecasting income;
- challenged and benchmarked the underlying key claims reserves assumptions applied as part of the process, as compared to best practice and industry expectations;
- considered other corroborative supporting evidence / analysis to substantiate the conclusions presented in this assessment;
- reviewed the stress scenarios relating to the underlying key assumptions and evaluated the outcome under this exercise;
- determined whether current key events have been appropriately considered and reflected in the assessment performed by management; and

- ensured that there is sufficiency of disclosures in the financial statements pertaining to the going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current financial year and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and, where relevant, key observations arising from those procedures.

Valuation of Loss Reserves	**How our audit addressed this key audit matter**
The true and fair presentation of the Company's financial position and operating results depends significantly on the reasonableness and adequacy of the loss reserves. The valuation of loss reserves is a complex area and there is a significant risk of errors in the data, assumptions, methodology. Due to the complexity of the loss reserve calculations, there is an element of risk arising from the use of incorrect or inappropriate model, data, assumptions and/or judgements by the actuaries. Loss reserves amounted to $117.82m as at 31 December 2021 (2020: $72.39m) Refer to the accounting policy in note 3.6 and disclosures in notes 17 and 20 of the financial statements.	With the assistance of the group auditors, we addressed this risk, through the following procedures: • performed a walkthrough to obtain an understanding of the reserving process and tested operating effectiveness of controls; • on a sample basis, tested outstanding claims reserves at year end, including booking adjustments from US GAAP, by agreeing to supporting documentation, such as claims bordereaux and cedant loss statements; • performed checks to confirm completeness and accuracy of claims data; • challenged key actuarial assumptions and evaluated the methodologies used by management to establish Incurred But Not Reported ("IBNR") including the impact of COVID-19 on claims experience; • assessed the impact of retrocession arrangements on the level of provisions; and • assessed the adequacy and completeness of the relevant disclosures in the financial statements including adherence to the Company's reserving policy. Based on the work performed, review of supporting documentation and discussions with management, we conclude that the valuation of technical provisions is reasonable.

Our application of materiality

We apply the concept of materiality in planning and performing the audit and in evaluating the impact of misstatements, if any. Materiality is an expression of the relative significance or importance of a matter in the context of the financial statements. Misstatements in the financial statements are material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken based on the financial statements.

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	$1,710,096
How we determined it	3% of total equity
Rationale for benchmark applied	In determining our materiality, we have applied professional judgement and considered those financial metrics, which we believed to be relevant, and concluded that total Equity was the most relevant benchmark. In our view, this is a metric against which the Company is commonly measured by its stakeholders
Reporting threshold	We agreed with the Audit Committee that we would report to them misstatements identified during our audit in excess of $51,303 as well as misstatements below that amount that, in our opinion, warranted reporting for qualitative reasons. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the Company, its current economic environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

We involved our actuarial specialist as part of our engagement team and therefore determined the scope and nature of audit procedures to be performed by us ("engagement team") and Greenlight Capital Re, Ltd group auditors ("other auditors"). Where the audit procedures were performed by specialists or other auditors, we issued and agreed audit instructions to ensure that appropriate audit evidence was obtained as a basis for our opinion on the financial statements as a whole.

We identified and tested the key controls over the core financial systems identified as part of our risk assessment exercise, including a review of general IT controls with the assistance of other auditors, the accounts production process, and controls addressing critical accounting matters. Based on the audit procedures performed, such as our overall assessment of the control environment, the effectiveness of controls over individual systems, and the management of specific risks, we sought to place reliance on the Company's internal controls wherever possible.

In addition to our controls testing, we also performed substantive audit testing, analytical review procedures, financial statements disclosure review and post balance sheet events procedures.

As part of the audit process, there was continuous communication with other auditors from planning through to the completion phase. The engagement team convened virtual meetings and regular interactions with other auditors during the various phases of the audit to discuss planning, status update, audit results, findings, and the review of workpapers.

Other information

The directors are responsible for the other information. The other information comprises of the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

In our opinion, based on the work undertaken in the course of the audit, we report that:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the directors' report has been prepared in accordance with applicable legal requirements;
- the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited; and
- the financial statements are in agreement with the accounting records.

We have obtained all the information and explanations which, to the best of our knowledge and belief are necessary for the purposes of our audit.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the requirements of any of Sections 305 to 309 of the Act, which relate to disclosures of directors' remuneration and transactions are not complied with by the Company.

We have nothing to report in this regard.

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities out on page 3, the directors responsible for the preparation of the financial statements in accordance with the applicable financial reporting framework that give a true and fair view, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Irish Auditing and Accounting Supervisory Authority's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.

This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the Board of Directors, we were appointed by the Company on 7 August 2020 to audit the financial statements for the period ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 2 years.

No non-audit services prohibited by IAASA's Ethical Standard were provided during the year and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee, we are required to provide in accordance with ISA (Ireland) 260.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Martina Mahon

Martina Mahon
For and on behalf of Mazars
Chartered Accountants & Statutory Audit Firm
Harcourt Centre, Block 3
Harcourt Road
Dublin 2
Date: 06 April 2022

Greenlight Reinsurance Ireland, Designated Activity Company

Statement of Comprehensive Income: Technical Account - general business for the year ended 31 December 2021

CONTINUING OPERATIONS:	**Notes**	**2021**	**2020**
		US$	
Gross premiums written	**4**	205,607,348	77,454,761
Outward reinsurance premium		(145,765,200)	(43,173,278)
Net premiums written		59,842,148	34,281,483
Change in provision for unearned premium, gross	**4**	(56,204,369)	(16,256,270)
Change in provision for unearned premium, reinsurers' share		51,665,948	7,150,813
Earned premiums, net of reinsurance		55,303,727	25,176,026
Allocated investment income transferred from the non-technical account		588,196	469,823
Total technical income		55,891,923	25,645,849
Claims paid			
Gross amount		(48,712,753)	(44,798,766)
Reinsurers' share		17,120,571	29,175,916
Change in the provision for claims			
Gross amount	**17**	(46,618,910)	(14,338,020)
Reinsurers' share		41,380,657	8,465,204
Claims incurred net of reinsurance		(36,830,435)	(21,495,666)
Net operating expenses	**5**	(15,786,591)	(6,935,193)
Total technical expenses		(52,617,026)	(28,430,859)
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		3,274,897	(2,785,010)

Greenlight Reinsurance Ireland, Designated Activity Company

Statement of Comprehensive Income: Non-technical Account for the year ended 31 December 2021

CONTINUING OPERATIONS:	**Notes**	**2021**	**2020**
		US$	
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		3,274,897	(2,785,010)
Net investment income	**16**	1,291,704	1,049,788
Allocated investment income transferred to the technical account		(588,196)	(469,823)
Profit / (loss) on ordinary activities before taxation		3,978,405	(2,205,045)
Income tax charge	**8**	—	(423,818)
Retained profit / (loss) for the financial year		3,978,405	(2,628,863)

The Company had no recognised gains or losses other than the profit / (loss) for the above financial year. All the amounts above are in respect of continuing operations. There are no amounts of other comprehensive income during the financial year and previous financial year.

The notes on pages 16 to 42 form part of these financial statements.

On behalf of the board

Michael Brady

Patrick O'Brien

Director - Michael Brady

Director - Patrick O'Brien

30 March 2022

Date

Greenlight Reinsurance Ireland, Designated Activity Company

Statement of Financial Position at 31 December 2021	Notes	2021	2020
Assets:		US$	US$
Fixed assets	15	—	15,729
Financial assets			
Investment in related party investment fund	11	11,875,354	15,877,651
Other investments	12	363,600	—
Deposits with ceding undertakings		67,802,621	65,122,530
Reinsurers' share of technical provisions			
Unearned premiums ceded	17	71,847,399	20,790,602
Loss reserves recoverable	17	87,608,477	47,177,402
Debtors			
Debtors arising out of reinsurance operations		140,244,487	51,141,727
Amounts owed by group undertakings	19	425,180	266,546
Cash at bank and in hand	13	19,361,583	4,404,454
Other assets			
Restricted cash and cash equivalents	14	14,553,853	28,699,257
Prepayments, general receivables and accrued income		67,290	107,570
Deferred acquisition cost		2,854,724	3,605,973
Deferred tax asset	8	500,000	500,000
Total Assets		**417,504,568**	**237,709,441**
Equity and liabilities:			
Capital and reserves			
Called up share capital	9	10,000,000	10,000,000
Capital contribution reserve	10	70,500,000	70,500,000
Share-based payment reserves	10	1,738,740	1,335,550
Retained earnings		(25,073,055)	(29,051,460)
Total equity		57,165,685	52,784,090
Technical Provisions			
Known claims reserves	17	25,285,885	21,469,915
IBNR reserves	17	92,536,013	50,920,146
Unearned premium reserve	17	93,566,436	38,049,223
Total technical provisions		211,388,334	110,439,284
Liabilities			
Accruals and other payables		831,522	842,264
Creditors arising out of reinsurance operations		19,695,915	11,329,820
Amounts due to group undertakings	19	207,176	2,987,085
Funds withheld		128,215,936	59,326,898
Total liabilities		360,338,883	184,925,351
Total equity and liabilities		**417,504,568**	**237,709,441**

The notes on pages 16 to 42 form part of these financial statements.

The financial statements were approved and issued for signing on behalf of the board on 30 March 2022.

Michael Brady

Patrick O'Brien

Director - Michael Brady

Director - Patrick O'Brien

Greenlight Reinsurance Ireland, Designated Activity Company

Statement of Changes in Equity for the year ended 31 December 2021

	Share capital	Capital contribution reserve	Share-based payment reserves	Retained earnings	Total
			US$		
Balance at January 01, 2020	10,000,000	50,000,000	984,422	(26,422,597)	34,561,825
Capital contribution	—	20,500,000	—	—	20,500,000
Contributed capital adjustment for share based payments	—	—	351,128	—	351,128
Loss for the financial year	—	—	—	(2,628,863)	(2,628,863)
Balance at December 31, 2020	10,000,000	70,500,000	1,335,550	(29,051,460)	52,784,090
Capital contribution	—	—	—	—	—
Contributed capital adjustment for share based payments	—	—	403,190	—	403,190
Profit for the financial year	—	—		3,978,405	3,978,405
Balance at December 31, 2021	10,000,000	70,500,000	1,738,740	(25,073,055)	57,165,685

The notes on pages 16 to 42 form part of these financial statements.

1. REPORTING ENTITY

Greenlight Reinsurance Ireland, Designated Activity Company, (the "Company") was incorporated as a private limited company (registration number 475022) under the Irish Companies Acts on 7 September 2009 and is a licensed reinsurance entity domiciled in Dublin, Ireland. The registered office of the Company is 50 City Quay, Dublin 2, Ireland, D02 F588. The Company provides multi-line property and casualty reinsurance.

The Company is a wholly owned subsidiary of Greenlight Capital Re, Ltd., a company resident in the Cayman Islands. The largest and smallest group in which the financial statements of Greenlight Reinsurance Ireland, Designated Activity Company, are consolidated is that headed by Greenlight Capital Re, Ltd. The consolidated financial statements of Greenlight Capital Re, Ltd. are publicly available on the website www.greenlightre.com.

2. STATEMENT OF COMPLIANCE

These financial statements for the year ended 31 December 2021 are prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and Financial Reporting Standard 103 "Insurance Contracts" ("FRS 103"). The Company's financial statements have been prepared on a going concern basis.

3. ACCOUNTING POLICIES

The significant accounting policies used in the preparation of the Company's financial statements are set out below. These policies have been consistently applied to all financial years presented, unless otherwise stated.

3.1. Basis of preparation

The financial statements are expressed in United States Dollars (US$) to the nearest dollar, which is the Company's functional currency, and have been prepared on a going concern basis under the historical cost convention except for investment in related party investment fund which is measured at fair value and in accordance with FRS 102 and FRS 103 accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland. The Company is also subject to the requirements of the Companies Acts 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations 2016.

3.2. Significant judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 102 and 103 requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. The estimated and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

Actual results could differ from these estimates.

Certain critical accounting judgements in applying the Company's policies are detailed below.

(a) Loss reserves

The Company establishes reserves for contracts based on estimates of the ultimate cost of all losses including losses incurred but not reported ("IBNR") that are dependent on actuarial judgement and assumptions. These are discussed in more detail in note 3.6.

(b) Estimation of employee bonus

Under the Company's bonus program, an employee's target bonus generally consists of a Group performance bonus and an individual performance bonus. Each of the Group performance bonus and the individual performance bonus may be earned independent of one another.

The Group performance bonus criteria is driven by underwriting profitability and strategic investment income. The Group Compensation Committee, set a threshold, target and maximum level of achievement and the bonus is accrued at each employee's target amount, which may differ from the actual amount approved and awarded annually.

The individual performance bonus is based on a qualitative assessment of each employee's performance.

Performance and bonus achievement will be measured following the end of each applicable Plan Year.

(c) Premium estimation

The Company estimates the ultimate premiums for the entire contract year. These estimates are based on information received from ceding companies and estimates from actuarial pricing models used by the Company. This is discussed in more detail in note 3.3.

(d) Deferred tax valuation allowance

The Company records a valuation allowance to the extent that the Company considers it more likely than not that all or a portion of the deferred tax asset will not be realised in the future. Other than this valuation allowance, the Company has not taken any income tax positions that are subject to significant uncertainty that are reasonably likely to have a material impact on the Company.

3.3. Revenue recognition

In accordance with FRS 103 the Company has applied the existing accounting policies for insurance contracts. The Company's contracts are classified at inception, for accounting purposes, as insurance contracts. Insurance contracts are those contracts that transfer significant insurance risk.

The Company estimates the ultimate premiums for the entire contract year. These estimates are based on information received from ceding companies and estimates from actuarial pricing models used by the Company. For excess of loss contracts, the total ultimate estimated premiums are recorded as premiums written at the inception of the contract. For quota share contracts, the premiums are recorded as written based on cession statements from cedants which typically are received monthly or quarterly depending on terms specified in each contract. For any reporting lag, premiums written are estimated based on the portion of the ultimate estimated premiums relating to the risks underwritten during the lag period.

Changes in premium estimates, including premium receivable on both excess of loss and quota share contracts are expected and may result in significant adjustments in any period. These estimates change over time as additional information regarding the underlying business volume is obtained. Any subsequent adjustments arising on such estimates are recorded in the period in which they are determined. A significant portion of amounts included in the caption "Reinsurance balances receivable/payable" in the Company's statement of financial position represent estimated premiums written, net of commissions and brokerage, and are not currently due based on the terms of the underlying contracts. Additional premiums due on a contract that has no remaining coverage period are earned in full when written. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Premiums written are generally recognised as earned over the contract period in proportion to the period of risk covered. Unearned premiums consist of the unexpired portion of reinsurance provided. The unearned premium reserve is treated as a monetary liability under FRS 103 and revalued at the date of the statement of financial position.

Interest income is included in the statements of comprehensive income on an accrual basis.

3.4 Reinsurance premiums ceded

The Company reduces the risk of future losses on business assumed by reinsuring certain risks and exposures with other reinsurers (retrocessionaires. The Company remains liable to the extent that any retrocessionaire fails to meet its obligations and to the extent the Company does not hold sufficient security for their unpaid obligations. Ceded premiums are written during the period in which the risks incept and are expensed over the contract period in proportion to the period of protection. Unearned premiums ceded consist of the unexpired portion of reinsurance obtained.

3.5 Deferred acquisition costs

Policy acquisition costs, such as commission and brokerage costs, relate directly to and vary with the writing of reinsurance contracts. Acquisition costs relating solely to bound contracts are deferred subject to ultimate recoverability and are amortised over the related contract term. The Company evaluates the recoverability of deferred acquisition costs by determining if the sum of future earned premiums and anticipated investment income is greater than the expected future claims and expenses. If a loss is probable on the unexpired portion of policies in force, a premium deficiency loss is recognised. At 31 December 2021 and 2020, the deferred acquisition costs were considered fully recoverable and no premium deficiency loss was recorded. Deferred acquisition costs are treated as a monetary asset under FRS 103 and revalued at the date of the statement of financial position.

3.6. Insurance losses, reserves and recoverables - technical provisions

The Company establishes reserves for contracts based on estimates of the ultimate cost of all losses including losses incurred but not reported ("IBNR". These estimated ultimate reserves are based on the Company's own actuarial estimates derived from reports received from ceding companies, industry data and historical experience. These estimates are reviewed by the Company periodically and adjusted as necessary. Since reserves are estimates, the final settlement of losses may vary from the reserves established and any adjustments to the estimates, which may be material, are recorded in the period they are determined. Changes in estimates are reflected in the results of operations in the period in which the estimates are changed. The Company does not discount its loss reserves.

Loss reserves recoverable include the amounts due from retrocessionaires for unpaid loss and loss adjustment expenses on retrocession agreements. Ceded losses incurred but not reported are estimated based on the Company's actuarial estimates. These estimates are reviewed periodically and adjusted when deemed necessary. The Company may not be able to ultimately recover the losses recoverable amounts due to the retrocessionaires' inability to pay. The Company regularly evaluates the financial condition of its retrocessionaires and records provisions for uncollectible reinsurance expenses recoverable when recovery is no longer probable.

The COVID-19 pandemic is unprecedented. Therefore, the Company does not have previous loss experience on which to base its estimates for loss and loss adjustment expenses related to the COVID-19 pandemic. The determination of the Company's estimate was based on:

- loss estimates received from clients and their analysts and loss adjusters;
- a review of in-force treaties that may provide coverage and incur losses;
- catastrophe and scenario modeling analyses and results shared by cedants;
- reviews of industry insured loss estimates and market share analyses; and
- management's judgement.

Significant assumptions on which the Company's estimates of reserves for the COVID-19 pandemic losses and loss adjustment expenses are based include:

- the scope of coverage provided by the underlying policies, particularly those that provide for business interruption coverage;
- the regulatory, legislative or judicial actions and social impact that could influence contract interpretations across the insurance industry;
- the extent of economic contraction caused by the COVID-19 pandemic; and
- the ability of the cedants and insureds to mitigate some or all of their losses.

While the Company believes its estimate of loss and loss adjustment expense reserves for the COVID-19 pandemic is adequate as of December 31, 2021 based on available information, actual losses may ultimately differ materially from the Company's current estimates. The Company will continue to monitor the appropriateness of its assumptions as new information becomes available and will adjust its estimates accordingly. Such adjustments may be material to the Company's results of operations and financial condition.

3.7. Financial instruments

As permitted by FRS 102, the Company has elected to apply the recognition and measurement provisions of International Accounting Standard 39, Financial Instruments: Recognition and Measurement, ("IAS 39") to account for all of its financial instruments. Financial instruments include listed and unlisted equities, corporate and sovereign debt, commodities, futures, put and call options, currency forwards, other derivatives and similar instruments sold, not yet purchased. The Company's financial instruments are recognised on the statement of financial position and measured at fair value through the profit or loss account, and all unrealised gains or losses are included in "Income from investment in related party investment fund" in the statements of comprehensive income in accordance with IAS 39.

Financial assets and liabilities
Financial instruments are recognised initially at fair value of the consideration given (in case of an asset) or received (in the case of a liability). Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs.

Financial assets are derecognised when and only when:
a) the contractual rights to the cash flows from the financial asset expire or are settled;
b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
c) the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurement
The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Impairment of financial assets
Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counter parties.

3.8. Employee Benefits

(a) Defined contribution pension plans

The Company operates a defined contribution plan for its staff. Under this plan, the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions or to make direct benefit payments to employees if the fund does not hold sufficient assets to pay all employee benefits relating to the employee service in the current or prior periods. The assets of the scheme are held separately from those of the Company in independently administered funds managed by Irish Life. Pension costs are recognised in the statement of comprehensive income in the period in which they are incurred and are disclosed in note 7. Amounts not paid are shown as accruals in the statement of financial position.

(b) Short term employee benefits

Short term employee benefits including annual leave entitlements, annual bonus arrangements, termination payments, health benefits and group stock compensation are recognised as an expense in the statement of comprehensive income in the financial year in which the employees render the related service.

3.9. Fixed Assets

Fixed assets are included in the statement of financial position and are recorded at cost when acquired, less accumulated depreciation. Fixed assets are comprised of furniture and fixtures and leasehold improvements and are depreciated, using the straight-line method, over their estimated useful lives, which is five years for furniture and fixtures. Leasehold improvements are amortised over the lesser of the estimated useful lives of the assets or remaining lease term.

3.10. Taxation and deferred taxation

The income tax benefit represents the sum of the tax currently receivable and deferred tax. Any tax currently payable is provided on taxable profits at current attributable rates.

Deferred tax is calculated on all timing differences that have originated but not reversed as of the date of the statement of financial position where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the statements of financial position date.

Timing differences are temporary differences between profits as computed for tax purposes, and profits as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different years for tax purposes.

Deferred tax liabilities are recognised in full in respect of net unfavourable timing differences. Deferred tax assets in respect of net favourable timing differences, including taxation losses available for carry forward, are recognised only when it is considered more probable than not that there will be suitable taxable profits from which the future reversal of timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the statements of financial position date. Deferred tax is not discounted.

3.11. Foreign exchange

The reporting and functional currency of the Company is the U.S. dollar (US$). Transactions in foreign currencies are recorded in U.S. dollars at the exchange rates in effect on the transaction date. Monetary assets and liabilities in foreign currencies at the statements of financial position date are translated at the exchange rate in effect at the statements of financial position date and translation exchange gains and losses, if any, are included in the statements of comprehensive income. For this purpose, all assets and liabilities arising from insurance contracts (including unearned premium and deferred acquisition costs) are monetary items. Non-monetary assets and liabilities in foreign currencies are measured at historical cost and are not retranslated.

3.12. Provisions and Contingencies

The Company does not hold any general provisions in the statement of financial position. Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

3.13. Operating lease

The Company has leased office space which has been classified as an operating lease. Operating leases are not recognised in the Company's statements of financial position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense, over the term of the lease.

3.14. Deposits with ceding undertakings

The Company provides collateral in the form of cash and letters of credit to support the Fund's at Lloyd's transactions. The Company generally earns investment income on the funds held balances based upon prevailing interest rates. However, in certain circumstances, the Company may receive an investment return based upon either the result of a pool of assets held by the cedant, generally used to collateralise the funds held balance, or the investment return earned by the cedant on its entire investment portfolio. In these arrangements, investment returns are included in net investment income in the statement of comprehensive income.

3.15 Cash at bank and in hand

Cash and cash equivalents consist of cash and certain short-term, highly liquid investments with original maturity dates of three months or less.

3.16 Funds withheld

Funds withheld represents cash collateral and reinsurance balances retained as collateral by the Company on retroceded contracts along with net reinsurance payable in respect of those contracts.

3.17 Debtors and creditors arising out of reinsurance operations

Reinsurance receivables are recognised and measured on initial recognition of gross premiums written less acquisition costs and losses payable. The carrying value of reinsurance receivables is reviewed for impairment whenever events of circumstances indicate that the carrying amount may not be recoverable, with the impairment recorded in the statement of comprehensive income. There were no such impairments in 2021 or 2020.

Reinsurance payables are recognised and measured on initial recognition of outwards reinsurance premiums written net of reinsurance commissions and profit participation and losses receivable.

3.18 Restricted cash and cash equivalents

The company maintains cash and cash equivalent balances to collateralise trusts issued to cedants (see note 14).

3.19 Disclosure exemptions for qualifying entities under FRS 102

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to:

- (i) disclosing share based payments (FRS 102 sections 26.18(b), 26.19 to 26.21 and 26.23);
- (ii) key management personnel compensation in total (FRS 102 section 33.7);
- (iii) presentation of a cash flow statement (FRS 102 section 3.20); and
- (iv) disclosing intra group transactions and related party disclosures (FRS 102 section 33.1A).

The consolidated financial statements of the Company's immediate and ultimate parent company Greenlight Capital Re, Ltd ("GLRE") for the year ended 31 December 2021 are available to the public on the Group's website, greenlightre.com, and from its registered office as disclosed in note 24.

4. SEGMENTAL INFORMATION

Analysis of gross premium written by geographic location of cedent

	2021	2020
	US$	US$
(a) in the EEA state where its head office is situated	2,522,069	—
(b) in the other EEA states	832,572	321,163
(c) in other countries	202,252,707	77,133,598
	205,607,348	77,454,761

Analysis of gross premium written, gross premium earned, gross claims incurred, gross operating expenses and reinsurance balances by class of business.

	Gross premiums written	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance	Net result
Class of Business			**2021 US$**			
Fire and other damage	81,772,480	50,397,472	(33,734,065)	(19,234,783)	1,141,324	(1,430,052)
Third-party liability	50,252,543	32,777,404	(20,583,250)	(12,031,730)	45,471	207,895
Marine, aviation and transport	35,633,936	24,881,308	(15,090,795)	(6,459,360)	(1,852,230)	1,478,923
Motor, third party liability	17,810,796	14,949,987	(6,659,596)	(4,003,254)	(1,246,326)	3,040,811
Other	20,137,593	26,396,808	(19,263,957)	(7,304,283)	(439,444)	(610,876)
	205,607,348	**149,402,979**	**(95,331,663)**	**(49,033,410)**	**(2,351,205)**	**2,686,701**

	Gross premiums written	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance	Net result
Class of Business			**2020 US$**			
Fire and other damage	17,426,862	16,592,635	(12,463,880)	(5,419,792)	2,493,336	1,202,299
Third-party liability	20,620,403	13,646,636	(13,629,501)	(4,214,101)	3,998,935	(198,031)
Marine, aviation and transport	13,172,628	10,443,742	(12,014,097)	(2,633,223)	4,876,332	672,754
Motor, third party liability	9,489,163	8,567,870	(8,781,134)	(2,349,503)	1,314,629	(1,248,138)
Other	16,745,705	11,947,608	(12,248,174)	(3,686,874)	303,723	(3,683,717)
	77,454,761	**61,198,491**	**(59,136,786)**	**(18,303,493)**	**12,986,955**	**(3,254,833)**

5. NET OPERATING EXPENSES

	2021	2020
	US$	**US$**
Gross commission and brokerage costs	63,769,434	20,341,751
Reinsurance commission and brokerage	(53,919,484)	(13,745,862)
Gross deferred acquisition income	(19,397,430)	(4,435,539)
Reinsurance deferred acquisition costs	20,145,071	2,189,593
Administration expenses	5,189,000	2,585,250
	15,786,591	6,935,193

Commission paid amounted to $9,493,049 (2020: $6,327,443).

6. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2021	2020
This is stated after (crediting)/charging:	**US$**	**US$**
Loss / (Gain) on foreign currencies	247,596	(441,090)
Operating lease expense	64,934	168,020
Depreciation expense	15,729	26,965
Audit of individual financial statements	40,491	46,759
Audit of Solvency II return	16,831	22,844
Tax consultancy	7,509	3,228
Directors' remuneration	1,335,743	724,896

The directors' remuneration disclosed represents the total compensation paid to directors. In accordance with note 3.19, the Company meets the definition of a qualifying entity under FRS 102, and has taken an exemption in relation to disclosing key management personnel compensation in total. The statutory auditor remuneration payable by the Company, excluding VAT, to its auditors, Mazars, in respect of the audit of these financial statements and Solvency II return is included above.

7. EMPLOYEE COSTS AND NUMBERS

	2021	2020
	US$	US$
Wages and salaries	2,065,000	1,517,246
Social insurance costs	251,923	163,114
Health benefits	29,286	21,116
Pension benefits	168,317	146,533
Group stock incentive*	403,190	351,128
Life and disability benefit	17,405	15,754
	2,935,121	2,214,891

*Group stock compensation is in the form of restricted share units of the parent.

In accordance with note 3.19, the Company meets the definition of a qualifying entity under FRS 102, and has taken an exemption in relation to disclosing share-based compensation.

The average number of employees for the financial year 2021 was eight (2020: seven).

	2021	2020
Executive	1	1
Underwriting and Pricing	3	2
Finance and Operations	3	3
Risk and Compliance	1	1
	8	**7**

8. INCOME TAX EXPENSE

(a) Analysis of tax charge

	2021	2020
	US$	US$
Current tax expense / (benefit)	551,107	(228,800)
Deferred tax (benefit) / expense	(551,107)	652,618
Income tax expense	—	423,818

(b) Reconciliation of effective tax rate

	2021	2020
	US$	US$
Profit / (loss) for financial year after tax	3,978,405	(2,628,863)
Tax expense for the year	—	423,818
Profit / (loss) excluding tax	3,978,405	(2,205,045)
Tax using the standard rate of corporation tax in Ireland of 12.5%	497,301	(275,631)
Tax effect on deductible temporary differences	(805)	2,628
Tax effect on non-deductible expenses	53,806	46,831
Valuation allowance on deferred tax asset	(551,107)	657,296
Change in deferred taxes	805	(7,306)
Tax charge for the year	—	423,818

(c) Deferred tax balances

	2021	2020
	US$	US$
Deferred tax balance, opening	500,000	923,819
Accelerated capital allowances and other fixed asset differences	(805)	2,628
Tax losses carried forward in current year	—	(423,818)
Other temporary differences	805	(2,628)
Deferred tax balance, closing	500,000	500,000

The deferred tax asset of US$500,000 (2020: US$500,000) relates to timing differences arising on retained losses carried forward to be recoverable against future taxable profits. There were no unrecognised deferred tax liabilities at year end 31 December 2021 and 2020.

At 31 December 2021, the Company had an unrecognised deferred tax asset of $2,706,190 (2020: $3,257,296) in respect of a net operating loss carryforward which can only be offset against future taxable profits. This tax loss has no expiry date.

Deferred tax asset (net)

	2021	2020
	US$	US$
Deferred tax asset (gross)	3,206,190	3,757,296
Accumulated Valuation allowance	(2,706,190)	(3,257,296)
Deferred tax asset (net)	500,000	500,000

9. CALLED UP SHARE CAPITAL

	2021	2020
Authorised	US$	US$
1,000,000,000 Ordinary shares of US$ 0.10 each	100,000,000	100,000,000
Allotted, called up and fully paid		
100,000,000 Ordinary shares of US$ 0.10 each	10,000,000	10,000,000

One ordinary share was issued at US$0.10 on 7 September 2009 (the date of incorporation) and an additional 99,999,999 ordinary shares were subsequently issued on 31 August 2010, also at US$0.10.

10. CAPITAL AND RESERVES

Capital management

The Company's policy is to maximise value for its shareholder by ensuring that the Company's financial resources are allocated efficiently. The Company's capital management tools may include, but are not limited to, capital contribution from parent, retrocession transactions, aggregate stop loss contracts, adverse loss development covers, quota share contracts, and re-allocation of invested assets between cash, fixed income and equity securities. The Company also manages its capital and surplus to satisfy statutory, regulatory and rating agency requirements.

The Company is required to report its capital position under Solvency II, an EU-wide insurance regulatory regime. Solvency II is the capital adequacy regime for the European insurance industry. It has established a revised set of EU-wide capital requirements and risk management standards that came into force on 1 January 2016.

The Company uses the standard formula model to calculate the SCR. The SCR represents the Value-at-Risk of basic own funds subject to a confidence level of 99.5 % over a one-year period and covers existing business and all new business expected to be written over the next 24 months.

	2021	2020
	US$	US$
Total Equity	57,165,685	52,784,090
Own Funds	65,217,423	56,724,413
Solvency margin cover	154%	204%

As of 31 December 2021, the Company has been in compliance with the capital requirements required under the Irish Insurance Acts and Regulations throughout the financial years 2021 and 2020.

Capital contribution

During the year ended 31 December 2021, US$403,190 (2020: US$351,128) of the group share based benefit expense was recognised in the Company's equity as capital contribution from the parent.

No additional capital contributions (2020: US$20,500,000) were received from Greenlight Capital Re, Ltd. in 2021.

Reserves

The following table describes the nature and purpose of each reserve within equity:

Reserve	Description and Purpose
Called up share capital	Amount subscribed for share capital at nominal value which remain fully paid up.
Capital contribution reserve	Non-refundable capital introduced by the shareholder of the Company, contributed with no beneficial interest in the debt or equity of the Company.
Contributed capital adjustment for share based payments	Amount of share based benefit contributed by the shareholder of the Company. This is recognised as an expense in the Statement of Comprehensive Income.
Retained earnings	All other net gains and losses and transactions attributable to the shareholder of the Company.

11. INVESTMENT IN RELATED PARTY INVESTMENT FUND

At 31 December 2021 the Company has an investment in Solasglas Investments, LP (“SILP”). The net asset value of the investment was US$11,875,354 (2020: US$15,877,651), which represents 5.06% (2020: 7.21%) of the fund's net assets. The Company can redeem its assets for operational purposes by providing three business days’ notice. This investment is measured at fair value through the profit and loss.

12. FINANCIAL INSTRUMENTS

	2021	**2020**
Financial Assets		
Measured at fair value through profit and loss		
Investment in related party investment fund	11,875,354	15,877,651
Other investments	363,600	—
	12,238,954	**15,877,651**
Measured at undiscounted amount receivable		
Reinsurance balances receivable	140,244,487	51,141,727
Reinsurance balances receivable from related party	425,180	266,546
Funds held by cedants	67,802,621	65,122,530
	208,472,288	**116,530,803**
Measured at cost		
Cash and cash equivalents	19,361,583	4,404,454
	19,361,583	**4,404,454**
Financial Liabilities		
Measured at undiscounted amount payable		
Accruals and other payables	831,522	842,264
Reinsurance balances payable	19,695,915	11,329,820
Due to related party	207,176	2,987,085
Funds withheld	128,215,936	59,326,898
	148,950,549	**74,486,067**

Fair Value Hierarchy

The fair value of a financial instrument is the amount that would be received in an asset sale or paid to transfer a liability in an orderly transaction between unaffiliated market participants. Assets and liabilities measured at fair value are categorised based on whether the inputs are observable in the market and the degree that the inputs are observable. The categorisation of financial instruments within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritised into three levels (with Level 3 being the lowest) defined as follows:

- *Level 1:* Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.
- *Level 2:* Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.
- *Level 3:* Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

The following table presents the Company's investments, categorised by the level of the fair value hierarchy.

	Fair Value Measurements as of 31 December 2021			
Description	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
		US$		
Assets:				
Investment in related party investment fund	—	11,875,354	—	11,875,354
Other investments	—	—	363,600	363,600
Total investments	—	11,875,354	363,600	12,238,954

	Fair Value Measurements as of 31 December 2020			
Description	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
		US$		
Assets:				
Investment in related party investment fund	—	15,877,651	—	15,877,651
Other investments	—	—	—	—
Total investments	—	15,877,651	—	15,877,651

The following table presents the reconciliation of the balances for all investments measured at fair value using significant unobservable inputs (Level 3) as of 31 December 2021:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Year ended December 31, 2021	
	Assets	
	Private Investments	**Total**
	US$	
Beginning balance	—	—
Purchases	369,954	369,954
Sales	—	—
Total realized and unrealised (losses) included in earnings, net	(6,354)	(6,354)
Ending balance	363,600	363,600

Private investments consist of innovations-related investments supporting technology innovators in the (re)insurance market. The Company measures its private investments without readily determinable fair values at cost less impairment (if any), plus or minus observable price changes from identical or similar investments of the same issuers, with such changes recognised in the caption "Net investment income" in the statement of comprehensive income. The Company considers the need for impairment on a by-investment basis.

The company held no unobservable inputs (level 3) at the year ended 31 December 2020.

The company made no transfers between levels in this year or the prior year.

13. CASH AT BANK AND IN HAND

	2021	**2020**
	US$	**US$**
Cash at bank and in hand	19,361,583	4,404,454

14. RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalent balances are held to collateralise regulatory trusts.

	2021	**2020**
	US$	**US$**
Cash held as collateral in trust accounts	14,553,853	28,699,257

15. FIXED ASSETS

The following table provides a reconciliation of the carrying amount of fixed assets for the financial year ended 31 December 2021

	Leasehold improvements	Total
Cost		
Opening balance at 1 January 2020	269,645	269,645
Additions	—	—
Disposals	—	—
Ending balance at 31 December 2020	269,645	269,645
Opening balance at 1 January 2021	269,645	269,645
Additions	—	—
Disposals	(269,645)	(269,645)
Ending balance at 31 December 2021	—	—
Accumulated depreciation		
Opening balance at 1 January 2020	226,950	226,950
Depreciation for the year	26,966	26,966
Disposals	—	—
Ending balance at 31 December 2020	253,916	253,916
Opening balance at 1 January 2021	253,916	253,916
Depreciation for the year	15,729	15,729
Disposals	(269,645)	(269,645)
Ending balance at 31 December 2021	—	—
Carrying amounts		
At 31 December 2020	15,729	15,729
At 31 December 2021	—	—

The Company periodically reviews fixed assets that have finite lives, and that are not held for sale, for impairment by comparing the carrying value of the assets to their estimated future undiscounted cash flows.

16. INVESTMENT INCOME

A summary of net investment income for the financial years ended 31 December 2021 and 2020 is as follows:

	2021 US$	2020 US$
Income from investment in related party investment fund	1,719,643	1,087,272
Net interest, dividend and other expenses	(427,939)	(37,484)
Investment income	1,291,704	1,049,788

Investment returns are calculated monthly and compounded to calculate the annual returns. The resulting actual investment income may vary depending on cash flows into or out of the investment account. For the year ended 31 December 2021, investment income, net of all fees and expenses, resulted in a gain of 8.8% on the investment portfolio. This compares to a gain of 0.5% for the year ended 31 December 2020.

17. TECHNICAL PROVISIONS

	Loss reserves	Unearned premiums
	2021 US$	
At start of period	72,390,061	38,049,223
Gross change during the period	46,618,909	56,204,369
Foreign exchange movement	(1,187,072)	(687,155)
At end of period	117,821,898	93,566,436
Reinsurance recoverable	(87,608,477)	(71,847,399)
Net	30,213,421	21,719,037
	2020 US$	
At start of period	56,972,877	21,373,034
Gross change during the period	14,338,019	16,676,189
Foreign exchange movement	1,079,165	—
At end of period	72,390,061	38,049,223
Reinsurance recoverable	(47,177,402)	(20,790,602)
Net	25,212,659	17,258,621

	2021 US$	2020 US$
Known claims reserves	25,285,885	21,469,915
IBNR reserves	92,536,013	50,920,146
Total loss reserves	117,821,898	72,390,061

Uncertainties and contingencies

The uncertainties arising under insurance contracts are characterised under note 3.3 Revenue recognition and note 3.6 Insurance losses and reserve and recoverables - technical provisions.

Claims development

For the year ended 31 December 2021, net favourable loss development on prior year contracts amounted to US$5,184,046 (2020: US$1,970,809 unfavourable) based on updated data received from the cedants and a reassessment in connection with the quarterly reserve analysis conducted by the Company.

18. RETROCESSION

Loss reserves recoverable from the retrocessionaires are recorded as assets. Retrocession contracts do not relieve the Company from its obligations to insureds. Failure of retrocessionaires to honour their obligations could result in losses to the Company. At 31 December 2021, the Company had loss reserves recoverable of US$84,842,458 (2020: US$41,557,067) with an affiliated retrocessionaire, Greenlight Reinsurance, Ltd, rated “A- (Excellent)” by A.M. Best. The Company also had loss reserves recoverable of US$2,765,859 (2020: US$5,615,376) with a non-affiliated retrocessionaire rated “A (Excellent)” by A.M. Best. The Company regularly evaluates the financial condition of its retrocessionaires to assess the ability of the retrocessionaires to honour their obligations. At 31 December 2021 and 2020, no provision for uncollectible losses recoverable was considered necessary.

Aggregate stop loss retrocession agreement

The Company has entered into a further retrocession agreement with Greenlight Reinsurance, Ltd, whereby Greenlight Reinsurance, Ltd provides an aggregate stop loss protection to the Company in return for premiums ceded by the Company to Greenlight Reinsurance, Ltd. For the year ended 31 December 2021, the Company ceded US$1,244,051 (2020: US$566,332) of written premiums to Greenlight Reinsurance, Ltd. The threshold for coverage was not breached during 2021.

19. OTHER RELATED PARTY TRANSACTIONS

The Company undertakes transactions with other group undertakings. Transactions between the Company and other wholly owned subsidiaries Greenlight Capital Re, Ltd are not disclosed as the Company has taken advantage of the exemption under FRS 102 (section 33) not to disclose transactions between two or more members of a group provided that any subsidiary which is a party to the transaction is wholly owned by the ultimate parent undertaking.

20. INSURANCE, REGULATORY AND FINANCIAL RISK MANAGEMENT

INSURANCE RISK

The primary underwriting goal is to build a reinsurance portfolio that maximises profitability, subject to risk and volatility constraints.

The approach to underwriting begins at the class-of-business level. This analysis includes identifying and assessing the structural drivers of risk and emerging loss trends, and understanding the market participants and results, capacity conditions for supply and demand, and other factors. Our underwriting professionals specialise in business lines and our quantitative professionals assist in evaluating all risks we underwrite. Combined with cross-line management, we believe this approach enables us to build and deploy expertise and insight into the business line's risk dynamics and external risk factors that will affect each transaction.

i. *Underwriting risk*
The principal risk to which the Company is exposed is underwriting risk, which is the risk that the total cost of claims, claims adjustment expenses and premium acquisition expenses will exceed premiums received and can arise as a result of numerous factors, including reserving risk, catastrophe risk and pricing risk. Failure to accurately assess underwriting risk and establish adequate premium rates and terms and conditions as a result of market cycle fluctuations, competition, macroeconomic trends, and regulatory/legal issues can result in reduced earnings and capital.

The Board sets parameters for aggregate property catastrophic caps and limits for maximum loss potential under any individual contract. The Board must approve any exceptions to the established limits. The Board may amend the maximum underwriting authorities periodically and to align with our capital base. The Board designs the underwriting authorities to ensure the underwriting portfolio is appropriate on a risk-adjusted basis.

ii. Reserving risk
Reserve risk is the risk that claims and claim expense reserves subsequently prove to be insufficient to cover eventual claims. Deterioration in reserves can originate from frequency of claims being more than expected, severity of claims being higher than expected and difference between timing of claims payments versus expected. Reserving risk relates to all business earned at the valuation date. Risk relating to claims on unearned and future business is considered as part of underwriting risk. The reserve adequacy of the Company is monitored through quarterly review of reserves by the Actuarial Function as well as through an annual assessment performed by our Independent Actuary.

Reserves represent an estimate rather than an exact quantification. Although the methods for establishing reserves are well established, many assumptions about anticipated loss emergence patterns are subject to unanticipated fluctuation. We base our estimates on our assessment of facts and circumstances known at the time of the estimate, as well as estimates of future trends in claim severity and frequency, judicial theories of liability, and other factors, including the actions of third parties, which are beyond our control.

iii. Pricing Risk
We write reinsurance in the property and casualty markets, which are subject to pricing cycles. Primary insurers' underwriting results, prevailing general economic and market conditions, liability retention decisions of companies and primary insurers and reinsurance premium rates influence the demand for property and casualty reinsurance. Prevailing prices and available surplus to support assumed business influence reinsurance supply. Supply may fluctuate in response to changes in return on capital realised in the reinsurance industry, the frequency and severity of losses and prevailing general economic and market conditions.

We utilise modelling tools to facilitate our pricing and manage risks in our reinsurance portfolio.

20. INSURANCE, REGULATORY AND FINANCIAL RISK MANAGEMENT

INSURANCE RISK - continued

iv. Claims Development Information

Claims developments on all of the coverages are shown below as at 31 December 2021:

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	US$ Thousands												
Estimate of cumulative gross claims													
At December 2010	58	—	—	—	—	—	—	—	—	—	—	—	58
At December 2011	14,055	1,057	—	—	—	—	—	—	—	—	—	—	15,112
At December 2012	20,185	19,196	1,899	—	—	—	—	—	—	—	—	—	41,281
At December 2013	19,835	26,529	48,981	2,796	—	—	—	—	—	—	—	—	98,142
At December 2014	19,814	25,995	64,444	30,048	14,592	—	—	—	—	—	—	—	154,892
At December 2015	19,799	26,112	63,684	33,800	57,206	16,604	—	—	—	—	—	—	217,205
At December 2016	19,799	25,800	63,136	33,640	63,288	48,697	24,423	—	—	—	—	—	278,783
At December 2017	19,799	25,831	63,089	32,928	65,909	53,461	70,043	18,598	—	—	—	—	349,659
At December 2018	19,757	25,817	63,089	32,935	65,854	54,986	74,622	56,390	13,168	—	—	—	406,617
At December 2019	19,757	25,183	62,762	32,784	63,837	51,847	74,634	43,891	70,462	16,085	—	—	461,242
At December 2020	19,757	25,272	62,787	32,781	65,445	52,016	76,488	42,207	82,411	39,004	24,068	—	522,236
At December 2021	19,757	25,283	62,770	32,780	64,645	52,242	75,258	42,063	78,697	40,450	54,238	67,843	616,026
Cumulative payments	(19,757)	(25,279)	(62,778)	(32,780)	(63,216)	(49,089)	(71,518)	(40,181)	(71,919)	(28,409)	(26,956)	(6,321)	(498,204)
Reserve at 31 December 2021	—	4	(7)	—	1,429	3,153	3,739	1,882	6,777	12,041	27,282	61,522	117,822
Estimate of cumulative reinsurance recoveries													
At December 2010	—	—	—	—	—	—	—	—	—	—	—	—	—
At December 2011	—	(616)	—	—	—	—	—	—	—	—	—	—	(616)
At December 2012	—	(2,817)	(381)	—	—	—	—	—	—	—	—	—	(3,198)
At December 2013	—	(3,349)	(1,542)	(1,205)	—	—	—	—	—	—	—	—	(6,096)
At December 2014	—	(2,920)	(1,465)	(1,341)	(3,272)	—	—	—	—	—	—	—	(8,998)
At December 2015	—	(3,072)	(1,423)	(1,405)	(4,886)	(3,056)	—	—	—	—	—	—	(13,841)
At December 2016	—	(2,877)	(1,199)	(1,390)	(4,406)	(7,870)	(3,338)	—	—	—	—	—	(21,080)
At December 2017	—	(2,904)	(1,200)	(1,390)	(7,024)	(11,196)	(14,046)	(8,896)	—	—	—	—	(46,655)
At December 2018	—	(2,892)	(1,199)	(1,390)	(7,348)	(9,769)	(14,634)	(28,335)	(11,495)	—	—	—	(77,062)
At December 2019	—	(2,386)	(938)	(1,390)	(5,873)	(6,009)	(15,339)	(21,951)	(39,341)	(13,820)	—	—	(107,047)
At December 2020	—	(2,457)	(968)	(1,390)	(7,152)	(7,193)	(16,764)	(21,108)	(45,357)	(23,695)	(20,089)	—	(146,173)
At December 2021	—	(2,467)	(968)	(1,390)	(6,616)	(7,960)	(17,521)	(21,029)	(43,420)	(20,693)	(32,265)	(49,113)	(203,441)
Cumulative payments received	—	2,464	974	1,390	5,485	5,498	14,657	20,033	39,484	11,748	12,351	1,750	115,833
Reserve at 31 December 2021	—	(3)	6	—	(1,131)	(2,462)	(2,864)	(995)	(3,937)	(8,946)	(19,915)	(47,363)	(87,608)

INSURANCE, REGULATORY AND FINANCIAL RISK MANAGEMENT

INSURANCE RISK - continued

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
							US$ Thousands						
Estimate of cumulative net claims													
At December 2010	58	—	—	—	—	—	—	—	—	—	—	—	58
At December 2011	14,055	441	—	—	—	—	—	—	—	—	—	—	14,496
At December 2012	20,185	16,379	1,518	—	—	—	—	—	—	—	—	—	38,082
At December 2013	19,835	23,181	47,439	1,591	—	—	—	—	—	—	—	—	92,046
At December 2014	19,814	23,075	62,979	28,707	11,320	—	—	—	—	—	—	—	145,895
At December 2015	19,799	23,040	62,262	32,395	52,320	13,548	—	—	—	—	—	—	203,364
At December 2016	19,799	22,923	61,937	32,250	58,882	40,827	21,085	—	—	—	—	—	257,704
At December 2017	19,799	22,928	61,888	31,538	58,886	42,265	55,997	9,702	—	—	—	—	303,004
At December 2018	19,757	22,925	61,889	31,545	58,506	45,217	59,988	28,055	1,673	—	—	—	329,555
At December 2019	19,757	22,798	61,824	31,394	57,964	45,839	59,295	21,940	31,121	2,265	—	—	354,196
At December 2020	19,757	22,816	61,819	31,391	58,293	44,822	59,724	21,099	37,054	15,310	3,979	—	376,063
At December 2021	19,757	22,816	61,802	31,390	58,030	44,283	57,737	21,035	35,276	19,757	21,973	18,731	412,585
Cumulative net payments	(19,757)	(22,815)	(61,803)	(31,390)	(57,731)	(43,591)	(56,861)	(20,148)	(32,436)	(16,662)	(14,605)	(4,571)	(382,371)
Total per statement of financial position	39,514	45,614	123,641	62,786	116,555	91,353	119,895	43,925	71,015	20,669	11,346	14,159	30,213

v. Sensitivity to insurance risk

The principal assumption underlying the claims liabilities estimates is that the Company's future claims development will follow similar pattern to past claims development experience. These estimates are based on various quantitative and qualitative factors including:

- average claim costs including claim handling costs;
- trends in claims severity and frequency, and
- other factors such as inflation, expected or in-force government pricing and coverage reforms, and the level of insurance fraud.

Most or all of the qualitative factors are not directly quantifiable, particularly on a prospective basis, and the effects of these and unforeseen factors could negatively impact the Company's ability to accurately assess the risk of the insurance contracts that the Company underwrites. In addition, there may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the Company and additional lags between the time of reporting and final settlement of claims.

The company refines its claims liabilities estimates on an ongoing basis as claims are reported and settled. Establishing an appropriate level of claims liabilities is an inherently uncertain process and the policies surrounding this are overseen by the Actuarial department.

REGULATORY RISK

Regulatory risk is the risk of loss and/ or damage to reputation owing to a breach of regulatory requirements or failure to respond to regulatory change. Solvency II was introduced with effect from January 1, 2016 and governs the prudential regulation of insurers and reinsurers, and requires insurers and reinsurers in Europe to meet risk-based solvency requirements. It also imposes group solvency and governance requirements on groups with insurers and/or reinsurers operating in the European Economic Area. A number of European Commission delegated acts and technical standards have been adopted, which set out more detailed requirements based on the overarching provisions of the Solvency II Directive. However, further delegated acts, technical standards and guidance are likely to be published on an ongoing basis.

The Company complies, in all material respects, with all regulatory requirements at all times and endeavours to build and maintain a positive relationship with the Central Bank of Ireland (“CBI”). The Company is in full compliance with all regulatory requirements and there were no instances of non-compliance in 2021 and 2020.

20. INSURANCE, REGULATORY AND FINANCIAL RISK MANAGEMENT

FINANCIAL RISK

Current and non-current assets and liabilities

The following table provides an analysis of non-technical assets that include amounts expected to be settled no more than twelve months after the statement of financial position date (current) and more than twelve months after the statement of financial position date (non-current).

		2021	
Assets	**Current**	**Non-current**	**Total**
	US $	**US $**	**US $**
Fixed assets	—	—	—
Financial assets			
Investment in related party investment fund	11,875,354	—	11,875,354
Other investments	363,600	—	363,600
Deposits with ceding undertakings	67,802,621	—	67,802,621
Debtors			
Debtor arising out reinsurance operations	140,244,487	—	140,244,487
Amounts owned by group undertakings	425,180	—	425,180
Cash at bank and in hand	19,361,583	—	19,361,583
Other assets			
Restricted cash and cash equivalents	14,553,853	—	14,553,853
Prepayments, general receivables and accrued income	67,290	—	67,290
Deferred tax asset	—	500,000	500,000
Total	**254,693,968**	**500,000**	**255,193,968**
Liabilities			
Accruals and other payables	831,522	—	831,522
Creditors arising out of reinsurance operations	19,695,915	—	19,695,915
Amounts due to group undertakings	207,176	—	207,176
Funds withheld	128,215,936	—	128,215,936
Total	**148,950,549**	**—**	**148,950,549**

20. INSURANCE, REGULATORY AND FINANCIAL RISK MANAGEMENT

FINANCIAL RISK - continued

	2020		
Assets	**Current**	**Non-current**	**Total**
	US $	**US $**	**US $**
Fixed assets	15,729	—	15,729
Financial assets			
Investment in related party investment fund	15,877,651	—	15,877,651
Deposits with ceding undertakings	65,122,530	—	65,122,530
Debtors			
Debtor arising out reinsurance operations	51,141,727	—	51,141,727
Amounts owned by group undertakings	266,546	—	266,546
Cash at bank and in hand	4,404,454	—	4,404,454
Other assets			
Restricted cash and cash equivalents	28,699,257	—	28,699,257
Prepayments, general receivables and accrued income	107,570	—	107,570
Deferred tax asset	—	500,000	500,000
Total	**165,635,464**	**500,000**	**166,135,464**
Liabilities			
Accruals and other payables	842,264	—	842,264
Creditors arising out of reinsurance operations	11,329,820	—	11,329,820
Amounts due to group undertakings	2,987,085	—	2,987,085
Funds withheld	59,326,898	—	59,326,898
Total	**74,486,067**	**—**	**74,486,067**

MARKET RISK

i. Equity Price Risk

As of 31 December 2021, the Company's investment portfolio included an investment in SILP, which holds underlying equity securities and equity-based derivative instruments, the carrying values of which are primarily based on quoted market prices. Generally, market prices of common equity securities are subject to fluctuation, which could cause the amount to be realised upon the closing of the position to differ significantly from the current reported value. This risk is partly mitigated by the presence of both long and short equity securities. As of 31 December 2021, a 10% decline in the price of each of these listed equity securities and equity-based derivative instruments would result in a US$571,506 or 3.4% of the Company's investment portfolio.

Computations of the prospective effects of hypothetical equity price changes are based on numerous assumptions, including the maintenance of the existing level and composition of investment securities and should not be relied on as indicative of future results.

ii. Foreign Currency Risk

Foreign currency risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in exchange rates and produce an adverse effect of net income and capital when measured in the Company's functional currency.

20. INSURANCE, REGULATORY AND FINANCIAL RISK MANAGEMENT

MARKET RISK - continued

The Company's cash flows and earnings are subject to fluctuations due to exchange rate variations. Foreign currency risk exists by nature of the Company's underwriting and investment strategy. The Company's principal transactions are carried out in US dollars though it has exposure to foreign exchange risk principally with respect to Sterling and Euro.

The Company does not seek to specifically match the liabilities under reinsurance policies that are payable in foreign currencies with investments denominated in such currencies; the Company continually monitors the exposure to potential foreign currency losses and may consider the use of forward foreign currency exchange contracts in an effort to mitigate against adverse foreign currency movements.

The schedule below shows the surplus or deficiency held in each of the main currencies by the Company at the year ended 31 December 2021:

Foreign Currency	**Assets**	**Liabilities and Equity**	**Surplus / (Deficiency)**
	US$	**US$**	**US$**
British Pound	230,862,361	230,421,603	440,499
Euro	8,966,280	9,139,490	(173,210)
United States Dollar	173,836,566	174,014,361	(177,499)
Other	3,839,292	3,929,045	(89,753)
Total	417,504,499	417,504,499	—

The schedule below shows the surplus or deficiency held in each of the main currencies by the Company at the year ended 31 December 2020:

Foreign Currency	**Assets**	**Liabilities**	**Surplus / (Deficiency)**
	US$	**US$**	**US$**
British Pound	61,947,235	64,772,635	(2,825,400)
Euro	1,702,386	3,189,540	(1,487,154)
United States Dollar	166,853,254	168,637,975	(1,784,721)
Other	7,206,566	1,109,291	6,097,275
Total	237,709,441	237,709,441	—

The following table summarises the net impact that a 10% increase and decrease in the value of the United States dollar against foreign currencies would have on the Company as of 31 December 2021:

20. INSURANCE, REGULATORY AND FINANCIAL RISK MANAGEMENT

MARKET RISK - continued

	10% increase in U.S. dollar	10% decrease in U.S. dollar
Foreign Currency	**Impact on SOCI/ Equity**	**Impact on SOCI/ Equity**
	US$	**US$**
British Pound	44,050	(44,050)
Euro	(17,321)	17,321
Other	(8,975)	8,975
Total	17,754	(17,754)

Computations of the prospective effects of hypothetical currency price changes are based on numerous assumptions, including the maintenance of the existing level and composition of investment in securities denominated in foreign currencies and related hedges, and should not be relied on as indicative of future results.

iii. Interest Rate Risk

The investment in SILP includes interest rate sensitive securities, such as corporate and sovereign debt instruments and interest rate swaps. The primary market risk exposure for any debt instrument is interest rate risk. As interest rates rise, the fair value of a long fixed-income portfolio generally falls. Similarly, falling interest rates generally lead to increases in the fair value of fixed-income securities. Additionally, some of the derivative investments may also be sensitive to interest rates and their value may indirectly fluctuate with changes in interest rates.

As of December 31, 2021, a 100 basis points increase or decrease in interest rates would have no meaningful impact on the value of our investment portfolio.

The Company, along with DME Advisors, monitors the net exposure to interest rate risk and generally do not expect changes in interest rates to have a materially adverse impact on our operations.

CREDIT RISK

The Company is exposed to credit risk primarily from the possibility that counterparties may default on their obligations to it. The amount of the maximum exposure to credit risk is indicated by the carrying value of the Company's financial assets. The Company is exposed to credit risk from its business partners and clients relating to balances receivable under the reinsurance contracts, including premiums receivable, losses recoverable and commission adjustments recoverable. The Company monitors the financial strength of its counterparties and assesses the collectability of these balances on a regular basis and obtains collateral in the form of funds withheld, trusts and letters of credit from its counterparties to mitigate their credit risk.

In addition, the securities, commodities, and cash in SILP's investment portfolio are held with several prime brokers and derivative counterparties, subjecting SILP, and indirectly us, to the related credit risk from the possibility that one or more of them may default on their obligations. While the Company has no direct control over SILP, DME Advisors closely and regularly monitors the concentration of credit risk with each counterparty and, if necessary, transfers cash or securities between counterparties or requests collateral to diversify and mitigate credit risk. Other than the Company's investment in SILP and the fact that SILP's investments and the majority of cash balances are held by prime brokers, the Company has no other significant concentrations of investment credit risk.

The Company retrocedes a significant portion of its reinsurance liabilities via internal reinsurance to its sister Company, Greenlight Reinsurance Ltd., ("GRL") a wholly owned subsidiary of GLRE, which is rated A- by A.M. Best. The Company closely monitors the financial strength of GRL and while the amount recoverable is material (see note 18) the Company does not regard the recoverability of reinsurance assets as a material credit risk given the financial strength of the group.

The Company holds cash deposits with HSBC Continental Europe which has a A+ credit rating from Standard and Poor's.

20. INSURANCE, REGULATORY AND FINANCIAL RISK MANAGEMENT

LIQUIDITY RISK

As of 31 December 2021, the majority of the Company's investments in SILP were valued based on quoted prices in active markets for identical assets. Given the Company's value-oriented long and short investment strategy, if equity markets decline, the obligations for covering short positions would also decline. Any reduction in the short portfolio would reduce the need for restricted cash and thereby cash would be freed up to be used for any purpose. Additionally, since the majority of the Company's investments in SILP are liquid, even in distressed markets, the invested assets can be liquidated to generate cash to pay claims, hence mitigating any liquidity risk.

EFFECTS OF INFLATION

In recent months we have seen an increase in inflationary pressures. Initially these pressures were linked to supply chain issues and the fallout from Covid-19 and were expected to be temporary. This issue has been escalated by the Russian invasion of Ukraine. It is possible that inflation could remain elevated for some time. Higher than anticipated inflation could lead to an increase in loss costs and the need to strengthen loss reserves. The impact of inflation on loss costs will likely be more pronounced for longer tail business lines, where it takes a period of time to finalise and settle claims. In general, the Company's underwriting book is skewed towards shorter tail classes and therefore the impact should be less pronounced.

21. LETTERS OF CREDIT AND TRUSTS

The Company's related company, GRL, issues letters of credit on behalf of the Company under various facilities, for the benefit of the Company's insureds. The collateral pledged as security relating to these letters of credit is also provided by GRL. In the event that the Company's insureds draw upon any letters of credit, the Company shall be obligated to reimburse GRL the amount of the letters of credit drawn by the insured. As of 31 December 2021, US$14,983,971 (2020: US$10,665,499) of letters of credit were issued by GRL on behalf of the Company and no letters of credits were drawn by the Company's insureds for the year ended 31 December 2021.

In addition to the letters of credit, the Company has established regulatory trust arrangements for certain cedants. As of 31 December 2021, collateral of US$14,553,853 (2020: US$28,699,257) was provided to cedants in the form of regulatory trust accounts (see note 14).

22. COMMITMENTS - OPERATING LEASE

The Company entered into a new lease agreement for office space in Dublin, Ireland in October 2021. Under the terms of this lease agreement, the Company is committed to minimum annual rent payments denominated in Euros approximating €71,500 per annum until September 2026. The Company has the option to terminate the lease agreement in 2026. Included in the schedule below are the net minimum lease payment obligations for the next five years relating to this lease as of 31 December 2021.

	2022	**2023**	**2024**	**2025**	**2026**	**Total**
Operating lease obligations	60,993	81,324	81,324	81,324	60,993	365,958

In May 2021, the Company exercised an option to terminate the lease agreement that existed at year-end 2020. There are no outstanding obligations in respect of the lease.

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 24 February 2022, Russia commenced an invasion of Ukraine. The invasion has had a significant impact on a number of financial markets. The Company is closely monitoring the situation and has potential exposure to the conflict in its Aviation, Marine and Terror / Political Violence book. The Company's estimate is at a preliminary stage, but all risks are protected by a combination of the 80% Group Quota share and the Aggregate Stop Loss. The Directors will continue to monitor this ongoing situation for further developments which may impact the Company.

There are no other events since the statement of financial position date to report.

24. ULTIMATE PARENT UNDERTAKING

The immediate parent and ultimate parent undertaking is GLRE, a company incorporated in the Cayman Islands. The Group financial statements, for which the Company is a member, are available to the public from the registered office at 65 Market Street, Suite 1207 Jasmine Court, Camana Bay, Grand Cayman KY1-1205, Cayman Islands.

25. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the directors on 30 March 2022.