American Overseas Group Limited

Consolidated Financial Statements
For the Nine Months Ended
September 30, 2022
(Unaudited)

AMERICAN OVERSEAS GROUP LIMITED
CONSOLIDATED BALANCE SHEETS
September 30, 2022 and December 31, 2021

	2022	2021
Assets		
Fixed-maturity securities held as available for sale, at fair value	$ 104,670,406	$ 102,677,918
Equity investments available for sale, at fair value	2,470,018	3,781,181
Cash and cash equivalents	22,652,550	31,907,879
Restricted cash	2,666,332	4,439,990
Accrued investment income	586,755	552,746
Premiums receivable	90,015,867	76,626,195
Deferred reinsurace premiums	126,175,898	108,904,149
Reinsurance balances receivable, net	219,843,194	223,982,379
Deferred policy acquisition costs	4,263,627	4,587,856
Intangible assets	4,800,000	4,800,000
Goodwill	33,050,000	33,050,000
Other assets	5,222,864	3,165,944
Total assets	$ 616,417,511	$ 598,476,237
Liabilities and Shareholders' Equity		
Liabilities:		
Losses and loss expense reserve	$ 218,103,252	$ 215,641,682
Deferred commission income	2,916,721	3,209,780
Unearned premiums	131,237,851	113,422,556
Ceded premium payable	89,204,432	82,058,553
Payable to general agents	7,094,843	7,121,308
Funds withheld	100,893,897	104,256,786
Accounts payable and accrued liabilities	13,020,016	12,421,943
Notes payable	16,520,907	16,520,907
Non-owned interest in VIE	300,000	300,000
Interest payable	450,770	450,770
Deferred tax liability	-	-
Total liabilities	579,742,689	555,404,285
Shareholders' equity:		
Common shares	4,697,900	4,697,900
Additional paid-in capital	189,178,987	189,178,987
Accumulated other comprehensive (loss) income	(4,641,956)	1,124,075
Retained deficit	(158,013,032)	(157,982,386)
Total shareholders' equity	31,221,899	37,018,576
Non-controlling interest in preferred shares in subsidiaries	5,452,923	6,053,376
Total equity	36,674,822	43,071,952
Total liabilities and equity	$ 616,417,511	$ 598,476,237

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,	
	2022	**2021**	**2022**	**2021**
Net premiums earned	$ 4,843,693	$ 5,397,282	$ 15,024,716	$ 15,934,538
Fee income	2,682,645	2,644,453	8,686,501	8,666,854
Net investment income	109,428	45,760	141,233	207,723
Net realized gains	69	13,759	236,915	50,061
Other income	20,502	28,369	916,033	104,993
Total revenues	7,656,337	8,129,623	25,005,398	24,964,169
Net losses and loss adjustment expenses	3,410,285	3,840,730	10,314,571	10,231,500
Acquisition costs	1,418,078	1,931,457	4,769,535	5,506,200
General and administrative expenses	2,820,653	3,662,737	8,599,627	11,036,846
Interest expense	450,770	450,770	1,352,311	1,352,311
Other expense	-	-	-	-
Total expenses	8,099,786	9,885,694	25,036,044	28,126,857
Loss before income tax expense	(443,449)	(1,756,071)	(30,646)	(3,162,688)
Income tax (expense)	-	-	-	(26,459)
Loss before non-controlling interest	$ (443,449)	$ (1,756,071)	$ (30,646)	$ (3,189,147)
Net loss attributable to non controlling interest				
Non-controlling interest - dividends on Class B preference shares of subsidiary	-	-	-	(585,253)
Net loss attributable to common shareholders	$ (443,449)	$ (1,756,071)	$ (30,646)	$ (3,774,400)
Net loss per common share:				
Basic	$ (9.44)	$ (37.38)	$ (0.65)	$ (80.34)
Diluted	$ (9.44)	$ (37.38)	$ (0.65)	$ (80.34)
Weighted-average number of common shares outstanding:				
Basic	46,979	46,979	46,979	46,979
Diluted	46,979	46,979	46,979	46,979

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,	
	2022	**2021**	**2022**	**2021**
Net (loss) before non-controlling interest	$ (443,449)	$ (1,756,071)	$ (30,646)	$ (3,189,147)
Other comprehensive income (loss)				
Change in unrealized fair value of investments	686,502	(304,042)	(5,529,116)	(530,490)
Reclassification adjustment for net realized investment gains included in income	(69)	(13,759)	(236,915)	(50,061)
Other comprehensive income (loss)	686,433	(317,801)	(5,766,031)	(580,551)
Comprehensive income (loss)	$ 242,984	$ (2,073,872)	$ (5,796,677)	$ (3,769,698)

See Accompanying Notes to the Consolidated Financial Statements.

AMERICAN OVERSEAS GROUP LIMITED
CONSOLIDATED STATEMENTS OF EQUITY AND RETAINED DEFICIT
September 30, 2022 and September 30, 2021

	Share capital	Noncontrolling Interest	Additional paid-in-capital	Accumulated other comprehensive income (loss)	Retained deficit	Total stockholders' equity
Balance, December 31, 2020	4,697,900	6,053,376	189,151,024	1,962,316	(152,481,904)	49,382,712
						-
Net loss	-	-	-	-	(4,915,229)	(4,915,229)
Share based compensation	-	-	27,963	-	-	27,963
Net change in unrealized gains						-
and losses on investments	-	-	-	(838,241)	-	(838,241)
Dividends paid on preferred shares	-	-	-	-	(585,253)	(585,253)
Balance, December 31, 2021	4,697,900	6,053,376	189,178,987	1,124,075	(157,982,386)	43,071,952
Net income	-	-	-	-	(30,646)	(30,646)
Share based compensation	-	-	-	-	-	-
Net change in unrealized gains						
and losses on investments	-	-	-	(5,766,031)	-	(5,766,031)
Repurchase class B preferance shares		(600,453)				(600,453)
Dividends paid on preferred shares	-	-	-	-	-	-
Balance, September 30, 2022	$ 4,697,900	$ 5,452,923	$ 189,178,987	$ (4,641,956)	$ (158,013,032)	$ 36,674,822

See Accompanying Notes to the Consolidated Financial Statements

AMERICAN OVERSEAS GROUP LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
September 30, 2022 and December 31, 2021

	September 30, 2022	September 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) for the year	$ (30,646)	$ (3,189,147)
Adjustments to reconcile net income to net cash used in operating activities:		
Net realized (gain) on sale of investments	(46,462)	(50,061)
Net unrealized (gain) on equity investment	-	(37,625)
Net realized (gain) on sale of preferred shares	(190,453)	
Interest expense	1,352,311	1,352,311
Share based compensation	-	27,963
Amortization of bond discount	132,678	113,514
Changes in operating assets and liabilities:		
Accrued investment income	(34,009)	(88,434)
Premiums receivable	(13,389,671)	(6,941,923)
Deferred reinsurance premiums	(17,271,749)	(6,741,336)
Reinsurance balance receivable, net	4,139,185	(17,031,624)
Deferred acquisition costs, net	31,169	(494,545)
Other assets	(2,056,920)	59,018
Unpaid losses and loss adjustment expenses	2,461,570	11,397,951
Unearned premiums	17,815,295	7,747,498
Ceded premium payable	7,145,879	10,843,437
Payable to general agents	(26,464)	3,244,223
Funds withheld	(108,385)	35,352,645
Accounts payable and accrued liabilities	598,072	2,951,581
Deferred Expenses	-	
Net cash provided by operating activities	**521,400**	**38,515,446**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of available for sale securities	(49,767,555)	(46,049,459)
Proceeds from sales of fixed income investments	13,504,061	5,922,482
Proceeds from sales of equities	346,930	1,093,276
Proceeds from maturities of fixed income investments	26,128,488	19,164,851
Net cash (used in) investing activities	**(9,788,076)**	**(19,868,850)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Interest paid	(1,352,311)	(1,352,311)
Payment on preferred shares	(410,000)	(585,253)
Net cash (used in) financing activities	**(1,762,311)**	**(1,937,564)**

AMERICAN OVERSEAS GROUP LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
September 30, 2022 and September 30, 2021

	September 30, 2022	September 30, 2021
Net (decrease) increase in cash, cash equivalents and restricted cash	(11,028,987)	16,709,032
Cash and cash equivalents - Beginning of year	36,347,869	24,802,520
Cash and cash equivalents - End of quarter	$ 25,318,882	$ 41,511,552
Net taxes paid	$ -	$ -
Reconciation of cash and restricted cash and equivalents to Balance Sheet		
Cash and cash equivalents, end of quarter	$ 22,652,550	$ 37,543,969
Restricted cash and cash equivalents, end of quarter	2,666,332	3,967,583
Total cash and cash equivalents and restricted cash and equivalents, end of quarter	$ 25,318,882	$ 41,511,552

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.

On July 8th and 9th 2021, respectively, the Company liquidated and dissolved 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. A portion of the unrealized appreciation or depreciation related to a reinsurer is included in funds held instead of accumulated other comprehensive income as the investments are pledged and all related investment movements, income, expenses, etc inure back to the reinsurer not the Company. 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) Revenue recognition

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)

(f) 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.

(g) Losses and loss adjustment expenses

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.

(h) 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)

(i) 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.

(j) 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.

(k) 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.

(l) 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)

(m) 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.

(n) Recent Accounting pronouncements

Accounting pronouncements adopted during the year:

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. The Company implemented this ASU in the current year. None of the key changes impacted the Company therefore there was no impact to the balance sheet or income statement.

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.

3. PLEDGED ASSETS

As of September 30, 2022 and December 31, 2021, there were investments of $2.2 million and $2.0 million, respectively, on deposit with state insurance department regulators related to a U.S. subsidiary.

As of September 30, 2022, and December 31, 2021, AORE had restricted cash of $84 dollars and $214 dollars, respectively, and investments at fair value of $2.5 million and $3.8 million, respectively, in trust accounts. These accounts include funds held in trust for the benefit of the holders of its Class B Preferance Shares.

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. As of September 30, 2022 and December 31, 2021, the market value of the Class B Security Trust was $2.5 million and $3.8 million, respectively.

Orpheus Re Ltd. ("ORE") held a Section 114 Trust in favor of OACM to support obligations from the reinsurance business assumed. As at September 30, 2022 and December 31, 2021 the assets value was $4.8 million and $3.8 million, respectively.

ORE held a Section 114 Trust in favor of OAIC to support obligations from the reinsurance business assumed. As at September 30, 2022 and December 31, 2021 the assets value was $2.4 million and $2.1 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, 2022 and December 31, 2021, were as follows:

		Included in Accumulated Other Comprehensive Income ("AOCI")			
			Gross Unrealized Losses [3]		
	Amortized Cost	Gross Unrealized Gains	Related to Changes in Estimated Fair Value	OTTI Included in Other Comprehensive Income [1]	Estimated Fair Value
2022					
US Treasuries and government agencies [2]	$ 36,205,353	$ -	$ (897,450)	$ -	$ 35,307,903
Corporate debt securities	35,146,341	4,212	(1,692,066)	-	33,458,487
Municipal securities	32,689,073	1,856	(5,156,736)	-	27,534,193
Asset-backed securities	8,525,102	-	(155,279)	-	8,369,823
Total available for sale fixed-maturity investments	$ 112,565,869	$ 6,068	$ (7,901,531)	$ -	$ 104,670,406
Equity securities available for sale	2,471,015	-	(997)	-	2,470,018
Total investment portfolio	$ 115,036,884	$ 6,068	$ (7,902,528)	$ -	$ 107,140,424

4. INVESTMENTS (Cont'd)

2021	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)	$ 41,204,274	$ 68,498	$ (158,274)	$ -	$ 41,114,498
Corporate debt securities	18,263,414	307,255	(17,727)	-	18,552,942
Municipal securities	37,070,629	160,515	(321,980)	-	36,909,164
Asset-backed securities	6,040,384	63,539	(2,609)	-	6,101,314
Total available for sale fixed-maturity investments	$ 102,578,701	$ 599,807	$ (500,590)	$ -	$ 102,677,918
Equity securities available for sale	2,756,323	1,024,858	-	-	3,781,181
Total investment portfolio	$ 105,335,024	$ 1,624,665	$ (500,590)	$ -	$ 106,459,099

(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.
(3) $3.2 million of the 2022 unrealized loss inures to a reinsurer and therefore is included in Funds Held, not AOCI. This is reflected in the OACM balance included in collateral (see FN 12).

The Company did not have an aggregate investment in a single entity in excess of 10% of total investments at September 30, 2022 and December 31, 2021. The Company had no material investments in securities guaranteed by third parties and had no direct investments in financial guarantors as of September 30, 2022 and December 31, 2021.

4. INVESTMENTS (Cont'd)

The amortized cost and estimated fair value of fixed-maturity securities classified as available-for–sale, as of September 30, 2022 and December 31, 2021, 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, 2022		December 31, 2021	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Less than one year	$ 30,897,009	$ 30,432,117	$ 28,583,081	$ 28,663,313
One through five years	43,036,462	40,660,128	41,136,010	41,296,992
Greater than five years	30,107,296	25,208,338	26,819,226	26,616,299
Mortgage-backed securities:				
RMBS	-	-	-	-
Asset-backed securities	8,525,102	8,369,823	6,040,384	6,101,314
Total	$ 112,565,869	$ 104,670,406	$ 102,578,701	$ 102,677,918

The investments that have unrealized loss positions as of September 30, 2022 and December 31, 2021, 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
2022:						
Fixed-maturity investments:						
US Treasuries and government agencies	$ 9,749,396	$ (136,584)	$ 24,613,474	$ (760,866)	$ 34,362,870	$ (897,450)
Corporate debt securities	32,779,329	(1,692,066)	-	-	32,779,329	(1,692,066)
Municipal securities	14,463,660	(2,201,820)	10,568,676	(2,954,916)	25,032,336	(5,156,736)
Asset-backed securities	8,369,823	(155,279)	-	-	8,369,823	(155,279)
Total temporarily impaired securities	$ 65,362,208	$ (4,185,749)	$ 35,182,150	$ (3,715,782)	$ 100,544,358	$ (7,901,531)

	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	$ 7,494,594	$ (36,399)	$ -	$ -	$ 7,494,594	$ (36,399)
Corporate debt securities	7,954,777	(20,336)	-	-	7,954,777	(20,336)
Municipal securities	40,296,853	(409,748)	1,258,242	(34,107)	41,555,095	(443,855)
Total temporarily impaired securities	$ 55,746,224	$ (466,483)	$ 1,258,242	$ (34,107)	$ 57,004,466	$ (500,590)

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, 2022 and December 31, 2021. Ratings are assigned by Standard & Poor's or AM Best in instances where Standard & Poor's do not issue a rating.

September 30, 2022	Amortized Cost	%
AAA	$ 12,296,656	10.9%
AA	59,010,277	52.5%
A	36,953,733	32.8%
BBB and below	4,305,203	3.8%
	$ 112,565,869	100%

December 31, 2021	Amortized Cost	%
AAA	$ 11,083,664	10.8%
AA	63,598,266	62.0%
A	24,454,196	23.8%
BBB and below	3,442,575	3.4%
	$ 102,578,701	100%

As of September 30, 2022, 210 out of 214 fixed maturity securities were in unrealized loss positions compared to 69 out of 173 as of December 31, 2021. As at September 30, 2022, the Company's unrealized loss position for fixed maturity securities was $7.9 million compared to $0.5 million at December 31, 2021. 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. Twenty five of the securities have been in an unrealized loss position for 12 months or more as of September 30, 2022 and there were two securities in an unrealized loss position for 12 months or more as of December 31, 2021.

During the years ended September 30, 2022 and December 31, 2021, 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 2022 and 2021 were $40.0 million and $28.2 million, respectively. Gross gains of $16,107 dollars and $0.1 million in 2022 and 2021, respectively, and gross losses of $31,268 dollars and $3,154 dollars in 2022 and 2021, respectively, were realized on those sales. Proceeds from the sale of equities were $0.3 million and $1.1 million in 2022 and 2021, respectively. Gross gains of $61,623 dollars and nil in 2022 and 2021, respectively, and gross losses of nil and $10,893 in 2022 and 2021, respectively, were realized on equity sales.

4. INVESTMENTS (Cont'd)

Major categories of net investment income are summarized as follows:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Invest from fixed-maturity securities (1)	$ 503,345	$ 364,653	$ 1,216,283	$ 1,051,282
Interest from cash equivalents	130	(122)	618	403
Dividend income	-	-	-	55,704
Amortization income	-	200	6	1,354
Investment expense (1)	(394,047)	(318,971)	(1,075,674)	(901,020)
Net Investment income	$ 109,428	$ 45,760	$ 141,233	$ 207,723

(1) Interest from fixed-maturity securities and Investment expense both include offsetting amounts of credit for funds held in the amount of $0.9 million and $0.7 million for the nine months ended 2022 and 2021, respectively.

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(h) - 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, 2022 and December 31, 2021. 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, 2022	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	$ 35,307,903	$ 14,178,336	$ 21,129,567	$ -
Corporate debt securities	33,458,487	-	33,458,487	-
Municipal securities	27,534,193	-	27,534,193	-
Asset-back securities	8,369,823	-	8,369,823	-
Investments available for sale fixed maturity investments	104,670,406	14,178,336	90,492,070	-
Cash and Cash Equivalents	22,652,550	22,652,550	-	-
Restricted Cash	2,666,332	2,666,332	-	-

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

	Fair Value Measurements at Reporting Date Using			
	Balance as of December 31, 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	$ 41,114,498	$ 19,427,443	$ 21,687,055	$ -
Corporate debt securities	18,552,942	-	18,552,942	-
Municipal securities	36,909,164	-	36,909,164	-
Asset-back securities	6,101,314	-	6,101,314	-
Investments available for sale fixed maturity investments	102,677,918	19,427,443	83,250,475	-
Cash and Cash Equivalents	31,907,879	31,907,879	-	-
Restricted Cash	4,439,990	4,439,990	-	-

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, 2022 and December 31, 2021, 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, 2022 and December 31, 2021. 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.

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.

Carrying value of all financial assets and liabilities is equivalent to fair value.

6. LOSSES AND LOSS EXPENSE RESERVE

The Company's loss and loss expense reserve as of September 30, 2022, represented case basis loss reserves and incurred but not reported 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 nine month's ended September 30, 2022 and for the year ended December 31, 2021 is presented in the following table:

	September 30, 2022	December 31, 2022
Losses and loss expense reserve		
Balance - Beginning of year	$ 215,641,682	$ 192,942,541
Less: reinsurance recoverable	(207,622,579)	(187,794,842)
Net balance - Beginning of year	8,019,103	5,147,699
Incurred related to:		
Current year	10,303,116	14,442,442
Prior years	84,632	(123,467)
Premium deficiency reserve	(73,177)	73,183
Total incurred	10,314,571	14,392,158
Net losses paid related to:		
Current year	(4,419,395)	(7,705,870)
Prior years	(5,393,335)	(3,814,884)
Total Paid	(9,812,730)	(11,520,754)
Net balance - End of year	8,520,944	8,019,103
Add: reinsurance recoverable	209,582,308	207,622,579
Ending Balance	$ 218,103,252	$ 215,641,682

For the nine month's ended September 30, 2022, the Company incurred loss and LAE of $10.3 million driven by $10.3 million of incurred loss on the current accident year.

For the year ended December 31, 2021, the Company incurred loss and LAE of $14.4 million driven by $14.4 million of incurred loss on the current accident year.

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

		2022
Net Outstanding Liabilities		
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	$	8,520,944
Total reinsurance recoverable on unpaid claims		209,582,308
Insurance lines other than short-duration		-
		218,103,252
Total gross liability for unpaid claims and claims adjustment expense	$	218,103,252

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 two operating segments: property/casualty insurance/reinsurance, and corporate/other. All product lines fall within these classifications. The property/casualty segment provides insurance and reinsurance related to US short-tail personal lines.

7. SEGMENT INFORMATION (cont'd)

The following tables provide a summary of the segment results.

	Three months ended September 30, 2022		
(dollars in thousands)	**Property/Casualty**	**Corporate**	**Total**
Net premiums earned	$ 4,844	$ -	$ 4,844
Losses and loss adjustment expenses	(3,410)	-	(3,410)
Acquisition expenses	(1,418)	-	(1,418)
Underwriting gain	16	-	16
Fee income	2,683	-	2,683
Net investment expense	-	109	109
Other income	-	22	22
Net realized gain on sales of investments	-	0	0
Operating expenses	(2,626)	(195)	(2,821)
Interest expense	-	(451)	(451)
Other expense	-	-	-
Income tax	-	-	-
Net income (loss) before non controlling interest	$ 73	$ (515)	$ (442)

	Three months ended September 30, 2021		
(dollars in thousands)	**Property/Casualty**	**Corporate**	**Total**
Net premiums earned	$ 5,397	$ -	$ 5,397
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 (loss) gain on sales of investments	-	14	14
Operating expenses	(3,307)	(356)	(3,663)
Interest expense	-	(451)	(451)
Other expense	-	-	-
Income tax	-	-	-
Net (loss) before non controlling interest	$ (1,038)	$ (718)	$ (1,756)

7. SEGMENT INFORMATION (cont'd)

	Nine months ended September 30, 2022		
(dollars in thousands)	**Property/Casualty**	**Corporate**	**Total**
Net premiums earned	$ 15,025	$ -	$ 15,025
Losses and loss adjustment expenses	(10,315)	-	(10,315)
Acquisition expenses	(4,770)	-	(4,770)
Underwriting gain	(60)	-	(60)
Fee income	8,687	-	8,687
Net investment expense	-	141	141
Other income	804	112	916
Net realized gain on sales of investments	-	237	237
Operating expenses	(7,857)	(743)	(8,600)
Interest expense	-	(1,352)	(1,352)
Other expense	-	-	-
Income tax	-	-	-
Net income (loss) before non controlling interest	$ 1,574	$ (1,605)	$ (31)

	Nine months ended September 30, 2021		
(dollars in thousands)	**Property/Casualty**	**Corporate**	**Total**
Net premiums earned	$ 15,935	$ -	$ 15,935
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 (loss) gain on sales of investments	-	50	50
Operating expenses	(10,052)	(986)	(11,038)
Interest expense	-	(1,352)	(1,352)
Other expense	-	-	-
Income tax	(26)	-	(26)
Net (loss) before non controlling interest	$ (1,214)	$ (1,975)	$ (3,189)

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 1.5, and 2.0 years with fixed lease payments. The office space has a remaining lease term of 5 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, 2022
Operating lease cost	$ 249,824
Total lease cost	$ 249,824

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	$ 264,143

Supplemental balance sheet information related to leases was as follows:

Operating leases	
Operating lease right-of-use assets	$ 1,441,644
Current operating lease liabilties	$ 1,662,180

Other information:

Weight average remaining lease term - operating	5.76
Weight average discount rate - operating	6.11%

9. LEASES (cont'd)

Future minimum lease payments as of September 30, 2022 are as follows:

2022	$	87,723
2023		352,315
2024		337,488
2025		321,410
2026		325,676
Thereafter		551,801
Total	$	1,976,413
Less: Interest		(314,233)
Lease Liability	$	1,662,180

As of September 30, 2022, the Company has no additional operating leases that have not yet commenced.

10. 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 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.

On June 24, 2022, AORE repurchased 37 of its Class B Preference Shares at a liquidation value of $3.7 million.

Following the settlement of previous repurchases, 336.01 and 373.01 shares of Class B Preference Shares remained outstanding at September 30, 2022 and December 31, 2021, respectively. The remaining value of the Class B Preference Shares of $5.5 million and $6.1 million is included as a "Noncontrolling Interest" in the Company's Consolidated Balance Sheets as of September 30, 2022 and December 31, 2021 respectively.

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

10. NONCONTROLLING INTEREST (cont'd)

Trust. The market value of the Class B Security Trust is $2.5 million and $3.8 million as of September 30, 2022 and December 31, 2021, respectively.

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 nil and $0.6 million paid to the Class B preference shareholders in 2022 and 2021, respectively.

11. 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, 2022 and December 31, 2021, there were 1,275 and 1,410, respectively, of stock options excluded from the diluted earnings per share calculation because they were anti-dilutive.

The table below sets forth the computation of basic and diluted earnings per share for the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss available to common shareholders	$ (443,449)	$ (1,756,071)	$ (30,646)	$ (3,774,400)
Basic weighted-average shares	46,979	46,979	46,979	46,979
Effect of stock options	-	-	-	-
Effect of restricted share units	-	-	-	-
Diluted weighted-average shares	46,979	46,979	46,979	46,979
Basic loss earnings per share	$ (9.44)	$ (37.38)	$ (0.65)	$ (80.34)
Diluted loss earnings per share	$ (9.44)	$ (37.38)	$ (0.65)	$ (80.34)

12. RISKS AND UNCERTAINTIES

The Company evaluates its financial condition and capital adequacy on an ongoing basis 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 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, debt service on the senior notes payable and capital investments in its subsidiaries. As of September 30, 2022, AOG has $0.1 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.

12. 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, debt service on subsidiary notes 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 $198.2 million of collateral compared to $203.6 million of balances at December 31, 2021 and such mounts are included in reinsurance balances received net on the consolidated balance sheet.

At September 30, 2022, the Company had $132.5 million of cash and investments of which $123.9 million was held in trust for the benefit of our ceding companies and others, leaving $8.6 million cash and investments available to support ongoing business. See Note 3 – Pledged Assets, for further information regarding these trust accounts.

13. 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, 2022, there have been no changes to the information disclosed in the 2021 annual report.

14. NOTES PAYABLE

In 2015, Series A Secured Senior Notes (the "2015 OACC Notes") were 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 2022 and 2021, respectively, on the 2015 OACC Notes. As of September 30, 2022, $0.3 million in interest was accrued and unpaid on the $10.5 million remaining balance of the 2015 OACC Notes.

In connection with a prior acquisition, AOG issued $43.9 million of Senior Notes (the "AOG Notes") to the former shareholders that mature on October 28, 2039. During 2021, the AOG notes were transferred to OACC (now the "2021 OACC Notes") as a dividend in kind. The terms on the 2021 OACC Notes remain the same. Interest on the 2021 OACC Notes is payable in quarterly installments at a fixed rate of 9.0% per annum. Principal repayments of nil were made in 2022 and 2021, respectively, on the 2021 OACC Notes. As of September 30, 2022, $0.1 million in interest was accrued and unpaid on the remaining balance of $6.0 million on the 2021 OACC Notes.

Directors and family members of AOG and its subsidiaries held notes payable in the aggregate principal amount of approximately $8.7 million and $8.6 million at September 30, 2022 and December 31, 2021, respectively.

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.

The January 27, 2020, promissory has been fully repaid. Principal payments on the promissory note are as follows:

Date	Payment
December 17, 2020	$ 500,000
June 15, 2021	900,000
September 24, 2021	600,000
October 28, 2021	400,000
March 28, 2022	650,000
June 22, 2022	450,000
Sept 28, 2022	500,000
	$ 4,000,000

14. NOTES PAYABLE (cont'd)

There have been no principal payments on the October 19, 2020 promissory note. As of September 30, 2022 and December 31, 2021, the balance on the promissory notes is $4.0 million and $5.6 million, respectively and nil in accrued interest.

15. 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 became tax resident in the U.K., although will remain a Bermuda-based company. As the company is not incorporated in the U.K., it intends to manage its affairs in such a way as to establish and maintain status as tax resident in the U.K. As an U.K. tax resident company, AOG is required to file a corporation tax return with His Majesty's Revenue & Customs ("HMRC"). AOG 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 becoming a 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 from its 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 had chosen to be grandfathered under the existing regime, which expired on June 30, 2021. Because the Company only underwrites related party business, they are now 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.

15. TAXATION (cont'd)

The provision for income taxes for the years ended September 30, consisted of the following:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Current tax expense	$ -	$ -	$ -	$ 26,459
Deferred tax expense	-	-	-	-
Net income tax expense	$ -	$ -	$ -	$ 26,459

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 2022 and 2021.

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Net (loss) income before income tax	$ (443,449)	$ (1,756,071)	$ (30,644)	$ (3,162,688)
Adjustment for non-taxable entities	983,171	1,275,007	$ 3,177,147	$ 3,780,872
Taxable income (loss) before income tax expense	$ 539,722	$ (481,046)	$ 3,146,503	$ 618,184
Expected tax benefit at statutory rates in taxable jurisdictions	113,342	(101,024)	660,766	129,819
Increases (reductions) in taxes resulting from:				
Exclusion of profit from VIE not included in consolidated				
Valuation allowance	(156,752)	(52,922)	(553,002)	(287,108)
Other	43,410	153,946	(107,764)	183,749
Income tax expense	$ -	$ -	$ -	$ 26,460
Effective tax rate	0%	0%	0%	2%

15. TAXATION (cont'd)

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, 2022 and December 31, 2021 were as follows:

	September 30, 2022	December 31, 2021
Deferred tax assets:		
Net operating loss carryforward	$ 5,385,021	$ 5,569,435
Unearned premium reserves	43,613	48,155
Discounted unpaid losses and loss adjustment expenses	19,435	19,322
Goodwill and other intangible assets	-	-
Total deferred tax assets	5,448,069	5,636,912
Deferred tax liabilities:		
Deferred acquisition costs	109,708	116,946
Intangible Assets with permanent differences	4,786,424	4,258,275
	4,896,132	4,375,221
Deferred tax assets, net, before valuation allowance	551,937	1,261,691
Valuation allowance	(551,937)	(1,261,691)
Deferred tax liabilities, net	$ -	$ -

As of September 30, 2022, the Company had net operating loss carry forwards of $25,642,956 the expiration of which is as follows:

2032	2,667,113
2033	9,215,338
2034	8,016,412
2035	-
2036	643,666
2037	962,836
2038	-
2039	775,003
2040	349,986
2041 est	3,012,602

15. TAXATION (cont'd)

As of September 30, 2022 and December 31, 2021, 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.

16. 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, 2022, OA Indemnity had statutory capital and surplus of $11.5 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, 2022.

As a Class 1 insurance Company under the Insurance Act as amended in 2018, 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 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.

On November 29, 2019, the Barbados government repealed the Business Companies (Economic Substance) Act, 2018-41, and replaced it with the Companies (Economic Substance) Act, 2019-43 ("the Barbados Act"). Under the Barbados Act, all resident companies/societies (other than those being grandfathered) must comply with the economic substance rules for fiscal periods commencing on or after January 1, 2020. The Barbados Act will require a resident entity which derives income from the carrying on of a relevant activity to satisfy the economic substance test in relation to that relevant activity, and will require the entity to file an economic substance declaration annually. If the Director of International Business determines that a resident entity has failed to meet the economic substance test for a fiscal period, the Director may impose a penalties. AORE and ORE must comply with the economic substance rules for fiscal periods commencing on or after January 1, 2021 as it had been grandfathered as an entity under the Exempt Insurance Act. AORE will file a declaration of compliance in accordance with the Barbados Economic Substance Laws for the period of January 1, 2022 through December 31, 2022 no later than December 31, 2023. ORE is not considered a resident company under the Barbados Act, as its taxing authority is the United States of America, and as such, the Company is not expected to be required to file an economic substance declaration.

16. STATUTORY REQUIREMENTS (cont'd)

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 10 – Non-controlling interest) at the time such dividends are declared.

17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 29, 2022, which is the date the financial statements were issued.