OIL CASUALTY INSURANCE, LTD.

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

Years Ended November 30, 2021 and 2020

KPMG Audit Limited
Crown House
4 Par-la-Ville Road
Hamilton
HM 08
Bermuda

Telephone +1 441 295 5063
Fax +1 441 295 9132
Internet www.kpmg.bm

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Oil Casualty Insurance, Ltd.

Opinion

We have audited the consolidated financial statements of Oil Casualty Insurance, Ltd. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of November 30, 2021 and 2020, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of November 30, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for opinion

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

Responsibilities of management for the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Required supplementary information

U.S. generally accepted accounting principles require that certain disclosures related to short-duration insurance contracts in Note 5 to the consolidated financial statements be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
February 21, 2022

OIL CASUALTY INSURANCE, LTD.

Consolidated Balance Sheets

November 30, 2021 and 2020
(Expressed in Thousands of United States Dollars)

	2021	2020
Assets		
Cash and cash equivalents (Note 2(i))	$ 199,499	$ 154,874
Investments in marketable securities and derivatives (Notes 2(d), 2(e), 3 and 4)	805,820	780,209
Other investments (Notes 2(d) and 3)	126,055	106,309
Restricted assets (Note 2(i), 4 (c))	295,861	241,704
Investment sales pending settlement	11,075	64,450
Accrued investment income	5,069	5,193
Losses recoverable from reinsurers (Notes 5 and 9)	251,088	254,278
Accounts receivable	283,907	291,945
Funds withheld	75,777	63,469
Prepaid reinsurance premiums	55,545	44,798
Deferred acquisition costs (Note 2(b))	72,732	58,916
Other assets (Note 10)	774	491
Total assets	$ 2,183,202	$ 2,066,636
Liabilities		
Outstanding losses and loss expenses (Note 5)	$ 1,027,491	$ 860,806
Unearned premiums	341,384	289,054
Investment purchases pending settlement	36,684	113,419
Loan payable (Notes 2(f), 2(h), 6(a) and 6(c))	131,893	131,774
Reinsurance premium payable	47,127	48,626
Amounts due to affiliates (Note 8(b))	3,063	1,824
Accounts payable	122,105	111,089
Total liabilities	1,709,747	1,556,592
Shareholders' equity		
Common shares (Note 7)	300	305
Retained earnings	473,155	509,739
Total shareholders' equity	473,455	510,044
Total liabilities and shareholders' equity	$ 2,183,202	$ 2,066,636

See accompanying notes to consolidated financial statements

OIL CASUALTY INSURANCE, LTD.

Consolidated Statements of Operations

Years Ended November 30, 2021 and 2020
(Expressed in Thousands of United States Dollars)

	2021	2020
Gross premiums written	$ 636,764	$ 560,604
Change in unearned premiums	(52,330)	(81,846)
Premiums earned	584,434	478,758
Ceded premiums	123,933	93,792
Change in prepaid reinsurance premiums	(10,746)	(10,810)
Ceded premiums earned	113,187	82,982
Net premiums earned	471,247	395,776
Losses and loss expenses incurred, net of reinsurance (Note 5)	(385,587)	(317,639)
Commission and brokerage fees, net	(123,696)	(94,834)
Net underwriting loss	(38,036)	(16,697)
Interest income	16,039	23,574
Net gains on investments (Note 3)	22,346	28,991
Dividends	851	1,278
Investment advisory and custodian fees	(3,735)	(3,538)
Interest and debt expense (Notes 6(a) and 6(c))	(11,576)	(11,544)
Net investment income	23,925	38,761
General and administrative expenses (Note 8(a))	(22,669)	(18,256)
Net (loss) income before income taxes	(36,780)	3,808
Income tax benefit (expense) (Notes 2j and 10)	196	–
Net (loss) income	$ (36,584)	$ 3,808

See accompanying notes to consolidated financial statements

OIL CASUALTY INSURANCE, LTD.

Consolidated Statements of Changes in Shareholders' Equity

Years Ended November 30, 2021 and 2020
(Expressed in Thousands of United States Dollars)

	Common shares			
	Number of shares		Retained earnings	Total
Balance at November 30, 2019	55	$ 275	$ 505,931	$ 506,206
Shares issued in year	7	35	–	35
Shares redeemed in year	(1)	(5)	–	(5)
Net income	–	–	3,808	3,808
Balance at November 30, 2020	61	$ 305	$ 509,739	$ 510,044
Shares issued in year	2	10	–	10
Shares redeemed in year	(3)	(15)	–	(15)
Net loss	–	–	(36,584)	(36,584)
Balance at November 30, 2021	60	$ 300	$ 473,155	$ 473,455

See accompanying notes to consolidated financial statements

OIL CASUALTY INSURANCE, LTD.

Consolidated Statements of Cash Flows

Years Ended November 30, 2021 and 2020
(Expressed in Thousands of United States Dollars)

	2021	2020
Cash flows from operating activities		
Net (loss) income	$ (36,584)	$ 3,808
Adjustments to reconcile net (loss) income to net cash provided (used) by operating activities:		
Amortization of deferred debt issuance costs	119	51
Interest on deferrable subordinated debentures	10,672	10,861
Net gains on investments	(22,346)	(28,991)
Proceeds from the sale of investments	975,462	1,272,156
Purchase of investments	(1,021,235)	(1,306,559)
Changes in operating assets and liabilities:		
Accrued investment income	124	(394)
Losses recoverable from reinsurers	3,190	(7,274)
Accounts receivable	8,038	(100,664)
Funds withheld	(12,308)	(20,924)
Prepaid reinsurance premiums	(10,747)	(10,811)
Deferred acquisition costs	(13,816)	(20,602)
Other assets	(283)	(27)
Outstanding losses and loss expenses	166,685	145,053
Unearned premiums	52,330	81,846
Reinsurance premium payable	(1,499)	4,907
Amounts due to affiliates	1,239	(805)
Accounts payable	11,017	40,988
Restricted assets	37,050	(81,499)
Net cash provided (used) by operating activities	147,108	(18,880)
Cash flows from financing activities		
Repurchase of deferrable subordinated debentures	–	(5,851)
Interest paid on deferrable subordinated debentures	(10,672)	(10,945)
Issuance of common shares, net	(5)	30
Net cash used by financing activities	(10,677)	(16,766)
Net increase (decrease) in cash and cash equivalents and restricted cash	136,431	(35,646)
Cash and cash equivalents and restricted cash at beginning of year	163,293	198,939
Cash and cash equivalents and restricted cash at end of year	$ 299,724	$ 163,293
Supplementary Disclosure of Consolidated Cash Flow Information		
Cash and cash equivalents	199,499	154,874
Restricted cash included in Restricted assets (Note 4(c))	100,225	8,419
Total cash and cash equivalents and restricted cash shown in the Consolidated Statement of Cash Flows	$ 299,724	$ 163,293

See accompanying notes to consolidated financial statements

1. Nature of the business

Oil Casualty Insurance, Ltd. (the “Company” or “OCIL”) was incorporated under the laws of Bermuda on May 14, 1986. The Company’s shareholders comprise companies operating in the energy industry. The Company provides property and casualty insurance and reinsurance on a global basis.

Through October 1, 2015, the Company’s insurance business insured the risks of companies operating in the energy industry while its assumed reinsurance business mainly represented the property and casualty risks of ceding companies that provide such insurance primarily to energy companies. Effective October 1, 2015, the Company expanded its operations to insure and reinsure the same risks of companies outside of the energy industry. The Company holds a Class 3B license under The Insurance Act 1978 of Bermuda and related regulations.

2. Summary of significant accounting policies

The accompanying Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) which require management to make 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 revenues and expenses during the reporting period. Actual results could differ from these estimates. The following are the significant accounting policies adopted by the Company:

(a) *Principles of consolidation*

These Consolidated Financial Statements include the results of the Company and its wholly-owned subsidiaries, Oil Casualty Investment Corporation Ltd. (“OCICL”), OCIL Limited and Olivewood Holdings, Ltd (“OHL”). OCICL was established to hold the Company’s investment portfolios. OCIL Limited is a corporate member established during 2016 to participate in Lloyd’s business from January 1, 2017. OHL is a holding company incorporated in Delaware during 2020 and has two wholly owned subsidiaries, OCIL Specialty Ltd (“OSL”) and OSL Insurance Services, Inc. (“OISI”). OSL was incorporated under the laws of Bermuda during 2020 and holds a Class 3A license under The Insurance Act 1978 of Bermuda and related regulations. OSL commenced writing business in April 2021. OISI was incorporated in the State of Texas during 2020 and provides managing underwriting agency services to OSL. OISI was licensed to carry out business from January 1, 2021. All intercompany transactions are eliminated on consolidation.

(b) *Premiums and acquisition costs*

Insurance and assumed reinsurance premiums earned are recognized as income in the consolidated statement of operations.

Insurance premiums are recorded as written on the inception date of the policy. Insurance premiums are recognized as income generally on a basis proportionate with the coverage period within the underlying contracts. Unearned premiums represent the portion of premiums written that relate to the unexpired terms of policies in force.

Assumed reinsurance premiums are recorded at the inception of the reinsurance contract or underlying policies depending on contract terms. Premiums written are estimated based upon information in contracts and information provided by clients and/or brokers. Assumed reinsurance premiums written are earned generally on a basis proportionate with the coverage period. Assumed reinsurance premiums written not yet recognized as revenue are recorded on the consolidated balance sheets as unearned premiums.

Due to the nature of reinsurance, ceding companies routinely report and remit premiums to the Company subsequent to the contract coverage period. Consequently, gross premiums written and earned, premiums receivable and unearned premium include amounts reported and billed by the ceding companies, supplemented by estimates of premiums that are written but not reported. The Company’s premium estimation process considers the terms and conditions of the reinsurance contracts and assumes that the contracts will remain in-force until expiration.

The Company’s estimates of written premiums may be affected by early cancellation, election of contract provisions for cut-off and return of unearned premiums or other contract disruptions. Changes in assumed reinsurance premium estimates are expected and may result in significant adjustments in any period. These estimates change over time as additional information regarding the underlying exposures insured is obtained. Any subsequent differences arising on such estimates are recorded as premiums written in the period they are determined.

2. Summary of significant accounting policies (continued)

(b) Premiums and acquisition costs (continued)

In the ordinary course of business, the Company uses both treaty and facultative reinsurance to minimize its net loss exposure to any one catastrophic loss event or to an accumulation of losses from a number of smaller events. Premiums ceded are pro-rated over the period the reinsurance coverage is provided with the unearned portion being deferred as prepaid reinsurance premiums.

Reinstatement premiums ceded are recognized and accrued at the time losses are incurred and are expensed pro-rata over the reinstated coverage period. Such accruals are based upon actual contractual terms applied to the amount of losses expected to be paid. However, there is a significant amount of management judgment involved with respect to the estimated amount of loss reserves as described in Note 2(c). It is at least reasonably possible that management will revise this estimate significantly in the near term. Any changes in the assessment of the ceded reinsurance premium will be recorded in the period in which it is determined.

Acquisition costs, consisting primarily of commissions, are deferred and charged to income on a pro-rata basis over the term of each policy or reinsurance contract.

(c) Outstanding losses and loss expenses and losses recoverable from reinsurers

Outstanding losses and loss expenses include reserves for reported unpaid losses and loss expenses and for losses incurred but not reported, including an estimate of the loss adjustment expenses. The reserve for outstanding losses and loss expenses for the Company's insurance and reinsurance operations is established by management based on claims reported from insureds or amounts reported from ceding companies at or before the balance sheet date, and represent the estimated ultimate cost of events or conditions that have been reported to or specifically identified by the Company. In addition, a provision for adverse development for reported notifications and for losses incurred but not reported ("IBNR") is estimated by management based on the recommendations of an independent actuary using the past loss history of the Company and industry data. In establishing a provision for unpaid claims and claims expenses related to environmental exposure and clean-up, management considers facts currently known and the current state of laws and litigation.

Liabilities are recognized for known claims when sufficient information has been developed to indicate the involvement of a specific policy, and management can reasonably estimate the Company's liability. A substantial degree of judgment is required in assessing the ultimate cost of outstanding losses and the related amounts recoverable from reinsurers. It is at least reasonably possible that management will revise these estimates significantly in the near term. Any changes in the assessment of the ultimate cost of claims notified to date will be recorded in the period in which they are determined.

Unidentified events or conditions may have occurred which may be validly notified to the Company in subsequent periods and result in losses. Any such losses will be subject to the limits and conditions of the related policies in force at the time of notification.

Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying liabilities.

(d) Investments in marketable securities, other investments and investment income

Investments are classified as trading and are carried in the Consolidated Balance Sheet at fair value. Realized and unrealized gains and losses are included in the Consolidated Statement of Operations. Security transactions are accounted for on a trade date basis with investment purchases and sales pending settlement accrued in the Consolidated Balance Sheet. As at November 30, 2021, $(1.0) million purchases (2020: $(0.1) million purchases) of the investments pending settlement relate to restricted assets.

Other investments consist of investments in hedge funds and fund of funds and are carried at fair value. The units of account that are valued by the Company are its interest in the funds and not the underlying holdings of such funds. Thus, the inputs used by the Company to value its investments in each of the funds may differ from the inputs used to value the underlying holdings of such funds. These funds are stated at fair value, which ordinarily will be the most recently reported net asset value ("NAV") as reported by their investment managers or third party administrators. The use of net asset value as an estimate of the fair value for investments in certain entities that calculate the net asset value is a permitted practical expedient.

2. Summary of significant accounting policies (continued)

(d) Investments in marketable securities, other investments and investment income (continued)

The change in the fair value of hedge fund investments is included in the Consolidated Statement of Operations. As of November 30, 2021, the Company does not have any unfunded commitments related to these investments.

Restricted assets are carried in the Consolidated Balance Sheet at fair value. Realized and unrealized gains and losses are included in the Consolidated Statement of Operations.

Investment gains and losses are computed using the average cost of securities sold and are recorded in the Consolidated Statement of Operations. Dividend income, net of withholding tax, is recorded when declared. Interest income is accrued to the balance sheet date.

Short term investments comprise securities due to mature within one year of the balance sheet date.

(e) Derivative financial instruments

The Company recognizes all derivatives as either assets or liabilities in the Consolidated Balance Sheet and measures those instruments at fair value. All changes in the fair value of derivatives are recorded in the Consolidated Statement of Operations. None of the derivatives used by the Company are designated as accounting hedges. Derivatives are used by the Company to mitigate certain risks inherent in holding the underlying debt or equity securities, or are designed to provide exposure to certain sectors or markets and to enhance investment returns. The unrealized gains or losses arising from derivative financial instruments are not separately classified as assets or liabilities in the Consolidated Balance Sheet; they are classified with the underlying debt and equity securities they are designed to hedge or enhance (see Notes 3 and 4). Aggregate asset or liability positions are netted on the Consolidated Balance Sheet only to the extent permitted by a qualifying master netting arrangement in place with each respective counterparty (see Note 4).

(f) Loan payable and deferred debt issuance costs

The Company defers costs directly associated with the issuance of debt instruments and amortizes such costs on a straight-line basis over the term of the debt agreements. The amortization is reported within interest and debt expense in the Consolidated Statement of Operations. The Company carries its loan payable at cost less the balance of the related amortized deferred costs.

(g) Translation of foreign currency investments and losses

The costs of foreign currency investments are translated at exchange rates in effect on the date of purchase; fair values are translated at year end exchange rates. Reserves for outstanding losses, accounts receivable and payable, funds withheld and investments held in trust which are denominated in foreign currencies are translated at exchange rates in effect at the balance sheet date. Realized and unrealized exchange gains and losses are included in the Consolidated Statement of Operations.

(h) Fair value of financial instruments

The following methods and assumptions are used by the Company in estimating the fair values of its financial instruments:

Cash and cash equivalents including restricted cash: The carrying amounts reported in the Consolidated Balance Sheet for these instruments approximate their fair values.

Investments in marketable securities including investments held within restricted assets: Fair values of fixed maturity securities, equity securities and short term investments are based on market prices quoted by broker dealers in that market or quoted on the relevant exchange. The Company invests in fixed income and equity funds. When there is no market price available for the funds on a recognized exchange, the Company values the funds using the net asset values obtained from the investment managers or the administrators of the respective investment funds. These investment entities carry their investments at fair value.

2. Summary of significant accounting policies (continued)

(h) Fair value of financial instruments (continued)

Other investments: Hedge fund investments, which are investments in fund of funds and investments in other hedge funds, are valued using the net asset values obtained from the investment managers or the administrators of the respective investment funds. These investment entities carry their investments at fair value.

Derivatives: The fair value of these instruments are based upon quoted market prices. Where quoted market prices are not available, fair value is based upon prices provided by the counterparty.

*Other assets and liabilitie*s: The fair values of restricted assets, investment purchases and sales pending settlement, amounts due to affiliates, reinsurance premiums payable, accounts receivable, funds withheld and accounts payable approximate their carrying value due to the immediate or short term maturity of these financial instruments.

The estimates of fair value presented herein are subjective in nature and are not necessarily indicative of the amounts that the Company could realize in a current market exchange. Any differences are not expected to be material. All non-financial instruments such as unearned premiums, prepaid reinsurance premiums, other assets and financial instruments related to insurance contracts such as outstanding losses and loss expenses and losses recoverable from reinsurers are excluded from fair value disclosure. Thus the total fair value amounts cannot be aggregated to determine the underlying economic value of the Company.

(i) Cash and cash equivalents

For the purposes of the Consolidated Statement of Cash Flows, cash equivalents include time deposits with an original maturity period of ninety days or less.

(j) Income taxes

The Company provides for income taxes for its operations in income tax paying jurisdictions. The Company's provision relies on estimates and interpretations of currently enacted tax laws.

The Company recognizes deferred tax assets and liabilities based on temporary differences between the tax basis of assets and liabilities and their reported amounts in the Financial Statements, which will result in taxable or deductible amounts in the future. Such temporary differences are primarily due to tax basis discounts on loss and loss adjustment expense reserves and unearned premiums, deferred acquisition costs, and unrealized gains (losses) on investments.

A valuation allowance against deferred tax assets is recorded if it is more likely than not that all, or some portion, of the benefits related to deferred tax assets will be not be realized. Any adjustments to deferred income taxes are accounted for as changes in estimates and are reflected in the Consolidated Statement of Operations in the year in which they are made.

(k) Recently adopted accounting pronouncements

In August 2018, the FASB issued ASU No. 2018-13, *Disclosure Framework- Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). This modifies the disclosure requirements of fair value measurements as part of the disclosure framework project with the objective to improve the effectiveness of disclosures in the notes to the financial statements. ASU 2018-13 allows for removal of the amount and reasons for transfer between Level 1 and Level 2 of the fair value hierarchy; the policy for transfers between levels; and the valuation processes for Level 3 fair value measurements. ASU 2018-13 is effective for all entities for fiscal years beginning after December 15, 2019 and early adoption is permitted. The Company early adopted ASU 2018-13 effective for the year ended November 30, 2020. Since ASU 2018-13 is disclosure-related only, it did not have an impact on the Company's reported Consolidated Balance Sheets, Consolidated Statement of Operations, Consolidated Statement of Changes in Shareholders' Equity, or Consolidated Statement of Cash Flows.

3. Investments

The fair values of investments as at November 30, 2021 and 2020 are as follows:

	2021 ($'000)	2020 ($'000)
Short Term Investments	$ 91,733	$ 67,531
Derivatives, net	(350)	(3,020)
Equity Securities	145,575	125,815
Fixed Maturities		
US Treasury and Government Agency	62,485	68,407
State and Municipal Bonds	12,787	12,846
Non-US Government Bonds	57,054	80,097
Supranationals	2,505	5,753
Corporate Bonds	281,791	256,983
Asset-Backed Securities	76,782	64,801
Mortgage-Backed Securities	75,458	100,996
Total Fixed Maturities	568,862	589,883
Total Investments in Marketable Securities and Derivatives	$ 805,820	$ 780,209
Other Investments	$ 126,055	$ 106,309

In the table above, mortgage-backed securities issued by US government agencies are combined with other mortgage-backed securities held and are included in the category "Mortgage-Backed Securities". At November 30, 2021, approximately 41% (2020 - 66%) of the total mortgage-backed holdings are represented by investments in GNMA, FNMA and FHLMC securities. The remainder of the mortgage exposure consists of collateralized mortgage obligations and non-government issued securities, the majority of which have investment grade credit ratings.

The credit quality of fixed maturities and short term investments as at November 30, 2021 and 2020, are as follows:

	2021 ($'000)	2020 ($'000)
US Government and Agency	$ 107,410	$ 85,441
AAA	88,960	76,957
AA	113,768	132,403
A	127,467	124,615
BBB	179,902	190,363
Below BBB	43,088	47,635
Total Fixed Maturities and Short Term Investments	$ 660,595	$ 657,414

The Company's methodology for assigning credit ratings to fixed maturities and short term investments uses the middle rating if there is a split rating between Standard & Poor's, Moody's and/or Fitch; when a rating from only two agencies is available the lower rating is used. Securities with a credit rating below investment grade as at November 30, 2021, had a net unrealized gain of $(1.0) million (2020 - $0.8 million net unrealized gain) at the same date, which has been recorded in the Consolidated Statement of Operations.

3. Investments (continued)

The contractual maturities of fixed maturities and short term investments as at November 30, 2021 and 2020 are as follows:

	2021 ($'000)	2020 ($'000)
Due in one year or less	$ 91,733	$ 67,531
Due after one year through five years	238,039	197,247
Due after five years through ten years	76,888	86,326
Due after ten years	101,695	140,513
	508,355	491,617
Asset-Backed Securities	76,782	64,801
Mortgage-Backed Securities	75,458	100,996
Total Fixed Maturities and Short Term Investments	$ 660,595	$ 657,414

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties and the lenders may have the right to put or sell the securities back to the borrower.

The gross realized gains and gross realized losses on investments and the change in unrealized gains and losses for the years ended November 30, 2021 and 2020 are as follows:

	2021 ($'000)	2020 ($'000)
Gross realized gains on investments and restricted assets	$ 42,531	$ 37,892
Gross realized losses on investments and restricted assets	(32,123)	(31,583)
Gross realized gains on derivative instruments	23,947	33,849
Gross realized losses on derivative instruments	(20,054)	(36,792)
Gross realized gains on other investments	342	312
Gross realized losses on other investments	–	(42)
Change in net unrealized gains and (losses) during the year on investments and restricted assets	(5,096)	28,299
Change in net unrealized gains and (losses) during the year on other investments	10,129	945
Change in net unrealized gains and (losses) during the year on derivative instruments	2,670	(3,889)
Net gains on investments	$ 22,346	$ 28,991

During the year ended November 30, 2021, the change in net unrealized gains and losses on investments was attributable to movements in the fair value of the Company's fixed maturities and short term investments of a $(23.9) million loss (2020: $17.6 million gain), equity securities of a $19.7 million gain (2020: $10.0 million gain) and restricted assets of a $(0.9) million loss (2020: $0.7 million gain).

Under U.S. GAAP the Company is required to determine the appropriate level in the fair value hierarchy for each fair value measurement. The fair value hierarchy prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or liability, into three levels. It gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Level 1 financial instruments include certain short duration instruments such as money market funds, short term investments, U.S. treasury securities and exchange traded equities.

3. Investments (continued)

Level 2 inputs are those which are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar observable market data. Level 2 financial instruments include sovereign debt, corporate debt, U.S. agency and non-agency mortgage and asset-backed securities and derivatives.

Level 3 includes financial instruments whose value is based on valuation techniques that use significant inputs which are unobservable. These measurements include circumstances in which there is little, if any, market activity for the asset or liability. In making the assessment, the Company considers factors specific to the asset or liability and such an assessment will involve significant management judgment. Because of the inherent uncertainty in the valuation of these Level 3 investments, fair values of such investments may differ from the values that would have been used had a ready market for these investments existed, and the differences could be material.

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. Thus, a Level 3 fair value measurement may include inputs that are observable (Level 1 and 2) and unobservable (Level 3).

Fair value prices for all securities in the fixed maturities portfolio are independently provided by the investment custodian and the investment managers, which each utilize internationally recognized independent pricing services. The Company records the unadjusted price provided by the investment custodian or the investment accounting service provider and validates this price through a process that includes, but is not limited to: (i) comparison to the price provided by the investment manager, with significant differences investigated; (ii) quantitative analysis (e.g. comparing the quarterly return for each managed portfolio to its target benchmark, with significant differences identified and investigated); (iii) evaluation of methodologies used by external pricing sources to calculate fair value; and (iv) comparing the price to the Company's knowledge of the current investment market.

The independent pricing services used by the investment custodian, investment accounting service provider and investment managers obtain actual transaction prices for securities that have quoted prices in active markets. Each pricing service has its own proprietary method for determining the fair value of securities that are not actively traded. In general, these methods involve the use of “matrix pricing” in which the independent pricing service uses observable market inputs including, but not limited to, reported trades, benchmark yields, broker/dealer quotes, interest rates, prepayment speeds, default rates and such other inputs as are available from market sources to determine a reasonable fair value. In addition, pricing services use valuation models to develop prepayment and interest rate scenarios.

The fair values of short-term investments are determined based on observable inputs that may include the spread above the risk-free yield curve, reported trades and broker-dealer quotes.

For all assets classified as Level 2, the market approach is utilized. The significant inputs used to determine the fair value of those assets classified as Level 2 are as follows:

- US government agency securities fair values were based on observable inputs that may include the spread above the risk-free yield curve, reported trades and broker/dealer quotes. These are considered observable market inputs and, therefore, the fair value of these securities are classified within Level 2.

- Non-U.S. government securities consist of bonds issued by non-U.S. governments and agencies along with supranational organizations. The significant inputs include the spread above the risk-free yield curve, reported trades and broker/dealer quotes. These are considered to be observable market inputs and, therefore, the fair values of these securities are classified within Level 2.

- Corporate securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker/dealer quotes, benchmark yields, and industry and market indicators. These are considered observable market inputs and, therefore, the fair value of these securities are classified within Level 2.

- Municipal securities consist primarily of bonds issued by U.S. domiciled state and municipality entities. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker/ dealer quotes and benchmark yields. These are considered observable market inputs and, therefore, the fair value of these securities are classified within Level 2.

3. Investments (continued)

- Asset-backed securities consist primarily of investment-grade bonds backed by pools of loans with a variety of underlying collateral. The significant inputs used to determine the fair value of these securities include the spread above the risk-free yield curve, reported trades, benchmark yields, broker/dealer quotes, prepayment speeds, and default rates. These are considered observable market inputs and, therefore, the fair value of these securities are classified within Level 2.

- Residential and commercial mortgage-backed securities include both agency and non-agency originated securities. Agency originated securities include securities issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other U.S. government agencies. The significant inputs used to determine the fair value of these securities include the spread above the risk-free yield curve, reported trades, benchmark yields, broker/dealer quotes, prepayment speeds, and default rates. These are considered observable market inputs and, therefore, the fair value of these securities are classified within Level 2.

The ability to obtain quoted market prices is reduced in periods of decreasing liquidity, which generally increases the use of matrix pricing methods and generally increases the uncertainty surrounding the fair value estimates. This could result in the reclassification of a security between levels of the fair value hierarchy.

The Company invests in hedge “fund of funds” which invest in a number of underlying funds, following different investment strategies. As of November 30, 2021, the “fund of funds” portfolio was invested in a variety of strategies, with the common strategies being long/ short equity, global macro, event driven, multistrategy and co-investments. One fund of funds in which the Company is invested has daily liquidity. The other fund of funds requires at least 95 days’ prior notice of redemption, and may only be redeemed on a semi-annual basis. One fund of funds has a lock-up period, which refers to the initial amount of time an investor is contractually required to invest before having the ability to redeem.

Certain fund of funds may be allowed to invest a portion of their assets in illiquid securities, such as private equity or convertible debt. In such cases, a common mechanism used is a side-pocket, whereby the illiquid security is assigned to a separate memorandum capital account or designated account. Typically, the investor loses its redemption rights in the designated account. Only when the illiquid security is sold, or otherwise deemed liquid by the fund of funds, may investors redeem their interest in the side-pocket. As of November 30, 2021, the fair value of hedge funds held in lock ups and side-pockets was $17.3 million (2020 - $20.1 million).

The Company has ongoing due diligence processes with respect to funds in which it invests and their managers. These processes are designed to assist the Company in assessing the quality of information provided by, or on behalf of, each fund and in determining whether such information continues to be reliable or whether further review is warranted. Certain funds do not provide full transparency of their underlying holdings; however, the Company obtains the audited financial statements for the fund of funds annually, and regularly reviews and discusses the fund performance with the fund managers to corroborate the reasonableness of the reported net asset values. While reported net asset value is the primary input to the review, when the net asset value is deemed not to be indicative of fair value, the Company may incorporate adjustments to the reported net asset value and not use the permitted practical expedient on an investment by investment basis. These adjustments may involve significant management judgment. The Company has not made any such adjustments for the year ended November 30, 2021 or 2020. Hedge fund investments measured at net asset value are not required to be disclosed within the fair value hierarchy.

Derivative financial instruments that have quoted prices on a recognized exchange, such as futures and option contracts, are classified as Level 1. Over the counter derivative instruments such as interest rate swaps, foreign exchange forward contracts and credit default swaps, whose prices are based upon reports from counterparties of the transactions or observable market inputs, are classified as Level 2.

3. Investments (continued)

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

The following tables summarize the levels of inputs used as at November 30, 2021 and 2020, in determining the classification of investment assets and liabilities held at fair value:

November 30, 2021 Assets	Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	NAV [1] ($'000)	Total ($'000)
Short Term Investments	$ 44,924	$ 46,803	$ 6	$ –	$ 91,733
Derivatives, net	–	(350)	–	–	(350)
Equity Securities	106,359	–	–	39,216	145,575
US Treasury and Government Agency	62,485	–	–	–	62,485
State and Municipal Bonds	–	12,787	–	–	12,787
Non-US Government Bonds	–	57,054	–	–	57,054
Supranationals	–	2,505	–	–	2,505
Corporate Bonds	9,524	259,658	–	12,609	281,791
Asset-Backed Securities	–	76,782	–	–	76,782
Mortgage-Backed Securities	–	75,458	–	–	75,458
Total Investments in Marketable Securities and Derivatives	$ 223,292	$ 530,697	$ 6	$ 51,825	$ 805,820
Other Investments measured at net asset value [1]					$ 126,055

November 30, 2020 Assets	Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	NAV [1] ($'000)	Total ($'000)
Short Term Investments	$ 17,034	$ 50,485	$ 12	$ –	$ 67,531
Derivatives, net	–	(3,020)	–	–	(3,020)
Equity Securities	82,013	–	–	43,802	125,815
US Treasury and Government Agency	68,407	–	–	–	68,407
State and Municipal Bonds	–	12,846	–	–	12,846
Non-US Government Bonds	–	80,097	–	–	80,097
Supranationals	–	5,753	–	–	5,753
Corporate Bonds	10,623	243,387	–	2,973	256,983
Asset-Backed Securities	–	64,801	–	–	64,801
Mortgage-Backed Securities	–	100,996	–	–	100,996
Total Investments in Marketable Securities and Derivatives	$ 178,077	$ 555,345	$ 12	$ 46,775	$ 780,209
Other Investments measured at net asset value [1]					$ 106,309

[1] Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Investments in equity and corporate bond funds that are measured at fair value using net asset value per share do not have any selling restrictions or redemption notice periods. As of November 30, 2021 and 2020, the Company does not have any unfunded commitments related to these investments.

3. Investments (continued)

The fair value measurements of the Company's Level 3 short term investments were based on unadjusted third party pricing sources. During the years ended November 30, 2021, and 2020, there were no purchases or issues of Level 3 assets or liabilities or transfers in or out of Level 3.

4. Commitments and contingencies

(a) Derivative instruments

The Company's investment guidelines permit, subject to specific approval, investment in derivative instruments such as futures and option contracts, interest rate swaps and forward foreign currency contracts. Their use is regularly monitored and they are used for yield enhancement, duration management, interest rate and foreign currency exposure management or to obtain an exposure to a particular financial market. The Company's use of derivative instruments with embedded leverage such as futures, swaps and options contracts may increase the Company's investment risk. Credit risk arises from the potential inability of counterparties to perform under the terms of the contract. As at November 30, 2021, cash and cash equivalents in the amount of $4.7 million (2020 - $5.1 million) and US Treasury and Government Agency investments in the amount of $0.2 million (2020 - $0.7 million) were deposited with counterparties as collateral for positions held in derivative financial instruments.

The tables below show the fair value of the Company's derivative instruments recorded in Investments in Marketable Securities and Derivatives in the Consolidated Balance Sheet as at November 30, 2021 and 2020:

	Derivative assets 2021 Fair value ($'000)	Derivative liabilities 2021 Fair value ($'000)
Interest rate swaps	$ 1,713	$ 2,019
Credit default swaps	–	101
Fixed income and currency options	52	209
Forward foreign currency contracts	2,824	1,151
Interest rate futures	349	1,808
Total	$ 4,938	$ 5,288

	Derivative assets 2020 Fair value ($'000)	Derivative liabilities 2020 Fair value ($'000)
Interest rate swaps	$ 1,135	$ 1,571
Credit default swaps	–	414
Fixed income and currency options	143	122
Forward foreign currency contracts	808	2,547
Interest rate futures	112	564
Total	$ 2,198	$ 5,218

4. Commitments and contingencies (continued)

(a) Derivative instruments (continued)

The tables below show the net gains and losses on the Company's derivative instruments recorded in the net gains (losses) on investments in the Consolidated Statement of Operations during the years ended November 30, 2021 and 2020:

	2021		
	Net realized gains and (losses) ($'000)	Change in unrealized gains and (losses) ($'000)	Net gains and (losses) ($'000)
Interest rate swaps	$ (5)	$ 130	$ 125
Credit default swaps	–	313	313
Fixed income and currency options	419	(178)	241
Forward foreign currency contracts	(127)	3,412	3,285
Interest rate futures	3,607	(1,007)	2,600
Total	$ 3,894	$ 2,670	$ 6,564

	2020		
	Net realized gains and (losses) ($'000)	Change in unrealized gains and(losses) ($'000)	Net gains and (losses) ($'000)
Interest rate swaps	$ 14	$ (581)	$ (567)
Credit default swaps	–	(108)	(108)
Fixed income and currency options	385	192	577
Forward foreign currency contracts	(3,699)	(1,976)	(5,675)
Interest rate futures	357	(1,416)	(1,059)
Total	$ (2,943)	$ (3,889)	$ (6,832)

(i) Foreign currency exposure management

A forward foreign currency contract is a commitment to purchase or sell a foreign currency at a future date, at a negotiated rate. The unrealized gain or loss on open forward contracts represents the Company's net equity therein and is calculated as the difference between the contract date rate and the applicable forward rate at the reporting date as reported in published sources, applied to the face amount of the contract. The unrealized gain or loss at the reporting date is included in investments in marketable securities and derivatives in the Consolidated Balance Sheet. The Company utilizes forward foreign currency contracts to manage the impact of fluctuations in foreign currencies on the value of its foreign currency denominated investments.

4. Commitments and contingencies (continued)

(a) Derivative instruments (continued)

(i) Foreign currency exposure management (continued)

Forward foreign currency contracts expose the Company to credit, market and liquidity risks. The Company is exposed to market risk to the extent that adverse changes occur in the exchange rate of the underlying foreign currency. This market risk is in excess of the amounts recognized in the Consolidated Balance Sheet. Liquidity risk represents the possibility that the Company may not be able to rapidly adjust the size of its forward positions in times of high volatility and financial stress at a reasonable price. The Company's investment guidelines only permit the use of counterparties carrying a credit rating of A3 or higher by the major rating agencies.

The Company considers the notional amounts in the table below at November 30, 2021 and 2020, to be representative of the volume of its activities in forward foreign currency contracts.

	2021		2020	
Currency	Notional Receivable ($'000)	Notional Payable ($'000)	Notional Receivable ($'000)	Notional Payable ($'000)
AUD	$ 3,845	$ (5,422)	$ 4,593	$ (12,160)
BRL	137	(103)	88	(88)
CAD	2,191	(5,324)	4,047	(6,936)
CHF	1,250	(899)	833	(1,302)
CNH	766	(545)	1,970	(1,844)
CNY	–	(9,485)	4,216	(6,177)
CZK	255	(133)	77	(160)
DKK	169	(6,229)	5,654	(12,178)
EUR	18,211	(48,141)	22,192	(64,061)
GBP	9,189	(22,690)	10,060	(25,225)
INR	754	(791)	385	(273)
JPY	6,506	(27,475)	5,768	(19,288)
KRW	602	(2,210)	4,057	(5,029)
MXN	720	(1,486)	844	(1,698)
NOK	2,731	(1,063)	4,555	(1,342)
NZD	1,741	(2,732)	1,772	(1,781)
PLN	231	(98)	1,616	(115)
RUB	701	(713)	2,699	(1,088)
SEK	748	(1,086)	892	(1,393)
SGD	306	(1,065)	1,308	(902)
TRY	251	(325)	279	(206)
TWD	198	(552)	766	(1,496)
USD	145,534	(53,860)	165,741	(78,919)
ZAR	242	(2,207)	723	(1,642)
Other	4,284	(5,255)	4,593	(6,164)
	$ 201,562	$ (199,889)	$ 249,728	$ (251,467)

At November 30, 2021, unrealized gains of $2.8 million (2020 - $0.8 million) and unrealized losses of $1.2 million (2020 - $2.5 million) on forward foreign currency contracts are included in investments in marketable securities and derivatives in the Consolidated Balance Sheet.

4. Commitments and contingencies (continued)

(a) Derivative instruments (continued)

(ii) Duration management, interest rate management and market exposure management

Futures

A portion of the Company's portfolio is invested in bond, note, and interest rate futures contracts. Such futures provide the Company with participation in market movements, determined by the underlying instrument or index on which the futures contract is based, without holding the instrument itself or individual bonds or stocks in that index. This approach allows the Company more efficient and less costly access to bond and stock market exposure than would be available by the exclusive use of individual bonds and stocks. Exchange-traded bond and note futures contracts may also be used in the investment portfolios as substitutes for ownership of the physical bonds and notes.

All financial futures contracts are held on a non-leveraged basis, fully backed at all times by short term investments and cash equivalents that are posted as margin collateral.

The unrealized gain or loss on financial futures contracts is calculated as the difference between the contract's price on the trade date and the contract's closing price on the valuation date as reported by the exchange on which the futures contracts are traded.

When entering a financial futures contract, the Company is required to provide initial margin which is a deposit of either cash or securities in an amount equal to a certain percentage of the contract value. The initial margin is adjusted to reflect changes in the value of the futures contract which are marked to market on a daily basis. The Company recognizes a realized gain or loss when the contract is closed. Futures contracts expose the Company to market and liquidity risks. The Company is exposed to market risk to the extent that adverse changes occur in the market values of the underlying securities or indices. This market risk is in excess of the amount recognized in the Consolidated Balance Sheet. Liquidity risk represents the possibility that the Company may not be able to rapidly adjust the size of its futures positions in times of high volatility and financial stress at a reasonable price. Exchange-traded futures are subject, however, to a number of safeguards to ensure that obligations are met, including the use of clearing houses, the posting of margins and the daily settlement of futures profits and losses and the amount of credit risk is therefore considered low.

The Company considers the notional amounts in the table below at November 30, 2021 and 2020, to be representative of the volume of its derivative activities in financial futures contracts:

	2021		2020	
	Long ($'000)	Short ($'000)	Long ($'000)	Short ($'000)
Interest rate future contracts	$ 87,770	$ (192,262)	$ 107,458	$ (168,790)

The Company had gross gains of $0.3 million and gross losses of $1.8 million on open futures contracts for the year ended November 30, 2021 (2020 - gross gains of $0.1 million and gross losses of $0.6 million). These gains and losses are included in the Consolidated Statement of Operations. The Company holds a margin account with its futures broker for the purposes of paying and receiving cash in connection with its futures transactions. Gains and losses are settled daily in cash in this margin account.

4. Commitments and contingencies (continued)

(a) Derivative instruments (continued)

(ii) Duration management, interest rate management and market exposure management (continued)

Swaps and Options

In order to manage interest rate exposure, portfolio duration or capitalize on anticipated changes in interest rate volatility, the Company may engage in interest rate swap transactions, buy and sell call and put options and write call and put options if the options are secured by holdings in the underlying securities or by other means which would permit immediate satisfaction of the Company's obligation as a writer of the option contracts.

Swaps and Option contracts are marked to market daily with unrealized gains and losses recorded in the Consolidated Statement of Operations.

At November 30, 2021 and 2020, the fair value of open interest rate swap contracts is:

	2021 ($'000)	2020 ($'000)
Interest rate swaps, net	$ (306)	$ (436)

Interest rate swap agreements involve the exchange by the Company with another party of their respective commitments to pay or receive interest (e.g. an exchange of floating rate payments for fixed rate payments) with respect to a notional amount of principal. Entering into these agreements involves, to varying degrees, elements of credit and market risk in excess of the amounts recognized in the Consolidated Balance Sheet. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform, or that there may be unfavorable changes in interest rates.

At November 30, 2021 and 2020 the fair value of open fixed income and currency option contracts is:

	2021 ($'000)	2020 ($'000)
Options purchased	$ 52	$ 143
Options written (liability)	(209)	(122)

Premiums received for open written options as of November 30, 2021, amounted to $0.1 million (2020 - $0.2 million).

Option contracts provide the option purchaser with the right but not the obligation to buy or sell a financial instrument at a predetermined exercise price during a defined period. The option writer is obligated to buy or sell the item underlying the contract at a set price, if the option purchaser chooses to exercise the option. As a purchaser of an option contract, the Company is subject to credit risk since the counterparty is obligated to make payments under the terms of the option contract if the Company exercises the option and the Company is only subject to market risk to the extent of the premium paid. As a writer of an option contract, the Company is not subject to credit risk but is subject to market risk, since the Company is obligated to make payments under the terms of the option contract if exercised.

The Company uses credit default swaps as a way to manage credit risk to an individual issuer or a basket of issuers. When the Company buys protection, the Company pays a premium to the seller of the protection for the right to receive the par value of the bond in the event of default by the issuer, thereby reducing the Company's credit risk.

4. Commitments and contingencies (continued)

(a) Derivative instruments (continued)

(ii) *Duration management, interest rate management and market exposure management* (continued)

Swaps and Options (continued)

The Company considers the notional amounts in the table below at November 30, 2021 and 2020, to be representative of the volume of its derivative activities:

		Long exposure notional amounts		Short exposure notional amounts
		2021		2021
		($'000)		($'000)
Interest rate swaps	$	182,379	$	(98,365)
Credit default swaps		–		(5,678)
Fixed income and currency options		82,588		(21,327)

		Derivative assets	Derivative liabilities
		2020	2020
		($'000)	($'000)
Interest rate swaps	$	137,695	(195,021)
Credit default swaps		–	(14,616)
Fixed income and currency options		60,482	(19,480)

(b) Concentrations of credit risk

The investment portfolio is managed following prudent standards of diversification across counterparties, issuers, asset classes and geographical regions. Investments are allocated over three broad asset classes which are global equity, global fixed income and hedge funds. Investment guidelines are designed to limit the holdings of a single issue and issuer, control non-US dollar currency exposure and minimize sovereign risk. Fixed maturity securities held with maturities of longer than one year generally have a minimum investment rating of B3/B- or better and at least 85% (at fair value) generally have a minimum rating of Baa3/BBB- or better with average quality for the total portfolio of A2/A. The Company utilizes Standard & Poor's, Moody's or Fitch Investor Services. In the event of a split rating, between Standard & Poor's, Moody's and/or Fitch, the middle rating shall be used; when a rating from only two agencies is available the lower rating is used; when only one agency rates a bond that rating shall be used. If a security is not rated by Standard & Poor's or Moody's Investors Services, the equivalent implied rating as determined by the investment manager is utilized. Commercial Paper must carry a rating of A2/P2/F2 or better. Commercial paper rated below A1/P1/F1 must not exceed 20% of the market value of the portfolio.

The Company's maximum permitted fixed income investment in any one institution is 10% of the market value of the global fixed income portfolio with the exception of securities which are rated AA-/Aa3 or higher and issued or guaranteed by the US Treasury, US government agencies, or the Government of Canada, Japan, Australia, the United Kingdom or EMU countries. The maximum investment in any outstanding single issue shall not exceed 5% except for the issuers listed above. Commercial Paper shall be exempt from this 5% limit in any outstanding single issue, but still be subject to aggregate issuer limits. The aggregate maximum permitted fixed income investment in any obligations rated A-2, P-2, BBB- or Baa3 or below shall not exceed 5% of the market value of the global fixed income portfolio. The Company believes that there are no significant concentrations of credit risk associated with its investments in any issuer or market.

4. Commitments and contingencies (continued)

(c) Restricted assets

At November 30, 2021 and 2020, the fair values of the Company's restricted assets are as follows:

	2021 ($'000)	2020 ($'000)
Assets Pledged under Insurance Trusts *(i)*	$ 246,534	$ 192,973
Funds at Lloyd's *(ii)*	49,327	48,731
Total Restricted Assets	$ 295,861	$ 241,704

(i) Assets pledged under insurance trusts

Certain of the Company's invested assets were held in trust and pledged in support of its insurance and reinsurance liabilities. Such pledges are largely required by the Company's operations that are "non-admitted" under U.S. state and other jurisdictions' insurance regulations, in order for the cedant to receive statutory credit for reinsurance.

The fair values of assets pledged under insurance trusts as at November 30, 2021 and 2020, and the level in the fair value hierarchy are as follows:

	2021 ($'000)	2021 Level	2020 ($'000)	2020 Level
Cash and Cash Equivalents	$ 91,607	Level 1	$ 280	Level 1
Short Term Investments - US Treasury	–		38,362	Level 1
Short Term Investments - Corporate	57,674	Level 2	67,323	Level 2
Fixed Maturities				
State and Municipal Bonds	5,616	Level 2	4,561	
Corporate Bonds	74,997	Level 2	61,671	Level 2
Asset-Backed Securities	14,268	Level 2	15,695	Level 2
Mortgage-Backed Securities	1,994	Level 2	4,502	Level 2
Total Fixed Maturities	96,875		86,429	
Accrued Investment Income	378	Level 1	579	Level 1
Total Assets Pledged under Insurance Trusts	$ 246,534		$ 192,973	

The contractual maturities of restricted assets held as fixed maturities and short term investments as at November 30, 2021 and 2020 are as follows:

	2021 ($'000)	2020 ($'000)
Due in one year or less	$ 57,674	$ 105,685
Due after one year through five years	80,613	66,232
	138,287	171,917
Asset-Backed Securities	14,268	15,695
Mortgage-Backed Securities	1,994	4,502
Total Fixed Maturities and Short Term investments	$ 154,549	$ 192,114

4. Commitments and contingencies (continued)

(c) *Restricted assets* (continued)

(i) Assets pledged under insurance trusts (continued)

The credit quality of the restricted assets held as fixed maturities and short term investments as at November 30, 2021 and 2020, are as follows:

	2021 ($'000)	2020 ($'000)
US Government and Agency	$ –	$ 38,362
AAA	14,782	16,130
AA	34,841	31,856
A	72,777	80,015
BBB	32,149	25,751
Total Fixed Maturities and Short term Investments	$ 154,549	$ 192,114

(ii) Funds at Lloyd's

The Company provides capital in the form of Funds at Lloyd's for use in Lloyd's business through a corporate member, OCIL Limited and certain assumed reinsurance treaties. At November 30, 2021, the capital is made up of cash of $8.6 million (2020 - $8.1 million) and $40.7 million (2020 - $40.6 million) of investments in fixed income securities held in a fixed income investment fund with a quoted price in an active market. The Company classifies all of these restricted assets within level 1 of the fair value hierarchy.

5. Outstanding losses and loss expenses

The reserve for outstanding losses and loss expenses is provided on the basis of current estimates made by the Company's claims personnel, independent actuarial consultants and legal advisors. Outstanding loss reserves comprise individual case reserves, reserves for adverse loss development on reported claims and IBNR reserves. The summary of changes in outstanding loss and loss expenses for 2021 and 2020 is as follows:

	2021 ($'000)	2020 ($'000)
Gross balance, beginning of year	$ 860,806	$ 715,753
Less: losses recoverable from reinsurers	(254,278)	(247,004)
Net balance, beginning of year	606,528	468,749
Loss and loss expenses incurred related to:		
Current year	346,745	257,236
Prior years	38,842	60,404
Total loss and loss expenses incurred	385,587	317,640
Paid loss and loss expenses related to:		
Current year	(30,512)	(25,911)
Prior years	(184,793)	(155,528)
Total paid loss and loss expenses	$ (215,305)	$ (181,439)

5. Outstanding losses and loss expenses (continued)

		2021 ($'000)		2020 ($'000)
Foreign exchange gain		(407)		1,578
Net balance, end of year		776,403		606,528
Plus: losses recoverable from reinsurers		251,088		254,278
Gross balance, end of year	$	1,027,491	$	860,806

The 2021 current year incurred losses of $346.7 million relate to: (i) the establishment of $36.0 million of IBNR on the Company's direct insurance book of business for the 2021 underwriting year; (ii) case reserves totaling $52.3 million on the Company's direct insurance book of business for the 2021 underwriting year; (iii) losses incurred of $227.2 million on the Company's assumed reinsurance book of business (iv) losses incurred of $29.0 million on the Lloyds corporate member business; and (v) $2.2 million of loss expenses incurred over the Company's entire book of business.

During the year ended November 30, 2021, the incurred losses for prior year claims of $38.8 million primarily relate to: (i) incurred loss development of $46.7 million on the Company's assumed reinsurance book of business for prior years, (ii) favorable development on prior year claims of $5.4 million on the Company's direct insurance book of business, (iii) incurred loss development of $5.6 million on the Lloyds corporate member business; and (iv) $ 8.1 million of favorable loss expenses incurred over the Company's entire book of business.

The 2020 current year incurred losses of $257.2 million relate to: (i) the establishment of $32.8 million of IBNR on the Company's direct insurance book of business for the 2020 underwriting year; (ii) case reserves totaling $37.2 million on the Company's direct insurance book of business for the 2020 underwriting year; (iii) losses incurred of $157.3 million on the Company's assumed reinsurance book of business (iv) losses incurred of $28.7 million on the Lloyds corporate member business; and (v) $1.2 million of loss expenses incurred over the Company's entire book of business.

During the year ended November 30, 2020, the incurred losses for prior year claims of $60.4 million primarily relate to: (i) incurred loss development of $29.5 million on the Company's assumed reinsurance book of business for prior years, (ii) unfavorable development on prior year claims of $4.2 million on the Company's direct insurance book of business, (iii) incurred loss development of $14.5 million on the Lloyds corporate member business; and (iv) $12.2 million of loss expenses incurred over the Company's entire book of business.

The Company's reserve for losses relating to pollution liabilities has been established in accordance with generally accepted accounting principles for loss contingencies. There are significant uncertainties involved in estimating the Company's ultimate liability for pollution claims. These uncertainties include, amongst others, (i) potentially long latency periods, (ii) difficulty in establishing the commencement date of the pollution, (iii) delays in the reporting of claims, (iv) uncertainty regarding the extent of the underlying and/or other insurance coverages, which may respond before the Company and (v) the future outcome of litigation that is currently in process and the potential that exists for punitive and compensatory awards.

5. Outstanding losses and loss expenses (continued)

To assist in determining this reserve, management has obtained the advice of independent actuaries who annually establish an estimate of the Company's ultimate pollution claims liabilities based on actuarially accepted modeling techniques. Because of the variability and uncertainty inherent in the pollution claim evaluation, reserving and settlement processes, the reserve established by the Company represents management's best estimate at the balance sheet date based on current information but such claims may ultimately settle for a significantly greater or lesser amount. Such adjustments to reserves could be material to the Company.

Short Duration Contract Disclosures

Under U.S. GAAP the Company is required to disclose, in tabular format, on a disaggregated basis, the undiscounted incurred and paid claim and allocated claim adjustment expense development by accident year, net of reinsurance, for up to 10 years. Tables must also include the total incurred but not reported claims liabilities, plus expected development on reported claims, and claims frequency for each accident year. A description of estimation methodologies and any significant changes in methodologies and assumptions used to calculate the liability and frequency is also required. Based on the disaggregated claims information in the tables, disclosure of historical average annual percentage payout of incurred claims is also required.

The Company has disaggregated its information presented in the tables below by line of business as appropriate for direct liability, direct property and assumed reinsurance segments, including cumulative incurred and paid losses and allocated loss adjustment expenses, as well as the corresponding amount of IBNR reserves as of November 30, 2021. The level of disaggregation is consistent with how the Company analyzes loss reserves for both internal and external reporting purposes. The Company has not prepared loss development tables for 3 lines of business that are not considered significant. The gross reserves for losses and loss expenses as at November 30, 2021, for these lines of business totaled $86.8 million (2020: $67.6 million).

Some of the information provided in the following tables is Required Supplementary Information ("RSI") under U.S. GAAP. Therefore, it does not form part of these consolidated financial statements. Claims development information for all periods except the current reporting period and any information derived from it, including average annual percentage payout of claims incurred, is considered RSI.

5. Outstanding losses and loss expenses (continued)

Direct liability

The direct liability loss development tables have been produced for accident years 2012 through to 2021. The tables below also include claim frequency information, by accident year. The Company defines a single claim incident, per policy, which may include multiple claimants and multiple coverages on a single policy. Claims counts include claims closed without a payment as well as claims where the Company is monitoring to determine if exposure exists, even if a reserve has not been established.

Incurred losses and loss expenses, net of reinsurance ($'000)

	Years ended November 30, Unaudited										November 30, 2021	
Accident year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total of IBNR Reserves, net of reinsurance**	**Cumulative reported claims count**
2012	$ 31,655	$ 22,814	$ 28,889	$ 25,262	$ 20,584	$ 26,323	$ 8,868	$ 7,272	$ 7,339	$ 8,304	$ 5,393	307
2013		31,040	38,320	10,895	4,542	4,722	21,711	23,925	23,997	23,827	1,327	260
2014			28,981	22,535	8,611	5,090	3,317	2,102	1,511	1,383	1,383	267
2015				48,088	72,592	87,330	89,025	89,299	88,443	102,277	1,227	313
2016					24,268	16,322	8,582	5,709	4,772	3,333	3,333	341
2017						24,685	25,039	17,764	16,660	13,692	3,692	375
2018							35,267	39,150	36,987	31,280	7,321	520
2019								17,116	17,465	9,878	9,878	452
2020									18,289	14,866	14,866	551
2021										17,293	17,293	387
Total										226,133		

Cumulative paid losses and loss expenses, net of reinsurance ($'000)

	Years ended November 30, Unaudited									
Accident year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
2012	$ –	$ –	$ –	$ –	$ –	$ 3,070	$ 3,110	$ 4,201	$ 2,911	$ 2,911
2013		–	–	–	–	–	3,409	15,067	16,229	17,883
2014			–	–	–	–	–	–	–	–
2015				–	15,000	57,500	56,358	84,185	80,570	101,050
2016					–	–	–	–	–	–
2017						–	–	–	10,000	10,000
2018							–	13,960	23,960	23,960
2019								–	–	–
2020									–	–
2021										–
Total										155,804
Reserves for outstanding losses and loss expenses, before 2012, net of reinsurance										19,632
Reserves for outstanding losses and loss expenses, net of reinsurance										$ 89,961

5. Outstanding losses and loss expenses (continued)

Direct property

The direct property loss development tables have been produced for accident years 2013 through to 2021. For the property segment, the years presented in the tables comprise the majority of the period for which incurred losses typically remain outstanding. The tables below also include claim frequency information, by accident year. The Company defines a single claim incident, per policy, which may include multiple claimants and multiple coverages on a single policy. Claims counts include claims closed without a payment as well as claims where the Company is monitoring to determine if exposure exists, even if a reserve has not been established.

Incurred losses and loss expenses, net of reinsurance ($'000)

	Years ended November 30, Unaudited									November 30, 2021	
Accident year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total of IBNR Reserves, net of reinsurance**	**Cumulative reported claims count**
2013	$ 834	$ 567	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	8
2014		$ 2,268	$ 654	$ 193	$ 186	$ 183	$ 181	$ 180	180	–	8
2015			1,569	895	503	62	61	60	60	–	9
2016				1,365	2,120	1,431	1,628	1,599	1,574	11	21
2017					25,379	23,417	18,836	20,666	17,753	379	64
2018						20,134	27,384	23,614	22,256	570	154
2019							41,655	44,779	33,319	1,628	368
2020								50,688	69,370	10,801	389
2021									72,392	16,869	170
Total									216,904		

Cumulative paid losses and loss expenses, net of reinsurance ($'000)

	Years ended November 30, Unaudited								
Accident year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
2013	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
2014		$ –	$ 180	$ 180	$ 180	$ 180	$ 180	$ 180	180
2015			40	60	60	60	60	60	60
2016				–	805	1,101	1,563	1,563	1,563
2017					(4,972)	2,131	10,408	18,234	18,829
2018						541	8,442	17,815	19,568
2019							2,289	16,040	19,292
2020								6,458	28,537
2021									(2,249)
Total									85,780
Reserves for outstanding losses and loss expenses, before 2013, net of reinsurance									–
Reserves for outstanding losses and loss expenses, net of reinsurance									$ 131,124

5. Outstanding losses and loss expenses (continued)

Assumed reinsurance

The assumed reinsurance loss development tables have been produced for accident years 2012 through to 2021. For the assumed reinsurance segment, the years presented in the tables comprise the majority of the period for which incurred losses typically remain outstanding. The Company provides treaty reinsurance products on a global basis and does not maintain claims count information associated with its assumed reinsurance claims. As such, the Company has determined that it is impracticable to provide this information.

Incurred losses and loss expenses, net of reinsurance ($'000)

	Years ended November 30, Unaudited										November 30, 2021	
Accident year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total of IBNR reserves, net of reinsurance**	**Cumulative reported claims count**
2012	$ 62,905	$ 61,111	$ 54,613	$ 48,054	$ 43,430	$ 37,078	$ 36,999	$ 38,364	$ 38,472	$ 38,492	$ 839	n/a
2013		60,194	57,708	60,084	66,012	61,078	61,377	61,713	62,614	63,078	1,432	n/a
2014			69,091	59,061	51,788	47,228	44,991	45,287	45,310	46,152	4,066	n/a
2015				55,480	54,383	49,435	43,055	43,954	42,289	41,873	3,939	n/a
2016					63,267	59,519	52,746	57,105	57,047	57,477	6,594	n/a
2017						90,145	82,597	93,041	99,111	99,818	11,797	n/a
2018							92,856	116,659	124,805	126,366	18,239	n/a
2019								102,252	118,062	143,874	36,129	n/a
2020									157,316	174,617	79,225	n/a
2021										227,198	121,086	n/a
Total										1,018,945		

Cumulative paid losses and loss expenses, net of reinsurance ($'000)

	Years ended November 30, Unaudited									
Accident year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
2012	$ 6	$ 13,469	$ 22,323	$ 28,451	$ 29,695	$ 33,728	$ 34,273	$ 35,697	$ 37,461	$ 37,648
2013		9,452	17,091	33,067	38,721	50,170	54,605	56,698	60,359	61,547
2014			3,892	14,613	21,290	29,715	34,027	35,709	38,097	41,668
2015				3,062	9,105	17,714	24,739	28,771	32,674	35,642
2016					3,812	13,998	25,386	37,150	46,198	47,609
2017						4,441	18,375	44,107	62,774	83,842
2018							8,081	39,546	63,951	89,365
2019								17,221	35,957	59,127
2020									11,585	60,257
2021										21,683
Total										538,387
Reserves for outstanding losses and loss expenses, before 2012, net of reinsurance										487
Reserves for outstanding losses and loss expenses, net of reinsurance										$ 481,045

5. Outstanding losses and loss expenses (continued)

Assumed Reinsurance (continued)

The main difficulty in presenting accident year triangles for the Assumed Reinsurance segment relates to the allocation of loss information on proportional treaties to the appropriate accident years for net incurred and paid claims data. As an example, many proportional treaty reinsurance contracts are submitted using quarterly bordereau reporting by underwriting year, with loss information at a summary level. Where known, large losses can be allocated to the corresponding accident years. However, the remaining losses can generally only be allocated based earned premiums and actuarial information on incurred losses. To the extent management's assumptions and allocation procedures differ from the actual loss development and payout patterns, the actual loss development and payout may differ materially from the loss development presented above.

Reconciliation of loss development information to the reserves for losses and loss expenses

The table below reconciles the net incurred and paid loss development tables, by segment, to the Company's outstanding losses and loss expenses in the consolidated balance sheet as at November 30, 2021:

		November 30, 2021 ($'000)
Outstanding losses and loss expenses, net of reinsurance		
Direct Liability	$	89,961
Direct Property		131,124
Assumed Reinsurance		481,045
Total outstanding losses and loss expenses, net of reinsurance		702,130
Loss reserves recoverable		
Direct Liability		183,710
Direct Property		26,070
Assumed Reinsurance		8,263
Total loss reserves recoverable		218,043
Outstanding loss and loss expenses, gross - other		86,759
Unallocated loss adjustment expenses		20,559
Total outstanding losses and loss expenses	$	1,027,491

The following table presents supplementary information about average historical claims duration as of November 30, 2021 based on cumulative incurred and paid losses and allocated loss adjustment expenses presented above.

	Average annual percentage payout of incurred losses by age (in years)									
Unaudited	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Direct Liability	0.0%	8.7%	3.9%	7.3%	4.5%	10.4%	12.3%	3.7%	4.8%	21.2%
Direct Property	6.1%	42.0%	16.8%	13.6%	0.7%	0.0%	0.0%	0.0%	0.0%	n/a
Assumed Reinsurance	7.6%	20.2%	20.5%	17.0%	12.9%	6.6%	4.2%	5.7%	3.2%	0.5%

6. Loan payable

(a) Deferrable subordinated debentures

On September 15, 2004 the Company issued $200,000,000 of Deferrable Subordinated Debentures (the "Debentures"). These debentures have a final maturity date of September 15, 2034 and can be redeemed in whole prior to September 15, 2034 at the option of the Company. The Debentures bear interest at an annual fixed rate of 8.0% payable semi-annually in arrears on March 15 and September 15. The Debentures are unconditionally guaranteed by OCICL.

During the year ended November 30, 2021, the Company repurchased and retired a portion of the Deferrable Subordinated Debentures with a par value of $nil million (2020: $5.0 million). As at November 30, 2021, the Company had repurchased and retired Deferrable Subordinated Debentures with an aggregate par value of $66.6 million. At November 30, 2021, the Deferrable Subordinated Debentures outstanding total was $133.4 million (2020: $133.4 million) which is included in loans payable on the Consolidated Balance Sheets

(b) Letter of Credit facility

Effective May 15, 2018, the Company entered into a one year Standby Letter of Credit Agreement ("LOC Agreement") with Wells Fargo Bank, National Association ("Wells Fargo"). Under the terms of the agreement, the Company could request that Wells Fargo issue Letters of Credit up to an aggregate principal amount not to exceed $75 million outstanding at any time. Under the terms of the LOC Agreement, and the amendments set forth below, OCICL has agreed to act as Guarantor and has pledged a portion of the investments held in the OCICL investment portfolio as security for the Letters of Credit issued.

Effective May 9, 2019, OCIL amended the LOC Agreement with Wells Fargo Bank to extend the termination date to September 30, 2019 and to increase the aggregate principal amount to $100.0 million. Effective August 23, 2019, OCIL entered into an Amended and Restated Credit Agreement with Wells Fargo Bank to increase the aggregate principal amount to $125.0 million and to incorporate a Revolving Credit Facility of up to $50 million into the agreement, maturing August 23, 2021. Effective January 22, 2021, the company entered into the First Amendment to the Amended and Restated Credit Agreement with Wells Fargo Bank to increase the aggregate principal amount to $150.0 million. On August 20, 2021, OCIL renewed the facility by a Second Amendment to the Amended and Restated Credit Agreement, with a scheduled maturity date of August 20, 2023. Effective August 20, 2021 the maximum aggregate principal amount was increased from $150.0 million to $200.0 million and the Revolving Credit Facility section was terminated.

As at November 30, 2021, an aggregate amount of $145.7 million (2020: $99.8 million) of Letters of Credit were issued by Wells Fargo.

Effective April 25, 2018, the Company entered into a one-year Standby Letter of Credit Agreement with Royal Bank of Canada ("RBC"). This Standby Letter of Credit is deemed automatically extended without amendment for one year, from the expiry date, or any further expiration date, unless notification given within ninety days of any expiration date. Under the terms of the agreement, the Company could request that RBC issue Letters of Credit up to an aggregate principal amount not to exceed $2.5 million outstanding at any time. As at November 30, 2021, an aggregate amount of $2.5 million (2020: $2.5 million) of Letters of Credit were issued by RBC. Cash and cash equivalents with a fair value of $2.5 million have been pledged as security for these Letters of Credit.

(c) Debt issuance costs

At November 30, 2021, the Company recognized deferred debt issuance costs of $1.5 million (2020: $1.6 million) relating to the Debentures, which are offset in loans payable on the Consolidated Balance Sheets. The amount of amortization of debt issuance costs for the year of $0.1 million (2020: $0.1 million) is included within interest expense.

7. Common shares

The Company's authorized share capital is $2,500,000 divided into 500 common shares of par value $5,000 each. At November 30, 2021: 60 (2020: 61) shares had been issued and fully paid. If a shareholder's insurance policies are cancelled or terminated the Company has a contractual obligation to repurchase its common share at the par value price of $5,000 per share.

7. Common shares (continued)

Each shareholder has one vote for each paid up common share together with an additional vote for each $5,000 of cumulative premium as defined in the Bye-laws, subject to a maximum of 9.5% of total voting rights. The Bye-laws provides for the distribution of dividends, as and when declared by the Company's directors, and distribution of the Company's net assets upon dissolution in the same proportion as the voting rights, excluding the 9.5% limitation.

8. Related party transactions

(a) General and administrative expenses represent direct expenditures incurred by the Company and expenses which have been allocated from Oil Management Services Ltd., a company affiliated through common shareholders and which provides administrative support services to the Company.

(b) Amounts due from and to companies affiliated through common shareholders are unsecured, interest free and repayable on demand. These balances result from transactions conducted in the normal course of business.

(c) The Company provides insurance to its shareholders, these transactions are conducted in the normal course of business.

9. Reinsurance

The Company purchases reinsurance when it is available on reasonable terms and conditions. Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company remains liable to the extent that its reinsurers do not meet their obligations under these agreements and the Company therefore regularly evaluates the financial condition of its reinsurers and monitors any concentration of credit risk. In order to reduce its credit risk, the Company seeks to do business with financially sound reinsurance companies and regularly reviews the financial strength of all reinsurers used. The current reinsurance programs have been placed with reinsurers with a financial rating of A- or better per Standard & Poor's or A.M. Best. Management performs periodic reviews of reinsurance recoverables and accordingly, provisions are made for amounts identified as potentially uncollectible.

10. Taxation

Under current Bermuda law, the Company is not obligated to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda pursuant to the provisions of the Exempted Undertakings Tax Protection Act 1966 (the "Act") which exempts the Company from any such taxes, at least until March 31, 2035.

For the years ended November 30, 2021 and 2020, the Company did not record any unrecognized tax benefits or expenses. The Company has not recorded any interest or penalties during the years ended November 30, 2021 and 2020.

The Company's UK subsidiary, OCIL Limited, is subject to tax in the U.K. Any deferred tax asset of the Company has been fully offset by a valuation allowance as it is not deemed probable that there will be suitable income from future periods in which to utilize the asset. In evaluating the Company's ability to recover the deferred tax asset, the Company considers all available positive and negative evidence, including historical results.

The Company's US subsidiary, OHL, and its wholly owned subsidiary OISI, are subject to federal, state and local corporate income taxes, and other taxes applicable to U.S. corporations. OHL's subsidiary OSL, has begun the process to make an election for the year ended November 30, 2021, to pay tax in the United States of America under Section 953(d) of the U.S. Internal Revenue Code of 1986, as amended. Accordingly, the related tax disclosures for the year ended November 30, 2021, have been prepared on the basis of a group tax filing by OHL and its subsidiaries. These companies did not have any taxable activities during 2020.

10. Taxation (continued)

The following table presents a reconciliation of expected income taxes to income tax expense (benefit) for the years ended November 30, 2021 and 2020.

	2021 ($'000)	2020 ($'000)
Bermuda (expected tax expense at 0%)	$ –	$ –
United States (expected tax expense at 21%)	(196)	–
Income tax benefit	$ (196)	$ –

The following table presents the Company's current and deferred income taxes for the years ended November 30, 2021 and 2020.

	2021 ($'000)	2020 ($'000)
Current tax expense	$ –	$ –
Deferred tax benefit	(196)	–
Income tax benefit	$ (196)	$ –

The following table presents the tax effects of temporary differences that give rise to the deferred tax assets and deferred tax liabilities as of November 30, 2021 and 2020.

	2021 ($'000)	2020 ($'000)
Deferred tax assets:		
Discounting of loss and loss adjustment expense reserves	$ 13	$ –
Unearned premiums	75	–
Unrealized losses on investments	37	–
Net capital loss carryforward	21	–
Net operating loss carryforward	119	–
Total deferred tax assets	265	–
Deferred tax liabilities:		
Deferred acquisition costs	(69)	–
Total deferred tax liabilities	(69)	–
Net deferred tax assets	$ 196	$ –

The deferred tax asset is included within Other assets on the Consolidated Balance Sheets.

To evaluate the recoverability of the deferred tax assets for the OHL group of subsidiaries, the Company considers the timing of the reversal of deferred income and expense items as well as the likelihood that its subsidiaries will generate sufficient taxable income to realize future tax benefits. The Company believes that it is more likely than not it will generate sufficient taxable income to realize the future tax benefits in order to recover the deferred assets and, accordingly, no valuation allowance was recorded as of November 30, 2021, for the OHL group of subsidiaries.

11. Regulation

OCIL and OSL are required by their licenses to maintain capital and surplus greater than a minimum statutory amount determined as the greater of a percentage of outstanding losses or a given fraction of net written premiums. Beginning January 1, 2014, the minimum solvency margin is also subject to a minimum of 25% of the enhanced capital requirement ("ECR") of the Bermuda Solvency Capital Requirement model ("BSCR").

The following tables present the reconciliation of OCIL's U.S. GAAP shareholders' equity to statutory capital and surplus, and the corresponding minimum capital adequacy levels as at November 30, 2021 and 2020:

	2021 ($'000)	2020 ($'000)
U.S. GAAP Shareholders' Equity	$ 473,455	$ 510,044
Plus: Loan Payable	133,400	133,400
Less: Non-admitted assets	(2,015)	(2,036)
Statutory Capital and Surplus	$ 604,840	$ 641,408
Minimum required statutory capital and Surplus	$ 108,225	$ 83,601

The following tables present the reconciliation of OSL's U.S. GAAP shareholder's equity to statutory capital and surplus, and the corresponding minimum capital adequacy levels as at November 30, 2021 and 2020:

	2021 ($'000)	2020 ($'000)
U.S. GAAP Shareholder's Equity	$ 54,766	50,444
Less: Non-admitted assets	(6)	(8)
Statutory Capital and Surplus	$ 54,760	50,436
Minimum required Statutory Capital and Surplus	$ 1,000	1,000

Non-admitted assets for statutory purposes include prepaid assets and deferred expenses.

OCIL and OSL are also required to maintain a minimum liquidity ratio whereby the value of its relevant assets is not less than 75% of the amounts of its relevant liabilities. At November 30, 2021 and 2020, OCIL and OSL met their minimum liquidity ratio.

As Class 3B and 3A insurers, OCIL and OSL, respectively, have disclosure and regulatory compliance reporting obligations along with an enhanced capital requirement. The BSCR is a standardized statutory risk-based capital model used to measure the risk associated with the Company's assets, liabilities and premiums. The BSCR determines an enhanced capital requirement and target capital level (defined as 120% of the ECR) for Class 3A and 3B insurers. Failure to maintain statutory capital and surplus at least equal to the target capital level could result in increased regulatory oversight by the Bermuda Monetary Authority. The eligible capital rules require the Companies to allocate their capital into three defined tiers based upon qualifying criteria and stipulates the maximum and minimum amounts of eligible capital in each tier that may be used to satisfy its minimum solvency margin and it's ECR. As of November 30, 2021, OCIL and OSL met the capital requirements of the BSCR.

Class 3A and 3B reinsurers are restricted from declaring or paying dividends of more than 25% of its prior year total statutory capital and surplus, unless it files with the BMA an affidavit stating that any dividend in excess of this amount will not cause the Company to fail to meet its relevant margins. Class 3A and 3B insurers must obtain BMA approval prior to any reduction of prior year total statutory capital of 15% or more.

12. Subsequent events

Subsequent events have been evaluated through February 21, 2022, which is the date the financial statements were available to be issued.