American Overseas Group Limited

Consolidated Financial Statements
For the Nine Months Ended
September 30, 2021
(Unaudited)

AMERICAN
OVERSEAS

AMERICAN OVERSEAS GROUP LIMITED
CONSOLIDATED BALANCE SHEETS
September 30, 2021 and December 31, 2020

	September 30, 2021	December 31, 2020
Assets		
Fixed-maturity securities held as available for sale, at fair value	$ 92,473,082	$ 72,641,464
Equity investments available for sale, at fair value	3,574,205	4,143,351
Cash and cash equivalents	37,543,969	24,254,457
Restricted cash	3,967,583	548,063
Accrued investment income	443,111	354,676
Premiums receivable	80,014,581	73,072,658
Deferred reinsurace premiums	108,584,344	101,843,008
Reinsurance balances receivable, net	211,945,947	194,914,323
Deferred policy acquisition costs	5,045,014	3,589,830
Intangible assets	4,800,000	4,800,000
Goodwill	33,050,000	33,050,000
Other assets	3,707,894	3,766,912
Total assets	$ 585,149,730	$ 516,978,742
Liabilities and Shareholders' Equity		
Liabilities:		
Losses and loss expense reserve	$ 204,340,492	$ 192,942,541
Deferred commission income	3,442,501	2,481,862
Unearned premiums	113,425,080	105,677,582
Ceded premium payable	82,832,513	71,989,076
Payable to general agents	7,575,601	4,331,377
Funds withheld	100,333,016	64,980,371
Accounts payable and accrued liabilities	10,873,126	7,921,544
Notes payable	16,520,907	16,520,907
Non-owned interest in VIE	300,000	300,000
Interest payable	450,770	450,770
Total liabilities	540,094,006	467,596,030
Shareholders' equity:		
Common shares	4,697,900	4,697,900
Additional paid-in capital	189,178,987	189,151,024
Accumulated other comprehensive income	1,381,765	1,962,316
Retained deficit	(156,256,304)	(152,481,904)
Total shareholders' equity	39,002,348	43,329,336
Non-controlling interest in preferred shares in subsidiaries	6,053,376	6,053,376
Total equity	45,055,724	49,382,712
Total liabilities and equity	$ 585,149,730	$ 516,978,742

See Accompanying Notes to the Consolidated Financial Statements.

AMERICAN OVERSEAS GROUP LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net premiums earned	$ 5,397,282	$ 4,336,760	$ 15,934,538	$ 8,774,549
Fee income	2,644,453	2,644,929	8,666,854	7,895,600
Net investment income	45,760	60,369	207,723	652,061
Net realized gains	13,759	7,917	50,061	1,508,407
Fair value adjustment	-	(23,183)	-	2,054,217
Net change in fair value of credit derivatives	-	-	-	2,487
Other income	28,369	-	104,993	-
Total revenues	8,129,623	7,026,792	24,964,169	20,887,321
Net losses and loss adjustment expenses	3,840,730	2,388,711	10,231,500	8,199,971
Acquisition costs	1,931,457	1,536,605	5,506,200	3,775,417
General and administrative expenses	3,662,737	2,603,269	11,036,846	9,293,574
Interest expense	450,770	450,770	1,352,311	1,352,310
Other expense	-	46,283	-	330,441
Total expenses	9,885,694	7,025,638	28,126,857	22,951,713
Income (loss) before income tax expense	(1,756,071)	1,154	(3,162,688)	(2,064,392)
Income tax (expense)	-	538,726	(26,459)	322,120
Income (loss) before non-controlling interest	$ (1,756,071)	$ 539,880	$ (3,189,147)	$ (1,742,272)
Net income (loss) attributable to non controlling interest				
Non-controlling interest - dividends on Class B preference shares of subsidiary	-	-	(585,253)	-
Net income (loss) attributable to common shareholders	$ (1,756,071)	$ 539,880	$ (3,774,400)	$ (1,742,272)
Net income (loss) per common share:				
Basic	$ (37.38)	$ 11.64	$ (80.34)	$ (37.61)
Diluted	$ (37.38)	$ 11.58	$ (80.34)	$ (37.17)
Weighted-average number of common shares outstanding:				
Basic	46,979	46,386	46,979	46,326
Diluted	46,979	46,620	46,979	46,870

See Accompanying Notes to the Consolidated Financial Statements.

AMERICAN OVERSEAS GROUP LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Net income (loss) before non-controlling interest	$ (1,756,071)	$ 539,880	$ (3,189,147)	$ (1,742,272)
Other comprehensive income (loss)				
Change in unrealized fair value of investments	(304,042)	233,250	(530,490)	1,908,194
Reclassification adjustment for net realized investment gains included in income	(13,759)	(7,917)	(50,061)	(1,508,407)
Other comprehensive income (loss)	(317,801)	225,333	(580,551)	399,787
Comprehensive income (loss)	$ (2,073,872)	$ 765,213	$ (3,769,698)	$ (1,342,485)

See Accompanying Notes to the Consolidated Financial Statements.

AMERICAN OVERSEAS GROUP LIMITED
CONSOLIDATED STATEMENTS OF EQUITY AND RETAINED DEFICIT
September 30, 2021 and December 31, 2020

	Share capital	Noncontrolling Interest	Additional paid-in-capital	Accumulated other comprehensive (loss) income	Retained deficit	Total stockholders' equity
Balance, December 31, 2019	4,617,900	6,053,376	189,002,460	1,323,333	(147,471,948)	53,525,121
						-
Net loss	-	-	-	-	(5,009,956)	(5,009,956)
Share based compensation	80,000	-	148,564	-	-	228,564
Net change in unrealized gains						-
and losses on investments	-	-	-	638,983	-	638,983
Balance, December 31, 2020	4,697,900	6,053,376	189,151,024	1,962,316	(152,481,904)	49,382,712
Net loss	-	-	-	-	(3,189,147)	(3,189,147)
Share based compensation	-	-	27,963	-	-	27,963
Net change in unrealized gains						
and losses on investments	-	-	-	(580,551)	-	(580,551)
Dividends paid on preferred shares	-	-	-	-	(585,253)	(585,253)
Balance, June 30, 2021	$ 4,697,900	$ 6,053,376	$ 189,178,987	$ 1,381,765	$ (156,256,304)	$ 45,055,724

See Accompanying Notes to the Consolidated Financial Statements

AMERICAN OVERSEAS GROUP LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
September 30, 2021 and 2020

	September 30, 2021	September 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) for the year	$ (3,189,147)	$ (1,742,272)
Adjustments to reconcile net (loss) to net cash used in operating activities:		
Net realized gains on sale of investments	(50,061)	(1,508,407)
Net unrealized (gain) loss on equity investment	(37,625)	346,264
Net unrealized gains on credit derivatives	-	(2,487)
Deferred tax expense	-	(322,120)
Interest expense	1,352,311	1,352,310
Share based compensation	27,963	71,439
Amortization of fair value adjustment	-	(2,054,218)
Amortization of bond discount	113,514	148,631
Changes in operating assets and liabilities:		
Accrued investment income	(88,434)	356,220
Premiums receivable	(6,941,923)	4,080,457
Deferred reinsurance premiums	(6,741,336)	2,242,582
Reinsurance balance receivable, net	(17,031,624)	21,110,209
Salvage and subrogation	-	385,442
Deferred acquisition costs, net	(494,545)	(718,536)
Other assets	59,018	(2,469,193)
Changes in derivative liability	-	(7,694)
Unpaid losses and loss adjustment expenses	11,397,951	(61,057,023)
Unearned premiums	7,747,498	(20,133,554)
Ceded premium payable	10,843,437	1,624,954
Payable to general agents	3,244,223	9,259,355
Funds withheld	35,352,645	(11,868,200)
Accounts payable and accrued liabilities	2,951,581	3,578,664
Net cash provided by (used in) operating activities	**38,515,446**	**(57,327,177)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of available for sale securities	(46,049,459)	(44,095,767)
Proceeds from sales of fixed income investments	5,922,482	90,152,972
Proceeds from sales of equities	1,093,276	-
Proceeds from maturities of fixed income investments	19,164,851	8,494,641
Net cash (used in) provided by investing activities	**(19,868,850)**	**54,551,846**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Interest paid	(1,352,311)	(1,352,310)
Payment on preferred shares	(585,253)	(5,500,000)
Net cash used in financing activities	**(1,937,564)**	**(6,852,310)**

AMERICAN OVERSEAS GROUP LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
Year to Date September 30, 2021 and 2020

	September 30, 2021	September 30, 2020
Net increase (decrease) in cash and cash equivalents	16,709,032	(9,627,641)
Cash and cash equivalents - Beginning of year	24,802,520	33,159,147
Cash and cash equivalents - End of period	$ 41,511,552	$ 23,531,506
Net taxes paid (refunded)	$ -	$ -
Reconciation of cash and restricted cash and equivalents to Balance Sheet		
Cash and cash equivalents, end of period	$ 37,543,969	$ 22,037,860
Restricted cash and cash equivalents, end of period	3,967,583	1,493,646
Total cash and cash equivalents and restricted cash and equivalents, end of period	$ 41,511,552	$ 23,531,506

See Accompanying Notes to the Consolidated Financial Statements.

BACKGROUND

American Overseas Group Limited ("AOG" or the "Company") was incorporated on January 28, 1998, under the laws of Bermuda. The Company was originally organized to operate a mono-line financial guaranty reinsurance subsidiary which was placed in voluntary run-off in 2009. After substantially reducing its financial guaranty exposure, AOG entered the property and casualty reinsurance business in 2012. On June 26, 2013 the Company's principal shareholder at that time, Orpheus Group Ltd. ("OGL"), acquired voting control of AOG. On October 28, 2014, AOG acquired OGL for a combination of common stock and senior notes. The Company is now a major writer of non-standard auto insurance through its U.S. subsidiaries. The bulk of its earned premium and fee income are related to its property and casualty book of business. The financial guaranty book of business was eliminated in 2020.

American Overseas Reinsurance Company Limited ("AORE"), a subsidiary of AOG, entered into a Commutation Agreement with Assured Guaranty Municipal Corp ("AGMC") effective April 1, 2020, to commute the remaining portfolio of financial guaranty reinsurance business it had assumed from AGMC in exchange for a commutation payment.

On July 8th and 9th, respectively, the Company completed the liquidation and dissolution of Reid Street Services, Ltd (RSSL) and Orpheus Group Ltd (OGL). The distribution of assets of RSSL was completed via a cash dividend to its parent, OGL. OGL then distributed its assets to its parent, AOG, via a cash dividend, and transferred its investments in Old American Capital Corporation (OACC) and RSSL to AOG for a debt left outstanding, which was subsequently settled via a dividend to AOG. There was no ultimate gain or loss related to the dissolution.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies adopted by the Company:

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results could differ materially from those estimates. Certain prior year comparatives have been reclassified to conform to the current year presentation. The effect of these reclassifications had no impact on previously reported shareholders' equity or net loss.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and of its subsidiaries, as well as those of Old American County Mutual Fire Insurance Company ("OACM"), a variable interest entity ("VIE") which the Company is required to consolidate. All significant intercompany balances have been eliminated in consolidation.

(c) Cash and cash equivalents

The Company considers all highly liquid investments, including fixed-interest and money market fund deposits, with a maturity of 90 days or less when purchased, as cash equivalents. Cash equivalents are carried at cost which approximates fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Investments

The Company has classified its fixed-maturity and equity investments as available-for-sale. Available-for-sale investments are carried at fair value, with unrealized appreciation or depreciation reported as a separate component of accumulated other comprehensive income. The Company's fair values of fixed-maturity investments are based on prices obtained from nationally recognized independent pricing services and represent quoted prices in active markets when available. Equity securities include investments in shares of publicly traded companies and offshore mutual funds. All investment transactions are recorded on a trade date basis. Realized gains and losses on sales of fixed-maturity investments are determined on the basis of amortized cost. Gains and losses on sale of investments are included in "net realized gains on sale of investments" when realized. The cost of securities sold is determined using the specific identification method. The Company's investment guidelines require the orderly sale of securities that do not meet investment guidelines due to a downgrade by rating agencies or other circumstances, unless otherwise authorized by management to hold.

Other-than-temporary impairments on investments

The Company reviews its investment portfolio no less than quarterly in order to determine whether an other-than-temporary impairment ("OTTI") of its fixed-maturity and equity investments classified as available-for-sale exists. An impairment is considered to be other-than-temporary if the Company (i) intends to sell the security, (ii) more likely than not will be required to sell the security before recovering its cost, or (iii) does not expect to recover the security's entire amortized cost basis (even if the Company does not intend to sell). A "credit loss" is recognized when the present value of cash flows expected to be collected from the fixed-maturity investment is less than the amortized cost basis of the security. If there is an intent to sell the impaired security or it is more likely than not that the Company will be required to sell the security before recovering its cost, then the entire difference between amortized cost and the security's fair value is recognized as an OTTI charge in earnings in the period. If there is no intent to sell the impaired security and it is not more likely than not that the Company will be required to sell the security before recouping its cost but there is a credit loss, then the credit loss portion of the unrealized loss is recognized in earnings with the remainder recognized in other comprehensive income.

Factors considered when assessing impairment include: (i) securities whose market values have declined by 20% or more below amortized cost for a continuous period of at least six months; (ii) credit downgrades by rating agencies; (iii) the financial condition of the issuer; (iv) whether scheduled interest payments are past due; and (v) whether the Company has an intent to sell the security.

(e) Deferred reinsurance premiums

In prior years, the deferred portion of reinsurance premiums were included in reinsurance balances receivable. The Company is now showing on a separate financial statement line to properly match the unearned premium.

(f) Revenue recognition

The Company recognizes financial guaranty reinsurance contract revenue over the period of the contract in proportion to the amount of insurance protection provided. The Company recognizes a liability for unearned premium revenue at the inception of a financial guaranty insurance contract equal to the present value of the premiums due or expected to be collected over the period of the contract. The Company earns property casualty insurance and reinsurance premium revenue over the terms of the related policies. Unearned premiums represent the unexpired portion of premiums written. In addition, the Company earns fee income for providing insurance capacity for its nonstandard automobile liability and physical damage insurance products produced by managing general agents or other producers and ceded to reinsurers. Fee income is the excess of the ceding commission received from the reinsurers over the commission expense paid to the managing general agents or other producers.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Deferred policy acquisition costs

Deferred policy acquisition costs comprise those expenses that vary with and are primarily related to the production of business, including ceding commissions paid.

When assessing the recoverability of deferred policy acquisition costs, the Company considers the future earnings of premiums and anticipated investment income and compares this to the sum of unamortized policy acquisition costs, expected loss and loss adjustment expenses and expected maintenance costs. This comparison is completed by underwriting year and risk type. If a deficiency were calculated, the unamortized acquisition costs would be reduced by a charge to expense. Any deficiency driven by the maintenance costs that is greater than the balance of the deferred acquisition costs for the underwriting year and risk type is recorded as a premium deficiency.

(h) Losses and loss adjustment expenses

For its property/casualty insurance and reinsurance, unpaid losses and loss adjustment expenses include an amount determined from individual case estimates ("case basis loss reserves") and an amount for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and adjustments are reflected in the period determined.

(i) Fair value measurements

ASC 820 provides guidance for fair value measurement of assets and liabilities and associated disclosures about fair value measurement. Under this standard, the definition of fair value focuses on the price that would be received to sell the asset or paid to transfer the liability (an exit price), not the price that would be paid to acquire the asset or received to assume the liability (an entry price). ASC 820 clarifies that fair value is a market-based measurement, not an entity-specific measurement. ASC 820 establishes a fair value hierarchy of inputs in measuring fair value, with the highest level being observable inputs and the lowest being unobservable data as follows:

- Level 1 inputs – valuations based on quoted prices in active markets for identical assets or liabilities. Valuations in this level do not entail a significant degree of judgment.

- Level 2 inputs – valuations based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and model derived valuations where all significant inputs are observable in active markets.

- Level 3 inputs – valuations based on significant inputs that are unobservable.

Disclosures relating to fair value measurements are included in Note 5 – Fair Value of Financial Instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Goodwill and intangible assets

The Company tests for impairment of goodwill and indefinite-lived intangible assets on an annual basis, or more frequently if events or changes in circumstances indicate that impairment exists.

The Company amortizes finite-lived intangible assets over the respective useful lives of the assets. If events or changes in circumstances indicate that impairment of these assets exists, the Company will test for impairment. If, as a result of the evaluation, the Company determines that the value of the goodwill or intangible assets is impaired, then the value of the assets will be written-down through net income in the period in which the determination of the impairment is made.

(k) Leases

At lease inception, the Company determines whether an arrangement is or contains a lease. Operating leases are included in operating lease right-of-use ("ROU") assets, current operating lease liabilities, and noncurrent operating lease liabilities in the consolidated financial statements. ROU assets represent the Company's right to use leased assets over the term of the lease. Lease liabilities represent the Company's contractual obligation to make lease payments over the lease term.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured as the present value of the lease payments over the lease term. The Company uses the rate implicit in the lease if it determinable. When the rate implicit in the lease is not determinable, the Company uses its incremental borrowing rate at the commencement date of the lease to determine the present value of the lease payments. Operating ROU assets are calculated as the present value of the remaining lease payments plus unamortized initial direct costs plus any prepayments less any unamortized lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to the Company if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term. The Company has elected not to recognize a ROU asset and obligation for leases with an initial term of twelve months or less. The expense associated with short term leases is included in lease expense in the income statement.

To the extent a lease arrangement includes both lease and fixed non-lease components, the Company has elected to account for the components as a single lease component. To the extent the non-lease component is not fixed in nature, the non-lease components are expensed separately.

(l) Taxation

Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the difference is reversed. A valuation allowance is recorded against gross deferred tax assets if it is more likely than not that all or some portion of the benefits related to the deferred tax assets will not be realized.

(m) Share-based compensation

The Company measures and records compensation costs for all share-based payment awards based on grant-date fair value over the requisite service period. This includes consideration of expected forfeitures in determining share based-based employee compensation expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Treasury shares

Common shares of AOG held by the Company and its subsidiaries are accounted for similar to share cancellations with the excess of the par value reflected in additional paid in capital.

(o) Accounting pronouncements not yet adopted

Credit losses on financial instruments

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The ASU provides a new current expected credit loss model to account for credit losses on certain financial assets and off-balance sheet exposures (e.g., reinsurance recoverables, premium receivables, held-to-maturity debt securities, and loan commitments). That model requires an entity to estimate lifetime credit losses related to certain financial assets, based on relevant historical information, adjusted for current conditions and reasonable and supportable forecasts that could affect the collectability of the reported amount. The ASU also makes targeted amendments to the current impairment model for available-for-sale debt securities, which includes requiring the recognition of an allowance rather than a direct write-down of the investment. The allowance may be reversed in the event that the credit of an issuer improves. In addition, the ASU eliminates the existing guidance for purchased credit impaired assets and introduces a new model for 135 purchased financial assets with credit deterioration, such as the Company's loss mitigation securities. That new model would require the recognition of an initial allowance for credit losses, which is added to the purchase price.

The ASU was originally effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020; however, ASU 2019-10, issued on November 15, 2019, amended the effective date for non-SEC filers to now be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. For reinsurance recoverables, premiums receivable and debt instruments such as loans and held to maturity securities, entities will be required to record a cumulative-effect adjustment to the statement of financial position as of the beginning of the first reporting period in which the guidance is adopted. The changes to the impairment model for available-for-sale securities and changes to purchased financial assets with credit deterioration are to be applied prospectively. Early adoption of the amendments is permitted. The Company is evaluating the effect that this ASU will have on its financial statements.

Income Taxes

On Dec. 18, 2019, the FASB released Accounting Standards Update (ASU) 2019-12, which affects general principles within Topic 740, Income Taxes. The amendments of ASU 2019-12 are meant to simplify and reduce the cost of accounting for income taxes. The FASB has stated that the ASU was issued as part of its Simplification Initiative, which is meant to reduce complexity in accounting standards by improving certain areas of generally accepted accounting principles (GAAP) without compromising information provided to users of financial statements. For public business entities, the amendments in ASU 2019-12 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15,2020. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption of the amendments is permitted.

3. PLEDGED ASSETS

As of September 30, 2021 and December 31, 2020, there were investments of $2.2 million and $2.2 million, respectively, on deposit with state insurance department regulators related to a U.S. subsidiary.

As of September 30, 2021 and December 31, 2020, AORE had restricted cash of $244 dollars and $334 dollars, respectively, and investments at fair value of $3.6 million and $3.1 million, respectively, in trust accounts. These accounts include funds held in trust for the benefit of the holders of its Class B Preferance Shares, as well as funds held in trust for the benefit of its ceding companies. Pursuant to the terms of the reinsurance agreements with ceding companies regulated in the United States, AORE is required to secure its obligations to these ceding companies in accordance with applicable state statutes governing credit for reinsurance, and may not withdraw funds from these trust accounts without the ceding companies' express permission. The trust accounts are required to hold cash and investments equivalent to unearned premiums, case-basis and incurred but not reported loss reserves, credit impairments (a non GAAP measure representing losses expected to be paid on insured credit derivative policies), and a contingency reserve calculated by the ceding companies. Management reviews these balances for reasonableness quarterly.

On July 21, 2014 AORE established an irrevocable trust (the "Class B Security Trust") for the benefit of the holders of its Class B Preference Shares. Butterfield Trust Company was appointed as its trustee. AORE has been authorized to redeem Class B Shares at any time for the amount that is not in excess of the Holder's pro-rata share of the assets in the Class B Security Trust. The market value of the Class B Security Trust is $3.6 million and $3.1 million as of September 30, 2021 and December 31, 2020, respectively.

Opheus Re Ltd. ("ORE") held a Section 114 Trust in favor of OACM to support obligations from the reinsurance business assumed. As at September 30, 2021 and December 31, 2020 the assets value was $3.7 million and $2.2 million, respectively.

ORE held a Section 114 Trust in favor of OAIC to support obligations from the reinsurance business assumed. As at September 30, 2021 and December 31, 2020 the assets value was $1.7 million and $1.1 million, respectively.

4. INVESTMENTS

The amortized cost, gross unrealized gains, gross unrealized losses, OTTI and estimated fair value recorded in accumulated other comprehensive income of the Company's available for sale investments at September 30, 2021 and December 31, 2020, were as follows:

		Included in Accumulated Other Comprehensive Income ("AOCI")			
			Gross Unrealized Losses		
2021	**Amortized Cost**	**Gross Unrealized Gains**	**Related to Changes in Estimated Fair Value**	**OTTI Included in Other Comprehensive Income [(1)]**	**Estimated Fair Value**
US Treasuries and government agencies [(2)]	$ 42,831,642	$ 130,617	$ (15,637)	$ -	$ 42,946,622
Corporate debt securities	14,684,350	409,359	(991)	-	15,092,718
Municipal securities	29,238,779	200,617	(262,012)	-	29,177,384
Asset-backed securities	5,154,428	101,930	-	-	5,256,358
Total available for sale fixed-maturity investments	$ 91,909,199	$ 842,523	$ (278,640)	$ -	$ 92,473,082
Equity securities available for sale	2,756,323	817,882	-	-	3,574,205
Total investment portfolio	$ 94,665,522	$ 1,660,405	$ (278,640)	$ -	$ 96,047,287

4. INVESTMENTS (Cont'd)

2020	Amortized Cost	Included in Accumulated Other Comprehensive Income ("AOCI") Gross Unrealized Gains	Gross Unrealized Losses: Related to Changes in Estimated Fair Value	Gross Unrealized Losses: OTTI Included in Other Comprehensive Income (1)	Estimated Fair Value
US Treasuries and government agencies (2)	$ 25,043,925	$ 314,675	$ -	$ -	$ 25,358,600
Corporate debt securities	12,211,541	657,223	(2,284)	-	12,866,480
Municipal securities	25,427,549	447,903	(777)	-	25,874,675
Asset-backed securities	8,322,174	219,535	-	-	8,541,709
Total available for sale fixed-maturity investments	$ 71,005,189	$ 1,639,336	$ (3,061)	$ -	$ 72,641,464
Equity securities available for sale	3,854,934	328,724	(40,307)	-	4,143,351
Total investment portfolio	$ 74,860,123	$ 1,968,060	$ (43,368)	$ -	$ 76,784,815

(1) Represents the amount of OTTI losses in accumulated other comprehensive income ("AOCI"), since adoption of the accounting guidance for OTTI.
(2) Including US Government temporary liquidity guarantee program securities.

The Company did not have an aggregate investment in a single entity in excess of 10% of total investments at September 30, 2021 and December 31, 2020. The Company had no material investments in securities guaranteed by third parties and had no direct investments in financial guarantors as at September 30, 2021 and December 31, 2020.

4. INVESTMENTS (Cont'd)

The amortized cost and estimated fair value of fixed-maturity securities classified as available-for–sale, as of September 30, 2021 and December 31, 2020, by contractual maturity, are shown below. Expected maturities differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

	September 30, 2021		December 31, 2020	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Less than one year	$ 22,483,689	$ 22,640,485	$ 12,080,297	$ 12,154,325
One through five years	45,187,272	45,688,546	35,328,693	36,429,375
Greater than five years	19,083,809	18,887,693	15,274,025	15,516,055
Mortgage-backed securities:				
Asset-backed securities	5,154,429	5,256,358	8,322,174	8,541,709
Total	$ 91,909,199	$ 92,473,082	$ 71,005,189	$ 72,641,464

The investments that have unrealized loss positions as of September 30, 2021 and December 31, 2020, aggregated by investment category and the length of time they have been in a continuous unrealized loss position, are as follows:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
2021:						
Fixed-maturity investments:						
US Treasuries and government agencies	$ 3,774,034	$ (5,046)	$ -	$ -	$ 3,774,034	$ (5,046)
Corporate debt securities	$ 3,301,543	$ (991)	$ -	$ -	$ 3,301,543	$ (991)
Municipal securities	38,120,363	(269,279)	266,126	(3,324)	38,386,489	(272,603)
Total temporarily impaired securities	$ 45,195,940	$ (275,316)	$ 266,126	$ (3,324)	$ 45,462,066	$ (278,640)

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
2020:						
Fixed-maturity investments:						
Corporate debt securities	$ 311,850	$ (2,284)	$ -	$ -	$ 311,850	$ (2,284)
Municipal securities	2,739,970	(777)	-	-	2,739,970	(777)
Total temporarily impaired securities	$ 3,051,820	$ (3,061)	$ -	$ -	$ 3,051,820	$ (3,061)

4. INVESTMENTS (Cont'd)

The following table sets forth the investment ratings of the Company's available-for-sale corporate fixed income securities as at September 30, 2021 and December 31, 2020. Ratings are assigned by Standard & Poor's or AM Best in instances where Standard & Poor's do not issue a rating.

2021	Amortized Cost	%
AAA	$ 9,543,617	10.4%
AA	60,499,309	65.8%
A	18,168,036	19.8%
BBB and below	3,698,237	4.0%
	$ 91,909,199	100%

2020	Amortized Cost	%
AAA	$ 14,916,790	21.0%
AA	39,515,866	55.7%
A	13,089,589	18.4%
BBB and below	3,482,944	4.9%
	$ 71,005,189	100%

As of September 30, 2021, 36 out of 147 fixed maturity securities were in unrealized loss positions compared to 4 out of 157 as of December 31, 2020. As at September 30, 2021, the Company's unrealized loss position for fixed maturity securities was $0.3 million compared to $3,061 dollars at December 31, 2020. Management does not believe these investments to be other than temporarily impaired, and has no intention to sell the securities. Unrealized gains and losses relating to fixed maturity investments, excluding any credit loss portion, are currently recorded in accumulated other comprehensive income in shareholders' equity as the Company generally holds these investments to maturity. The unrealized gains and losses are expected to decrease as the investment approaches maturity and the Company expects to realize a value substantially equal to amortized cost. One of the securities has been in an unrealized loss position for 12 months or more as of September 30, 2021 and none of the securities have been in an unrealized loss position for 12 months or more as of December 31, 2020.

During the years ended September 30, 2021 and December 31, 2020, the Company recognized losses on other than temporary impairments in the amount of nil, respectively.

Proceeds from maturities and sales of investments in fixed-maturity securities available for sale during 2021 and 2020 were $25.1 million and $109.0 million, respectively. Gross gains of $0.1 million and $1.8 million in 2021 and 2020, respectively, and gross losses of $3,154 and $0.2 million in 2021 and 2020, respectively, were realized on those sales. Proceeds from sale of equities was $1.1 million with gross gains of 5,359 and gross losses of $16,252.

4. INVESTMENTS (Cont'd)

Major categories of net investment income are summarized as follows:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Interest from fixed-maturity securities	$ 364,653	$ 392,558	$ 1,051,282	1,661,418
Interest from cash equivalents	(122)	287	403	7,154
Dividend Income	-	24,971	55,704	74,913
Amortization	200	6,919	1,354	10,857
Investment expense	(318,971)	(364,366)	(901,020)	(1,102,281)
Net Investment income	$ 45,760	60,369	$ 207,723	652,061

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements

The Company follows the guidance of ASC 820 for fair value measurement of financial instruments. ASC 820 establishes a hierarchy of inputs in measuring fair value, with the highest level being observable inputs and the lowest being unobservable data, with the standard requiring that the use of observable inputs is maximized (see Note 2(i) - Significant Accounting Policies – Fair Value Measurements for a description of each of the three levels).

The following table presents the fair value measurement levels for assets and liabilities, which the Company has recorded at fair value as of September 30, 2021 and December 31, 2020. As required by ASC 820, items are classified in their entirety based on the lowest level of input that is significant to the fair value measurement:

	Fair Value Measurements at Reporting Date Using			
	Balance as of September 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
U.S. treasuries and government agencies	$ 42,946,622	$ 21,121,223	$ 21,825,399	$ -
Corporate debt securities	15,092,718	-	15,092,718	-
Municipal securities	29,177,384	-	29,177,384	-
Asset-back securities	5,256,358	-	5,256,358	-
Investments available for sale fixed maturity investments	92,473,082	21,121,223	71,351,859	-
Cash and Cash Equivalents	37,543,969	37,543,969	-	-
Restricted Cash	3,967,583	3,967,583	-	-

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

	Fair Value Measurements at Reporting Date Using			
	Balance as of December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
U.S. treasuries and government agencies	$ 25,358,600	$ 25,358,600	$ -	$ -
Corporate debt securities	12,866,480	-	12,866,480	-
Municipal securities	25,874,675	-	25,874,675	-
Mortgage-backed securities	-	-	-	-
Asset-back securities	8,541,709	-	8,541,709	-
Investments available for sale fixed maturity investments	72,641,464	25,358,600	47,282,864	-
Cash and Cash Equivalents	24,254,457	24,254,457	-	-
Restricted Cash	548,063	548,063	-	-

Fixed-maturity investments

The Company's fair values of fixed-maturity and short-term investments are based on prices obtained from nationally recognized independent pricing services. Where available, the prices are obtained from market quotations in active markets. Where there is no quoted price for an identical security, then the pricing service may use matrix pricing or model processes, such as the option adjusted spread model, to estimate the fair value of a security. The matrix pricing or model processes consist primarily of observable inputs, which may include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. The Company receives at least one fair value price for each of its investment securities and has not adjusted any of the prices received from the pricing services. At September 30, 2021 and December 31, 2020, all the Company's securities were valued using the independent pricing services.

As management is ultimately responsible for determining the fair value measurements for all securities, the Company assesses the reasonableness of the fair values received by comparing them to other pricing information readily available and management's knowledge of the current markets. The Company also assesses the pricing methodologies and related inputs used by the pricing services to estimate fair value. Any prices that, in management's opinion, may not be representative of fair value are challenged with the pricing service. Based on the information obtained from the above reviews, the Company evaluated the fixed-maturity securities in the investment portfolio to determine the appropriate fair value hierarchy level in accordance with ASC 820. Based on the Company's evaluation, each security was classified as Level 1, 2, or 3. Prices with observable market inputs were classified as Level 2, prices on money market funds and US treasuries were classified as Level 1. There were no market inputs classified as Level 3 as of September 30, 2021 and December 31, 2020. The Company holds an investment in a capital trust, classified as a corporate debt security available for sale, which was valued using an analysis to comparable securities, incorporating a spread to the yields on the comparable securities to derive the fair value. There were no liabilities measured at fair value on a recurring basis using unobservable measurements other than the Company's credit derivatives.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

Equity investments

The Company's equity investments were comprised of funds invested in a range of diversified strategies. In accordance with U.S. GAAP, the fair values of the funds are based on the unadjusted net asset value of the funds and as such, the Company has adopted NAV as a practical expedient and this is not presented in the levelling table. The Company validates these prices through agreeing net asset values to audited financial statements where available, in conjunction with regular discussion and analysis of the investment portfolio's structure.

Other fair value disclosures

Management has estimated the fair value of certain financial instruments based upon market information using appropriate valuation methodologies. Fair value estimates are not necessarily indicative of the amount the Company could realize in a current market exchange.

The Company considers carrying amounts of cash and cash equivalents, interest, other assets, accounts payable and accrued liabilities to be reasonable estimates of their fair values.

6. LOSSES AND LOSS EXPENSE RESERVE

The Company's loss and loss expense reserve as of September 30, 2021, represented case basis loss reserves and incurred but not reported reserves, or claim liability which includes a fair value adjustment of the financial guaranty reserves. Refer to Note 2 - Significant Accounting Policies for a description of the Company's accounting policy for insurance losses.

A summary of the movement in the provision for losses and LAE for the periods ended September 30, 2021 and December 31, 2020 is presented in the following table:

	September 30, 2021	December 31, 2020
Losses and loss expense reserve		
Balance - Beginning of year	$ 192,942,541	$ 263,685,760
Less: reinsurance recoverable	(187,794,842)	(194,630,544)
Net balance - Beginning of year	5,147,699	69,055,216
Incurred related to:		
Current year	10,252,446	8,962,705
Prior years	(105,998)	1,560,160
Premium deficiency reserve	85,052	(921)
Total incurred	10,231,500	10,521,944
Net losses paid related to:		
Current year	(4,874,960)	(4,930,641)
Prior years	(3,348,985)	(69,498,820)
Total Paid	(8,223,945)	(74,429,461)
Net balance - End of year	7,155,254	5,147,699
Add: reinsurance recoverable	197,185,238	187,794,842
Balance - End of year	$ 204,340,492	$ 192,942,541

For the nine month's ended September 30, 2021, the Company incurred loss and LAE of $10.2 million. Incurred losses related to the Company's short-tailed property casualty business were $10.1 million, driven by incurred loss on the current accident year.

For the year ended December 31, 2020, the Company incurred loss and LAE of $10.5 million. Incurred losses related to the Company's short-tailed property casualty business were $8.9 million, driven by $9.0 million of incurred loss on the current accident year. The financial guaranty reinsurance business generated net incurred losses of $1.6 million in 2020 including fair value adjustments.

6. LOSSES AND LOSS EXPENSE RESERVE (cont'd)

Reconciliation of the disclosure of incurred and paid claims development to the liability for unpaid claims and claims adjustment expenses

(dollars in thousands)		September 30, 2021
Net Outstanding Liabilities		
Liabilities for unpaid claims and claim adjustment expenses, net of reins	$	7,155
Total reinsurance recoverable on unpaid claims		197,185
Insurance lines other than short-duration		-
		204,340
Total gross liability for unpaid claims and claims adjustment expense	$	204,340

7. SEGMENT INFORMATION

The determination of reportable segments is based on how management monitors the Company's underwriting operations. Management monitors the performance of its underwriting operations based on the markets and customers served and the type of accounts written. The Company is currently organized into three operating segments: property/casualty insurance and reinsurance, financial guaranty and corporate/other. All product lines fall within these classifications. The property/casualty segment provides insurance and reinsurance primarily related to US short-tail personal lines. This segment also contains an allocation of a portion of the AORE overhead expenses related to AORE's property/casualty reinsurance business, thus increasing the segment's overall operating expenses. The financial guaranty segment in 2020 includes AORE's financial guaranty operations which were fully commuted in 2020 and the Company has no plans to re-enter that market. As the Company does not manage its assets by segment, investment income, interest expense and total assets are not allocated to individual reportable segments.

7. SEGMENT INFORMATION (cont'd)

The following tables provide a summary of the segment results.

(dollars in thousands)	Three months ended September 30, 2021 Property/Casualty	Financial Guaranty	Corporate	Total
Net premiums earned	$ 5,397	$ -	$ -	$ 5,397
Net change in fair value of credit derivatives	-	-	-	-
Losses and loss adjustment expenses	(3,841)	-	-	(3,841)
Acquisition expenses	(1,931)	-	-	(1,931)
Underwriting gain	(375)	-	-	(375)
Fee income	2,644	-	-	2,644
Net investment income	-	-	46	46
Other income	-	-	29	29
Net realized gain on sales of investments	-	-	14	14
Fair value adjustment	-	-	-	-
Operating expenses	(3,307)	-	(356)	(3,663)
Interest expense	-	-	(451)	(451)
Other expense	-	-	-	-
Income tax	-	-	-	-
Net income (loss) before non controlling interest	$ (1,038)	$ -	$ (718)	$ (1,756)

(dollars in thousands)	Three months ended September 30, 2020 Property/Casualty	Financial Guaranty	Corporate	Total
Net premiums earned	$ 4,337	$ -	$ -	$ 4,337
Net change in fair value of credit derivatives	-	-	-	-
Losses and loss adjustment expenses	(2,388)	-	-	(2,388)
Acquisition expenses	(1,536)	-	-	(1,536)
Underwriting gain	413	-	-	413
Fee income	2,645	-	-	2,645
Net investment income	-	-	60	60
Other income	-	-	-	-
Net realized gain on sales of investments	-	-	8	8
Fair value adjustment	-	-	(23)	(23)
Operating expenses	(2,200)	-	(403)	(2,603)
Interest expense	-	-	(451)	(451)
Other expense	-	-	(48)	(48)
Income tax	539	-	-	539
Net income (loss) before non controlling interest	$ 1,397	$ -	$ (857)	$ 540

7. SEGMENT INFORMATION (cont'd)

	Nine months ended September 30, 2021			
(dollars in thousands)	Property/Casualty	Financial Guaranty	Corporate	Total
Net premiums earned	$ 15,935	$ -	$ -	$ 15,935
Net change in fair value of credit derivatives	-	-	-	-
Losses and loss adjustment expenses	(10,232)	-	-	(10,232)
Acquisition expenses	(5,506)	-	-	(5,506)
Underwriting gain	197	-	-	197
Fee income	8,667	-	-	8,667
Net investment income	-	-	208	208
Other income	-	-	105	105
Net realized gain on sales of investments	-	-	50	50
Fair value adjustment	-	-	-	-
Operating expenses	(10,052)	-	(986)	(11,038)
Interest expense	-	-	(1,352)	(1,352)
Other expense	-	-	-	-
Income tax	(26)	-	-	(26)
Net income (loss) before non controlling interest	$ (1,214)	$ -	$ (1,975)	$ (3,189)

	Nine months ended September 30, 2020			
(dollars in thousands)	Property/Casualty	Financial Guaranty	Corporate	Total
Net premiums earned	$ 12,288	$ (3,513)	$ -	$ 8,775
Net change in fair value of credit derivatives	-	2	-	2
Losses and loss adjustment expenses	(6,622)	(1,577)	-	(8,199)
Acquisition expenses	(3,906)	131	-	(3,775)
Underwriting gain	1,760	(4,957)	-	(3,197)
Fee income	7,896	-	-	7,896
Net investment income	-	-	652	652
Other income	-	-	-	-
Net realized gain on sales of investments	-	-	1,508	1,508
Fair value adjustment	-	-	2,054	2,054
Operating expenses	(7,383)	(509)	(1,402)	(9,294)
Interest expense	-	-	(1,352)	(1,352)
Other expense	-	-	(331)	(331)
Income tax	322	-	-	322
Net income (loss) before non controlling interest	$ 2,595	$ (5,466)	$ 1,129	$ (1,742)

8. COMMITMENTS AND CONTINGENCIES

The insurance and reinsurance subsidiaries of the Company are involved in various claims and legal actions arising in the ordinary course of business. Some claims allege breach of good faith and fair dealing; however, those entities are vigorously defending their position, and in the opinion of management, the ultimate outcome of these matters will not have a material adverse effect on the Company's financial position, results of operations or cashflows.

9. LEASES

The Company has 3 operating leases comprised of two vehicles, and office space. The vehicles have remaining lease terms of 2.50 and 3.00 with fixed lease payments. The office space has a remaining lease term of 6 years and 11 months, includes a lease schedule reflecting increases each year and includes renewal options up to 10 years.

The components of lease expense were as follows:

		September 30, 2021
Operating lease cost	$	260,063
Total lease cost	$	260,063

Supplemental cash flow information related to leases was as follows:

Cash paid for amounts included in the measurement of lease liabilties		
Operating cash flows from operating leases	$	224,781

Supplemental balance sheet information related to leases was as follows:

Operating leases		
Operating lease right-of-use assets	$	1,670,017
Current operating lease liabilties	$	1,911,487

Other information:

Weight average remaining lease term - operating	6.68
Weight average discount rate - operating	6.16%

9. LEASES (cont'd)

Future minimum lease payments as of September 30, 2021 are as follows:

2021	$	88,834
2022		352,348
2023		356,615
2024		340,613
2025		321,410
Thereafter		877,477
Total	$	2,337,297
Less: Interest		(425,810)
Lease Liability	$	1,911,487

As of September 30, 2021, the Company has no additional operating leases that have not yet commenced.

10. REDEEMABLE SERIES A PREFERENCE SHARES

On December 14, 2006, AOG issued 75,000 Series A Preference Shares at $1,000 per share for total consideration of $75.0 million. The Series A Preference Shares have a par value of $0.10 per share and a redemption value of $1,000 per share. Until December 15, 2016, the Series A Preference Shares bear a non-cumulative, non mandatory dividend rate of 7.50%, which is payable semi-annually on June 15 and December 15 each year upon declaration by the Board of Directors. After December 15, 2016, if the Series A Preference Shares have not been redeemed or repurchased, they bear a non-cumulative, non-mandatory dividend rate of Three-Month LIBOR (as defined in the Series A Certificate of Designations) plus 3.557%, which is payable quarterly on the 15th day of March, June, September and December of each year, beginning on March 15, 2017, upon declaration by the Board of Directors. Unless previously redeemed, the Series A Preference Shares have a mandatory redemption date of December 15, 2066. AOG can redeem the Series A Preference Shares at any time from December 15, 2016 with no penalty to AOG.

On May 12, 2009, the Board determined to suspend payment of dividends on the Series A Preference Shares; therefore, during the nine months ended September 30, 2021 and year ended December 31, 2020, there were no dividends declared or paid. The payment of preference share dividends is classified as interest expense.

After a series of tender offers and private repurchases, 38,600 Series A Non –Cumulative Preference Shares remained outstanding as of December 31, 2019. In a series of several transactions which occurred during 2020, the remaining 38,600 Series A Preference Shares were repurchased by the Company. There were no outstanding Series A Preferance Shares as of December 31, 2020.

11. NONCONTROLLING INTEREST

On December 23, 2003, AORE entered into a $50.0 million soft capital facility whereby it was granted the right to exercise perpetual put options in respect of its Class B Preference Shares against the counterparty to the option agreement, in return for which it paid the counterparty a floating put option fee through February 17, 2009. The counterparty was a trust established by an investment bank. The trust was created as a vehicle for providing capital support to AORE by allowing it to obtain, at its discretion and subject to the terms of the option agreement, access to new capital through the exercise of a put option and the subsequent purchase by the trust of AORE's Class B Preference Shares. On February 17, 2009, AORE exercised the put option in the soft capital facility and issued 500.01 Class B Preference Shares to the trust in exchange for $50,001,000 of proceeds. On March 16, 2009, AORE elected to pay a

11. NONCONTROLLING INTEREST (cont'd)

fixed rate dividend on the Class B Preference Shares, as a result of which the Class B Preference Shares were distributed to the holders of the trust's securities. As a result of the fixed rate election, if declared by the board, dividends are payable on the Class B Preference Shares every 90 days at a rate of 6.276%. The Class B Preference Shares give investors the rights of a preferred equity investor in AORE. Such rights are subordinate to insurance claims, as well as the general unsecured creditors of AORE. The Class B Preference Shares are not rated by S&P since AORE requested the withdrawal of its ratings during 2009 and have not been rated by Moody's. AORE has the option to redeem the Class B Preference Shares, subject to certain specified terms and conditions.

Following the settlement of previous repurchases, 373.01 shares of Class B Preference Shares remained outstanding at September 30, 2021 and December 31, 2020. The remaining value of the Class B Preference Shares of $6.1 million is included as a "Noncontrolling Interest" in the Company's Consolidated Balance Sheets as of September 30, 2021 and December 31, 2020.

On July 21, 2014 AORE established an irrevocable trust (the "Class B Security Trust") for the benefit of the holders of its Class B Preference Shares. The Company deposited assets valued at $2.050 million in the Class B Security Trust. Butterfield Trust Company has been appointed as its trustee. The Company has been authorized to redeem Class B Shares at any time for the amount that is not in excess of the Holder's pro-rata share of the assets in the Class B Security Trust. The market value of the Class B Security Trust is $3.6 million and $3.1 million as of September 30, 2021 and December 31, 2020.

If declared by the board, dividends are payable on the Class B Preference Shares every 90 days at a rate of 6.276%. The dividend payment would also be subject to the Companies Act of Barbados which restricts dividend payments except from realizable profits (retained earnings). Dividends on the Class B Preference Shares are currently non-cumulative. The terms of AORE's Class B Preference Shares restrict AORE's ability to pay dividends on its common shares unless all accrued and unpaid dividends on the Class B Preference Shares for the then current dividend period have been declared and paid or a sum sufficient for payment thereof set apart, except that AORE may to declare dividends on its common shares in such amounts as are necessary for AOG (i) to service indebtedness for borrowed money as such payments become due (or to satisfy any of its guaranty obligations made in respect of AORE or AOG) or (ii) to pay its operating expenses.

If AORE fails to pay dividends in full on the Class B Preference Shares for eighteen consecutive months then the number of members on the Board of Directors of AORE is automatically increased by two with the holders of the Class B Preference Shares having the ability to elect the two additional directors. In 2017, as a dividend had not been paid for 18 months, pursuant to the Articles of Continuance of the Company, the number of directors on the Board automatically increased by two and the holders of the Class B shares were entitled to elect directors to serve. The Company thus called a Special Meeting of the Class B shareholders for July 14, 2017. As a quorum of holders of Class B Preference Shares was not present for the meeting, no meeting was held.

There were dividends of $585,254 and nil paid to the Class B preference shareholders in 2021 and 2020, respectively.

12. EARNINGS (LOSS) PER SHARE

Basic earnings per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share shows the dilutive effect of all stock options and restricted share units outstanding during the period that could potentially result in the issuance of common shares. The calculation of diluted loss per share excludes the dilutive effect of stock options and restricted share awards outstanding because it would otherwise have an anti-dilutive effect on net loss per share. The weighted average number of common and common share equivalents outstanding is calculated using the treasury stock method for all potentially dilutive securities.

As of September 30, 2021 and September 30, 2020, there were 1,410 and 1,471 respectively, of stock options excluded from the diluted earnings per share calculation because they were anti-dilutive.

The following table sets forth the computation of basic and diluted earnings per share for the nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net (loss) income available to common shareholders	$ (1,756,071)	$ 539,880	$ (3,774,400)	$ (1,742,272)
Basic weighted-average shares	46,979	46,386	46,979	46,326
Effect of stock options	-	-	-	-
Effect of restricted share units	-	234	-	544
Diluted weighted-average shares	46,979	46,620	46,979	46,870
Basic loss earnings per share	$ (37.38)	$ 11.64	$ (80.34)	$ (37.61)
Diluted loss earnings per share	$ (37.38)	$ 11.58	$ (80.34)	$ (37.17)

13. RISKS AND UNCERTAINTIES

The Company has not renewed its reinsurance treaties with any of the financial guaranty primaries or otherwise written any new financial guaranty business in 2021 or 2020. The Company has commuted all remaining outstanding par as of April 1, 2020, and no longer has any exposure to financial guaranty cessions.

The Company continues to evaluate its financial condition and capital adequacy and may pursue a different set of strategies in the future. There can be no assurance that the strategies that have been implemented or that will be pursued in the future in connection with this evaluation will improve the Company's business, financial condition, liquidity or results of operations or will not have a material adverse effect on the Company. Management believes that the Company has sufficient capital resources and liquidity to meet its obligations for at least the next twelve months and therefore that the Company remains a "going concern."

AOG is a holding company and therefore its liquidity, both on a short-term basis (for the next twelve months) and a long-term basis (beyond the twelve months), is largely dependent upon (1) the ability of its subsidiaries to pay dividends or make other payments to AOG and (2) its ability to access debt and equity markets, which is unlikely in the near term given current market conditions and AOG's current share valuation. AOG's principal uses of liquidity are for payment of operating expenses and capital investments in its subsidiaries. As of September 30, 2021, AOG has $0.2 million of cash and investments and believes that it will have sufficient liquidity to meet its requirements over at least the next twelve months. The Company's ability to declare and pay dividends to AOG may be influenced by a variety of factors such as adverse loss development, amount and timing of claims payments, adverse market changes, insurance regulatory changes, changes in general economic conditions beyond the next twelve months and Barbados law. The Company believes that AOG's expected liquidity needs can be funded from its operating and investing cash flows for the next twelve months.

13. RISKS AND UNCERTAINTIES (cont'd)

AOG's property/casualty segment generates substantial cash flows from its fee-based model. The principal uses of liquidity for those entities are the payment of operating expenses and capital investment in property/casualty subsidiaries. The property/casualty subsidiaries are highly leveraged through their reinsurance arrangements, and disputes with reinsurers could severely impact the liquidity of these subsidiaries. The property/casualty subsidiaries attempt to mitigate this exposure by holding collateral from their reinsurers. The subsidiaries held $203.8 million of collateral compared to $207.5 million of balances at December 31, 2020 and such amounts are included in reinsurance balances received net on the consolidated balance sheet.

At September 30, 2021, the Company had $137.6 million of cash and investments of which $115.8 million was held in trust for the benefit of our ceding companies and others, leaving $21.8 million cash and investments available to support ongoing business. See Note 3 – Pledged Assets, for further information regarding these trust accounts.

14. GOODWILL AND INTANGIBLE ASSETS

The Company performs its impairment analysis of goodwill and indefinite-lived intangible assets annually as of December 31. As of September 30, 2021, there have been no changes to the information disclosed in the 2020 annual report.

15. NOTES PAYABLE

Prior to the amalgamation a subsidiary of OGL had outstanding debt (the "OACC Notes") which was renegotiated in connection therewith. The subsidiary issued a Senior Secured Note in the amount of $20 million, which was to mature on October 28, 2039 (the "2014 OACC Notes"). Interest on the 2014 OACC Notes was payable in quarterly installments at a fixed rate of 12.0% per annum

In 2015, a partial repayment of $1.6 million of principal was made on the 2014 OACC Notes and a series of new Series A Secured Senior Notes (the "2015 OACC Notes") were issued to replace and superseded the note that had been previously issued. The notes will mature on January 1, 2040 and pay interest in quarterly installments at a fixed rate of 12.0% per annum. Principal repayments of nil were made in 2020 and 2019, respectively, on the 2015 OACC Notes. As of September 30, 2021, $0.5 million in interest was accrued and unpaid on the $16.5 million remaining balance of the 2015 OACC Notes.

In connection with the acquisition of OGL, AOG issued $43.9 million of Senior Notes (the "AOG Notes") to the former shareholders of OGL that mature on October 28, 2039. Interest on the AOG notes is payable in quarterly installments at a fixed rate of 9.0% per annum. Principal repayments of nil were made in 2021 and 2020, respectively, on the AOG Notes. As of June 30, 2021, these notes were transferred to OACC for a dividend-in-kind.

Directors and family members of AOG and its subsidiaries held notes payable in the aggregate principal amount of approximately $8.6 million at September 30, 2021 and December 31, 2020.

On January 27, 2020, AOG entered into a $4.0 million promissory note with AORE that has a 6% interest rate. On October 19, 2020, AOG entered into a $4.0 million promissory note with AORE that has a 6% interest rate. On December 17, 2020 a $0.5M principal payment was made on the January 27, 2020 promissiory note. On June 15, 2021 a $0.9 million principal payment was made on the January 27, 2020 promissiory note. On September 24, 2021 a $0.6 million principal payment was made on the January 27, 2020 promissiory note. As of September 30, 2021 and December 31, 2020, the balance is $6.0 million and $7.5 million, respectively and nil in accrued interest.

16. TAXATION

The Company has received an undertaking from the Bermuda government exempting it from all local income, withholding and capital gains taxes until March 31, 2035. At the present time, no such taxes are levied in Bermuda.

In September 2014, AOG and OGL each became tax resident in the U.K., although they will both remain Bermuda-based companies. (See Note 18 – Subsequent Events for liquidation of OGL) As companies that are not incorporated in the U.K., each intends to manage their affairs in such a way as to establish and maintain status as tax resident in the U.K. As U.K. tax resident companies, both AOG and OGL are required to file corporation tax returns with Her Majesty's Revenue & Customs ("HMRC"). Each is subject to U.K. corporation tax in respect of its worldwide profits (both income and capital gains), subject to any applicable exemptions. The main rate of corporation tax is 20% currently; such rate fell from 21% as of April 1, 2015. The Company does not expect that AOG's or OGL's becoming U.K. tax resident will result in any material change in the group's overall tax charge. The Company expects that the dividends received by AOG or OGL from their direct subsidiaries will be exempt from U.K. corporation tax due to the exemption in section 931D of the U.K. Corporation Tax Act 2009. In addition, any dividends paid by AOG to its shareholders should not be subject to any withholding tax in the U.K. The U.K. government implemented a new tax regime for "controlled foreign companies" ("CFC regime") effective January 1, 2013. The Company does not expect any profits of non-U.K. resident members of the group to be taxed under the CFC regime.

AORE was registered as an Exempt Insurance Company and is licensed under the Exempt Insurance Act of Barbados, 1983 CAP 308. Effective January 1, 2019, this was repealed and the Insurance Act Cap. 310 was amended to provide for three (3) classes of licenses.

Insurance entities are assigned one of the classes below depending on whether they underwrite third or related party risks and the percentage of related party risk they can underwrite.

- Class 1 category will include insurance companies which restrict the business they can underwrite to related party business. These insurance entities will be taxed at zero percent.
- Class 2 category will include insurance entities which can underwrite risks of third parties. These companies will be taxed at a rate of 2%.
- Class 3 will include insurance intermediaries, insurance management companies and insurance holding companies. These companies will be taxed at a rate of 2%.

As allowed by the regulation, AORE has chosen to be grandfathered under the existing regime, which expired on June 30, 2021. Because the Company only underwrites related party business, they are categorized as Class 1.

Some of our subsidiaries are subject to U.S. taxation and file a consolidated U.S. federal income tax return. We believe that our other non-US companies are not engaged in a trade or business in the U.S. and, accordingly, we do not expect those companies to be subject to U.S. taxation.

The provision for income taxes consisted of the following:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Current tax expense	$ -	$ -	$ 26,459	$ -
Deferred tax expense	-	(538,726)	-	(322,119)
Net income tax expense	$ -	$ (538,726)	$ 26,459	$ (322,119)

16. TAXATION (cont'd)

The expected tax provisions in taxable jurisdictions is calculated as the sum of pretax income in those jurisdictions multiplied by the statutory tax rate of the jurisdiction by which it will be taxed. Pretax income of the Company's subsidiaries which are not U.S. domiciled but are subject to U.S. tax by election are included at the U.S. statutory tax rate of 21% for September 30, 2021 and December 31, 2020.

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Net (loss) income before income tax	$ (1,756,071)	$ 1,154	$ (3,162,688)	(2,064,392)
Adjustment for non-taxable entities	1,275,007	1,017,940	$ 3,780,872	4,461,860
Taxable income before income tax expense	$ (481,064)	$ 1,019,094	$ 618,184	$ 2,397,468
Expected tax benefit at statutory rates in taxable jurisdictions	(101,024)	214,010	129,819	503,468
Increases (reductions) in taxes resulting from:				
Exclusion of profit from VIE not included in consolidated				
Valuation allowance	(52,922)	(660,650)	(287,108)	(660,650)
Other	153,946	(92,086)	183,749	(164,938)
Income tax expense	$ -	$ (538,726)	$ 26,460	$ (322,120)
Effective tax rate	0%	-53%	4%	-13%

Tax effects of temporary differences that give rise to significant portions of the Company's deferred tax assets and deferred tax liabilities at September 30, 2021 and December 31, 2020 were as follows:

	September 30, 2021	December 31, 2020
Deferred tax assets:		
Net operating loss carryforward	$ 5,430,963	$ 5,126,672
Unearned premium reserves	54,957	35,765
Discounted unpaid losses and loss adjustment expenses	19,949	10,551
Goodwill and other intangible assets	-	-
Total deferred tax assets	5,505,869	5,172,988
Deferred tax liabilities:		
Deferred acquisition costs	166,877	77,038
Intangible Assets with permanent differences	4,082,225	3,554,075
	4,249,102	3,631,113
Deferred tax assets, net, before valuation allowance	1,254,767	1,541,875
Valuation allowance	(1,254,767)	(1,541,875)
Deferred tax liabilities, net	$ -	$ -

16. TAXATION (cont'd)

The Company had net operating loss carry forwards the expiration of which as follows:

	September 30, 2021	December 31, 2020
2032	4,098,493	4,098,493
2033	9,215,338	9,215,338
2034	8,016,412	8,016,412
2035	-	-
2036	643,666	643,666
2037	962,836	962,836
2038	-	-
2039	775,003	775,003
2040 est	2,149,979	700,977
	$ 25,861,727	$ 24,412,725

As of September 30, 2021 and December 31, 2020, the Company has no tax positions for which management believes a provision for uncertainty is necessary. The Company's U.S. federal income tax returns for all tax years are subject to examination by the Internal Revenue Service.

17. STATUTORY REQUIREMENTS

Each of the Company's insurance companies' ability to pay dividends depends, among other things, upon their financial condition, results of operations, cash requirements, compliance with rating agency requirements, and is also subject to restrictions contained in the insurance laws and related regulations of their state of domicile and other states. Financial statements prepared in accordance with accounting practices prescribed or permitted by local insurance regulatory authorities differ in certain respects from GAAP.

The Company's U.S. domiciled insurance companies are subject to risk-based capital standards and other minimum and capital and surplus requirements. The Company's U.S. domiciled insurance companies prepare statutory financial statements in accordance with accounting practices prescribed or permitted by the National Association of Insurance Commissioners ("NAIC") and their respective insurance departments. Prescribed statutory accounting practices are set forth in the NAIC Accounting Practices and Procedures Manual. The Company has no permitted accounting practices on a statutory basis. OA Indemnity is subject to NAIC risk based capital standards and other minimum capital and surplus requirements, including the laws of Kentucky. Kentucky laws provide that without prior approval of its domiciliary commissioner, dividends to shareholders may not be paid except out of the part of surplus funds which is derived from realized net profits. Surplus funds for the purposes of this calculation are defined as the excess of assets over liabilities, including capital stock as a liability. There are no other restrictions placed on the portion of OA Indemnity's profits that may be paid as ordinary dividends to its shareholder. As of September 30, 2021, OA Indemnity had statutory capital and surplus of $10.3 million, which was in excess of any risk-based capital levels that would require corrective actions. As a Texas county mutual, OACM is not subject to NAIC risk based capital provisions. The minimum required capital and surplus of OACM is $5 million as provided by Texas insurance law, which is the amount of capital and surplus of the entity as of September 30, 2021.

The Company's Barbados domiciled insurance companies are required to maintain a minimum level of solvency under the Barbados Exempt Insurance Act 1983 (the "Exempt Insurance Act"). For the purpose of compliance with the solvency criteria under the Exempt Insurance Act, assets and liabilities are calculated in accordance with US GAAP. The Barbados domiciled insurance companies also must comply with the provisions of the Barbados Companies Act

17. STATUTORY REQUIREMENTS (cont'd)

regulating the payment of dividends and making of distributions from contributed surplus. A company is prohibited from declaring or paying a dividend, if there are reasonable grounds for believing that: (a) the company is, or would after the payment be, unable to pay its liabilities as they become due or (b) the realizable value of the Company's assets would thereby be less than the aggregate of its liabilities and stated capital. The excess of AORE's assets over the aggregate of its liabilities at September 30, 2021 was $3.5 million. The minimum required solvency margin for AORE was $2.0 million at September 30, 2021. The excess of the ORE's assets over the aggregate of its liabilities was $1.7 million. The minimum required solvency margin for those entities was $125 thousand.

AOG must comply with the provisions of the Bermuda Companies Act regulating the payment of dividends and making of distributions from contributed surplus. A company is prohibited from declaring or paying a dividend, or making a distribution out of contributed surplus, if there are reasonable grounds for believing that: (a) the company is, or would after the payment, be unable to pay its liabilities as they become due or (b) the realizable value of the company's assets would thereby be less than its liabilities. The Board of Directors of AOG will evaluate any dividends in accordance with this test (and any other restrictions as discussed in Note 11 – Non-controlling interest) at the time such dividends are declared.

18. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 30, 2021, which is the date the financial statements were issued.