American Overseas Group Limited

Consolidated Financial Statements
For the Year Ended
December 31, 2019

AMERICAN
OVERSEAS

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of American Overseas Group Limited

We have audited the accompanying consolidated financial statements of American Overseas Group Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive income (loss), changes in equity and retained deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Overseas Group Limited and its subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Accounting principles generally accepted in the United States of America require that the disclosure of short-duration contracts included within Note 7 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do no provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte Ltd.

June 2, 2020

AMERICAN OVERSEAS GROUP LIMITED
CONSOLIDATED BALANCE SHEETS
December 31, 2019 and 2018

	2019	2018
Assets		
Fixed-maturity securities held as available for sale, at fair value	$ 129,747,902	$ 135,895,981
Equity investments available for sale, at fair value	1,180,849	5,730,403
Cash and cash equivalents	22,601,650	34,707,538
Restricted cash	10,557,497	6,554,204
Accrued investment income	675,050	661,884
Premiums receivable	81,000,015	78,609,917
Deferred reinsurace premiums	125,727,914	110,772,687
Reinsurance balances receivable, net	210,404,968	211,565,117
Salvage and subrogation recoverable	385,442	332,711
Deferred policy acquisition costs	515,075	161,390
Intangible assets	4,800,000	4,800,000
Goodwill	33,050,000	33,050,000
Other assets	3,184,255	1,711,680
Total assets	$ 623,830,617	$ 624,553,512
Liabilities and Shareholders' Equity		
Liabilities:		
Losses and loss expense reserve	$ 263,685,760	$ 266,727,620
Unearned premiums	128,792,721	110,811,939
Ceded premium payable	89,078,595	94,329,970
Payable to general agents	3,086,509	1,427,572
Funds withheld	52,794,397	54,439,838
Accounts payable and accrued liabilities	5,070,612	2,524,363
Redeemable Series A preference shares	7,291,881	7,037,861
Derivative liabilities	10,181	266,066
Fair value adjustment	2,901,044	13,740,697
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	322,119	35,175
Total liabilities	570,305,496	568,612,778
Shareholders' equity:		
Common shares	4,617,900	4,612,400
Additional paid-in capital	189,002,460	188,728,707
Accumulated other comprehensive income	1,323,333	236,858
Retained deficit	(147,471,948)	(143,690,607)
Total shareholders' equity	47,471,745	49,887,358
Non-controlling interest in preferred shares in subsidiaries	6,053,376	6,053,376
Total equity	53,525,121	55,940,734
Total liabilities and equity	$ 623,830,617	$ 624,553,512

See Accompanying Notes to the Consolidated Financial Statements.

AMERICAN OVERSEAS GROUP LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS

December 31, 2019 and 2018

	2019	2018
Net premiums earned	$ (5,422,601)	$ (214,706)
Fee income	11,591,031	11,470,288
Net investment income	2,447,131	2,809,282
Net realized gain	1,823,999	7,647
Fair value adjustment	10,585,632	332,422
Net change in fair value of credit derivatives	265,074	74,673
Other income	382,382	531,903
Total revenues	21,672,648	15,011,509
Net losses and loss adjustment expenses	7,473,530	2,593,377
Acquisition costs	1,627,174	(577,181)
General and administrative expenses	13,605,184	13,391,996
Interest expense	1,803,080	2,190,830
Total expenses	24,508,968	17,599,022
Loss before income tax expense	(2,836,320)	(2,587,513)
Income tax (expense)	(286,944)	(4,200)
Income (Loss) before non-controlling interest	$ (3,123,264)	$ (2,591,713)
Net loss attributable to non controlling interest		
Non-controlling interest - dividends on Class B preference shares of subsidiary	(585,253)	(585,253)
Net loss income attributable to common shareholders	$ (3,708,517)	$ (3,176,966)
Net loss per common share:		
Basic	$ (80.34)	$ (69.12)
Diluted	$ (80.13)	$ (69.12)
Weighted-average number of common shares outstanding:		
Basic	46,161	45,965
Diluted	46,281	45,965

See Accompanying Notes to the Consolidated Financial Statements.

AMERICAN OVERSEAS GROUP LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

December 31, 2019 and 2018

	2019	2018
Net loss before non-controlling interest	$ (3,123,264)	$ (2,591,713)
Other comprehensive income (loss)		
Change in unrealized fair value of investments	2,832,782	(944,990)
Reclassification adjustment for net realized investment (losses) included in income	(1,823,999)	(7,647)
Other comprehensive income (loss)	1,008,783	(952,637)
Comprehensive income (loss)	$ (2,114,481)	$ (3,544,350)

See Accompanying Notes to the Consolidated Financial Statements.

AMERICAN OVERSEAS GROUP LIMITED
CONSOLIDATED STATEMENTS OF EQUITY AND RETAINED DEFICIT
December 31, 2019 and 2018

	Share capital	Noncontrolling Interest	Additional paid-in-capital	Accumulated other comprehensive (loss) income	Retained deficit	Total stockholders' equity
Balance, December 31, 2017	4,555,800	6,053,376	188,331,207	1,189,495	(140,513,641)	59,616,237
Net loss	-	-	-	-	(2,591,713)	(2,591,713)
Share based compensation	56,600	-	397,500	-	-	454,100
Net change in unrealized gains				-	-	-
and losses on investments	-	-	-	(952,637)	-	(952,637)
Dividends paid on preferred shares					(585,253)	(585,253)
Balance, December 31, 2018	4,612,400	6,053,376	188,728,707	236,858	(143,690,607)	55,940,734
Net loss	-	-	-	-	(3,123,264)	(3,123,264)
Share based compensation	5,500	-	273,753	-	-	279,253
Net change in unrealized gains						
and losses on investments	-	-	-	1,008,783	-	1,008,783
Commulative equity adjustment for implementation						
of new lease accounting standard	-	-	-		4,868	4,868
Commulative equity adjustment for implementation						
of changes in accounting for equity investments	-	-	-	77,692	(77,692)	-
Dividends paid on preferred shares	-	-	-	-	(585,253)	(585,253)
Balance, December 31, 2019	$ 4,617,900	$ 6,053,376	$ 189,002,460	$ 1,323,333	$ (147,471,948)	$ 53,525,121

See Accompanying Notes to the Consolidated Financial Statements

AMERICAN OVERSEAS GROUP LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the year	$ (3,123,264)	$ (2,591,713)
Adjustments to reconcile net (loss) to net cash used in operating activities:		
Net realized gains on sale of investments	(1,823,999)	(7,647)
Net unrealized gain on equity investment	(159,929)	-
Net unrealized gains on credit derivatives	(265,074)	(74,673)
Deferred tax expense	286,944	4,200
Interest expense	1,803,080	2,190,830
Share based compensation	279,253	454,100
Amortization of fair value adjustment	(10,585,632)	(332,421)
Amortization of bond discount	315,906	198,322
Changes in operating assets and liabilities:		
Accrued investment income	(13,166)	(405,731)
Premiums receivable	(2,390,098)	2,654,150
Deferred reinsurance premiums	(125,727,914)	-
Reinsurance balance receivable, net	111,932,836	18,362,517
Salvage and subrogation	(52,731)	1,375,210
Deferred acquisition costs, net	(353,685)	(60,842)
Other assets	(1,467,706)	187,867
Changes in derivative liability	9,189	(1,104)
Unpaid losses and loss adjustment expenses	(3,041,860)	(38,044,983)
Unearned premiums	17,980,782	5,122,202
Ceded premium payable	(5,251,375)	(865,341)
Payable to general agents	1,658,937	(51,383)
Funds withheld	(1,645,441)	9,454,474
Accounts payable and accrued liabilities	2,546,249	(532,937)
Net cash used in operating activities	**(19,088,698)**	**(2,964,903)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of available for sale securities	(93,377,074)	(119,340,295)
Proceeds from sales of fixed income investments	84,963,723	40,542,893
Proceeds from sales of equities	5,589,298	-
Proceeds from maturities of fixed income investments	16,198,489	23,492,369
Net cash (used in) provided by investing activities	**13,374,436**	**(55,305,033)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term note payable	-	-
Interest paid	(1,803,080)	(2,190,830)
Payment on preferred shares	-	(4,400,000)
Dividends paid on preferred shares	(585,253)	(585,253)
Net cash used in financing activities	**(2,388,333)**	**(7,176,083)**

AMERICAN OVERSEAS GROUP LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
December 31, 2019 and 2018

	2019	2018
Net (decrease) in cash and cash equivalents	(8,102,595)	(65,446,019)
Cash and cash equivalents - Beginning of year	41,261,742	106,707,761
Cash and cash equivalents - End of year	$ 33,159,147	$ 41,261,742
Net taxes paid (refunded)	$ -	$ -
Reconciation of cash and restricted cash and equivalents to Balance Sheet		
Cash and cash equivalents, end of year	$ 22,601,650	$ 34,707,538
Restricted cash and cash equivalents, end of year	10,557,497	6,554,204
Total cash and cash equivalents and restricted cash and equivalents, end of year	$ 33,159,147	$ 41,261,742

See Accompanying Notes to the Consolidated Financial Statements.

1. 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 remains in run-off.

American Overseas Reinsurance Company Limited ("AORE"), a subsidiary of AOG, entered into a Commutation Agreement, effective April 1, 2020, to commute the remaining portfolio of financial guaranty reinsurance business it had assumed from Assured Guaranty Municipal Corp ("AGMC"), effective upon receipt of the commutation payment to AGMC will eliminate the financial guaranty reinsurance business on AORE (See Note 8 – Commutations and other settlements for details).

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. For further discussion of VIEs, see Note 18.

(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.

For its financial guaranty reinsurance business, the Company establishes loss reserves based on a review of reserving practices, reported reserves, surveillance reports and other data provided by its ceding companies. In addition, the Company augments the ceding company information with its own research, analysis and modeling.

The Company recognizes a claim liability on a financial guaranty insurance contract (excluding those written in derivative form) when the Company estimates that the present value of expected net cash outflows to be paid under the insurance contract will exceed the unearned premium revenue for that contract. The present value of expected net cash outflows is discounted using a current risk free rate based on the remaining period (contractual or expected as applicable) of the insurance contract. Expected net cash outflows are probability weighted cash flows that reflect the likelihood of possible outcomes, based on all information available to the Company.

The Company updates the discount rate each reporting period and revises expected net cash outflows when increases or decreases in the likelihood of a default and potential recoveries occurs. The discount of the loss and loss expense reserve is accreted through earnings and included in losses and loss adjustment expenses. Changes to the estimate of loss and loss adjustment expenses reserve after initial recognition are recognized in "loss and loss adjustment expenses" in the Consolidated Statements of Operations in the period of the change.

The Company reviews the portfolio on a continuous basis to identify problem credits. Quarterly, the Company reviews reserves. Management establishes reserves that it believes are adequate to cover the present value of the ultimate liability for claims. The reserves are based on estimates and are substantially dependent on the surveillance activities and reserving policies of the Company's ceding companies and may vary materially from actual results. Adjustments based on actual loss experience are recorded in the Consolidated Statements of Operations in the periods in which they become known.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Derivative instruments

AORE has entered into agreements to reinsure derivative instruments, consisting primarily of credit default swaps that it intends to reinsure for the full term of the contract. While management considers these agreements to be a normal extension of its financial guaranty reinsurance business and reinsurance in substance, certain of these contracts meet the definition of a derivative under Accounting Standards Codification ("ASC") 815 "Derivatives and hedging" ("ASC 815"). ASC 815 establishes accounting and reporting standards for derivative instruments, and requires the Company to recognize the derivative instruments on the Consolidated Balance Sheets at their fair value, under "Derivative assets or liabilities," as applicable, with changes in fair value recognized in earnings. Changes in fair value are recorded in "Net change in fair value of credit derivatives" on the Consolidated Statements of Operations. The "Realized gains (losses) and other settlements" component of this change in fair value includes (i) net premiums earned on credit derivative policies, including current premiums receivable on assumed credit derivative polices, net of ceding commissions, and (ii) loss payments to the reinsured including losses payable upon the occurrence of a credit event. The "Unrealized gains (losses)" component of the "Net change in fair value of credit derivatives" includes all other changes in fair value, including changes in instrument specific credit spreads and reduction in fair values due to commutation of credit derivative policies.

Management uses, as a key input to the estimation of the fair value of our derivatives, the mark–to-market valuation information provided to us by our ceding company ("the mark"). The Company participates in credit default swaps through a reinsurance treaty with a ceding company and therefore the contract to be valued is a reinsurance contract on a derivative. This contract is not identical to the underlying credit default swaps. In particular, although the Company's contract allows it to share in the economic results of the underlying contracts, it does not provide rights to the same information to which the ceding company hase access. Under ASC 820, "Fair value measurements and disclosures" ("ASC 820"), the fair value of the Company's contract represents the exit price that would be paid to a market participant to assume the reinsurance contract as written; that is, the amount the market participant would require to assume the Company's potential obligations under the contract with the same contractual rights and obligations, including those which limit the information about the ceding company's underlying contracts that are being reinsured. Given the contractual terms that exist, the Company believes that an exit market participant would look to the information that is available from the ceding company to determine the exit value of the Company's reinsurance contract. The primary insurers underwrite each of the transactions underlying the reinsurance contract and they have access to all the underlying data related to the transactions. The ceding company use their own internal valuation models where market prices are not available. The Company employs procedures to test the reasonableness of the mark both in process and absolute terms because we believe that an exit market participant would perform similar procedures when determining an exit price for our reinsurance contract. If it appears that the fair values generated by the ceding companies internal models and reported to the Company are consistent with macro spread movements and general market trends, and the Company believes that the modeling and assumptions that drive the modeling are reasonable (based on the Company's ceding company reviews and review of publicly available information), the Company will use the mark provided by the ceding company as a key input in the determination of the fair value of the reinsurance contract. There is no single accepted model for fair valuing credit default swaps and there is generally not an active market for the type of credit default swaps insured by ceding companies and reinsured by us. Therefore, due to the limited availability of quoted market prices for these derivative contracts and the inherent uncertainties in the assumptions used in models, different valuation models may produce materially different results and be materially different from actual experience. In addition, due to the complexity of fair value accounting in particular on accounting for derivatives, future amendments or interpretations of these standards may cause us to modify our accounting methodology in a manner which may have an adverse impact on our financial results.

The use of valuation information provided to us by our ceding companies remains appropriate for the reasons described above, as well as the fact that the credit default swaps we reinsure are the same as those valued by our primaries, and the Company views its hypothetical principal market to be the same as that of our primaries,

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Derivative instruments (cont'd)

being the financial guaranty insurance and reinsurance market. The Company's fair value on credit derivatives is adjusted for the Company's own non-performance risk in accordance with ASC 820. Therefore there are two components to the fair value process of the Company's derivatives. The first component is the fair value assessment performed by the primary on each derivative instrument ceded to the Company. The second component is the Company's own non-performance risk adjustment that is applied to the total fair valued derivatives obtained by the primary.

(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 6 – Fair Value of Financial Instruments.

(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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Leases (cont'd)

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.

(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) Recent accounting pronouncements

Statement of cash flows

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* (a consensus of the Emerging Issues Task Force), which addresses the presentation of changes in restricted cash and restricted cash equivalents in the statement of cash flows with the objective of reducing the existing diversity in practice. Under the ASU, entities are required to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one-line item on the balance sheet, the ASU requires a reconciliation be presented either on the face of the statement of cash flows or in the notes to the financial statements showing the totals in the statement of cash flows to the related captions in the balance sheet. The ASU is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Recent accounting pronouncements (cont'd)

Statement of cash flows (cont'd)

Early adoption is permitted, including adoption in an interim period. If the ASU is adopted in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company implemented the new presentation for fiscal year end December 31, 2018.

Leases

On January 1, 2019, the Company adopted the requirements of Accounting Standards Update ("ASU") 2016-02 *Leases* (Topic 842). The objective of this ASU, along with several related ASUs issued subsequently, is to increase transparency and comparability between organizations that enter into lease agreements. For lessees, the key difference of the new standard from the previous guidance (Topic 840) is the recognition of a right-of use (ROU) asset and lease liabilities for leases classified as operating leases. The standard requires disclosures to meet the objection of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

As part of the transition to the new standard, the Company was required to measure and recognize leases that existed at January 1, 2019 using a modified retrospective approach. For leases existing at the effective date, the Company elected the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost. Additionally, the Company elected, as a practical expedient, to use hindsight for purposes of determining lease term.

The addition of Topic 842 resulted in the recognition of an operating ROU asset and operating lease liability of $2,094,935 and $2,377,267, respectively as of January 1, 2019. A cumulative effect adjustment of $4,868 was recorded at the initial application date of January 1, 2019. There are no finance leases.

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 amendments in this ASU are intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions will use forward-looking information to better inform their credit loss estimates as a result of the ASU. While many of the loss estimation techniques applied today will still be permitted, the inputs to those techniques will change to reflect the full amount of expected credit losses. The ASU requires enhanced disclosures to help investors and other financial statement users to better understand significant estimates and judgments used in estimating credit losses, as well as credit quality and underwriting standards of an organization's portfolio.

In addition, the ASU amends the accounting for credit losses on available-for-sale securities and purchased financial assets with credit deterioration. The ASU also eliminates the concept of "other than temporary" from the impairment model for certain available-for-sale securities. Accordingly, the ASU states that an entity must use an allowance approach, must limit the allowance to an amount at which the security's fair value is less than its amortized cost basis, may not consider the length of time fair value has been less than amortized cost, and may not consider recoveries in fair value after the balance sheet date when assessing whether a credit loss exists. For purchased financial assets with credit deterioration, the ASU requires an entity's method for

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Recent accounting pronouncements (cont'd)

Credit losses on financial instruments (cont'd)

measuring credit losses to be consistent with its method for measuring expected losses for originated and purchased non-credit-deteriorated assets.

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 consolidated financial statements.

Changes to the disclosure requirements for fair value measurement

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. This ASU removed, modified and added additional disclosure requirements on fair value measurements in Topic 820. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Certain amendments will be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments will be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this ASU and delay adoption of the additional disclosures until their effective date. The Company is in the process of determining what impact this ASU will have on its consolidated financial statements.

Equity Investments

Effective January 1, 2019, the Company adopted ASU No. 2016-01, Recognition and Measurement of Financial Assets and Liabilities. ASU No. 2016-01 requires entities to measure equity investments (except those accounted for under the equity method, those that result in consolidation of the investee and certain other investments) at fair value and recognize any changes in fair value through net income. As a result of adopting the standard, unrealized investment losses on equity of $77,692 were reclassified from accumulated other comprehensive income to retained deficit

3. PLEDGED ASSETS

As of December 31, 2019 and 2018, there were investments of $2.0 million and $2.0 million, respectively, on deposit with state insurance department regulators related to a U.S. subsidiary.

As of December 31, 2019, and 2018, AORE had restricted cash of $7.0 million and $6.6 million, respectively, and investments at fair value of $45.7 million and $56.4 million, respectively, in trust and escrow accounts for the benefit of ceding companies. Pursuant to the terms of the reinsurance agreements with ceding companies regulated in the United States, the 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.

AOG established an irrevocable trust (the "Series A Security Trust") for the benefit of the holders of the Series A Preference Shares. Butterfield Trust Company has been appointed as its trustee. The Company has been authorized to redeem Series A Shares at any time for the amount that is not in excess of the Holder's pro-rata share of the assets in the Series A Security Trust. In 2019, the Series A Security Trust was sold (see Note 4 – Investments for details) and the proceeds of $2.9 million are held in restricted cash. As of December 31, 2018 the asset value of the Series A Security Trust was $2.4 million included within investments.

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. In 2019, the Class B Security Trust was sold (see Note 4 – Investments for details) and the proceeds of $2.8 million are held in restricted cash. As of December 31, 2018 the asset value of the Class B Security Trust was $2.3 million included within investments.

ORE held a Section 114 Trust in favor of OACM to support obligations from the reinsurance business assumed. As at December 31, 2019 and 2018 the assets value was $2.1 million and $2.7 million, respectively.

ORE held a Section 114 Trust in favor of OAIC to support obligations from the reinsurance business assumed. As at December 31, 2019 and 2018 the assets value was $0.8 million and $0.5 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 December 31, 2019 and 2018, were as follows:

		Included in Accumulated Other Comprehensive Income ("AOCI")			
			Gross Unrealized Losses		
	Amortized Cost	Gross Unrealized Gains	Related to Changes in Estimated Fair Value	OTTI Included in Other Comprehensive Income (1)	Estimated Fair Value
2019					
US Treasuries and government agencies (2)	$ 58,131,267	$ 524,995	$ (37,391)	$ -	$ 58,618,871
Corporate debt securities	28,494,683	484,905	(1,818)	-	28,977,770
Municipal securities	10,341,936	52,732	(9,463)	-	10,385,205
Mortgage-backed securities	10,095,501	140,558	(42,485)	-	10,193,574
Asset-backed securities	21,361,182	232,433	(21,133)	-	21,572,482
Total available for sale fixed-maturity investments	$ 128,424,569	$ 1,435,623	$ (112,290)	$ -	$ 129,747,902
Equity securities available for sale	1,098,612	82,237	-	-	1,180,849
Total investment portfolio	$ 129,523,181	$ 1,517,860	$ (112,290)	$ -	$ 130,928,751

4. INVESTMENTS (Cont'd)

2018	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)]	$ 62,667,350	$ 101,672	$ (96,584)	$ -	$ 62,672,438
Corporate debt securities	24,809,755	28,831	(67,899)	-	24,770,687
Mortgage-backed securities	13,515,910	62,146	(302,831)	-	13,275,225
Asset-backed securities	35,306,818	12,913	(142,100)	-	35,177,631
Total available for sale fixed-maturity investments	$ 136,299,833	$ 205,562	$ (609,414)	$ -	$ 135,895,981
Equity securities available for sale	5,089,693	719,379	(78,669)	-	5,730,403
Total investment portfolio	$ 141,389,526	$ 924,941	$ (688,083)	$ -	$ 141,626,384

(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 December 31, 2019 and 2018. The Company had no material investments in securities guaranteed by third parties and had no direct investments in financial guarantors as at December 31, 2019 and 2018.

4. INVESTMENTS (Cont'd)

The amortized cost and estimated fair value of fixed-maturity securities classified as available-for–sale, as of December 31, 2019 and 2018, 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.

	December 31, 2019		December 31, 2018	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Less than one year	$ 17,422,717	$ 17,515,319	$ 34,131,815	$ 34,083,512
One through five years	63,721,497	64,547,768	40,052,941	40,080,441
Greater than five years	15,823,672	15,918,759	13,292,348	13,279,171
Mortgage-backed securities:				
RMBS	10,095,501	10,193,574	13,515,911	13,275,226
Asset-backed securities	21,361,182	21,572,482	35,306,818	35,177,631
Total	$ 128,424,569	$ 129,747,902	$ 136,299,833	$ 135,895,981

The investments that have unrealized loss positions as of December 31, 2019 and 2018, 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
2019:						
Fixed-maturity investments:						
US Treasuries and government agencies	$ 7,627,438	$ (37,391)	$ -	$ -	$ 7,627,438	$ (37,391)
Corporate debt securities	994,741	(1,818)	-	-	994,741	(1,818)
Municipal securities	1,400,458	(9,463)	-	-	1,400,458	(9,463)
Mortgage-backed securities	-	-	5,824,682	(42,485)	5,824,682	(42,485)
Asset-backed securities	496,013	(3,922)	6,135,587	(17,211)	6,631,600	(21,133)
Total temporarily impaired securities	$ 10,518,650	$ (52,594)	$ 11,960,269	$ (59,696)	$ 22,478,919	$ (112,290)

4. INVESTMENTS (Cont'd)

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
2018:						
Fixed-maturity investments:						
US Treasuries and government agencies	$ 29,419,558	$ (75,066)	$ 12,526,692	$ (21,519)	$ 41,946,250	$ (96,585)
Corporate debt securities	16,129,073	(42,837)	1,531,922	(25,062)	17,660,995	(67,899)
Mortgage-backed securities	3,524,551	(7,400)	7,958,216	(295,430)	11,482,767	(302,830)
Asset-backed securities	28,535,509	(122,403)	987,525	(19,697)	29,523,034	(142,100)
Total temporarily impaired securities	$ 77,608,691	$ (247,706)	$ 23,004,355	$ (361,708)	$ 100,613,046	$ (609,414)

The following table sets forth the investment ratings of the Company's available-for-sale corporate fixed income securities as at December 31, 2019 and 2018. Ratings are assigned by Standard & Poor's or AM Best in instances where Standard & Poor's do not issue a rating.

2019	Amortized Cost	%
AAA	$ 29,351,756	22.8%
AA	70,737,613	55.1%
A	27,585,392	21.5%
BBB and below	749,808	0.6%
	$ 128,424,569	100%

2018	Amortized Cost	%
AAA	$ 45,938,887	33.7%
AA	71,995,217	52.8%
A	17,814,904	13.1%
BBB and below	550,825	0.4%
	$ 136,299,833	100%

As of December 31, 2019, 28 out of 200 fixed maturity securities were in unrealized loss positions compared to 107 out of 169 as of December 31, 2018. As at December 31, 2019, the Company's unrealized loss position for fixed maturity securities was $0.1 million compared to $0.7 million at December 31, 2018. 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. Ten of the securities have been in an unrealized loss position of $0.1 million for 12 months or more as of December 31, 2019 and there were thirty-three securities in an unrealized loss position $0.4 million for 12 months or more as of December 31, 2018.

4. INVESTMENTS (Cont'd)

During the years ended December 31, 2019 and 2018, 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 2019 and 2018 were $101.2 million and $64.0 million, respectively. Gross gains of $274,715 and $10,416 in 2019 and 2018, respectively, and gross losses of $24,541 and $2,769 in 2019 and 2018, respectively, were realized on those sales. Proceeds from the sale of equities were $5.6 million and nil in 2019 and 2018, respectively. Gross gains from those 2019 sales were $1.6 million.

Major categories of net investment income are summarized as follows for the years ended December 31, 2019 and 2018:

	2019	2018
Interest from fixed-maturity securities	$ 3,621,910	$ 3,402,189
Interest from cash equivalents	100,723	272,540
Dividend Income	99,884	97,592
Amortization	13,168	49,521
Investment expense	(1,335,290)	(242,728)
Interest on funds held	(53,264)	(769,832)
Net Investment income	$ 2,447,131	$ 2,809,282

5. FINANCIAL GUARANTY CONTRACTS ACCOUNTED FOR AS REINSURANCE

The underwriting of insured risks and the reporting of underwriting results to AORE are the responsibility of the primary insurers under the treaties. AORE does not "re-underwrite" the transactions ceded under the treaties. AORE's business model has always been that of a reinsurer in which it leverages and relies on the operations and reporting of the primary insurers. As a result of this model, AORE is highly dependent on the operating and reporting of the ceding companies. As the result of commutations in previous years, AORE is only assuming from ceding companies owned by a common group. AORE assesses the reasonableness of the ceding companies' reporting by i) discussing with primary insurers their earnings methodology, ii) reviewing the primaries' publicly available information regarding their accounting policies and methodologies, iii) comparing the primary reported information to the results of AORE's own basic model and iv) performing analytical reviews on AORE's underwriting results.

The following tables present a roll forward of AORE's premiums receivable on installment policies for the years ended December 31, 2019 and 2018:

	Years ended December 31,	
(dollars in thousands)	**2019**	**2018**
Premiums receivable beginning balance	$ 4,636	$ 5,353
Change in premiums receivable discount	(2,144)	61
Foreign exchange movement	13	(205)
Premiums received	(346)	(573)
Premiums receivable ending balance	$ 2,159	$ 4,636

As of December 31, 2019 and 2018, AORE had $2.2 million and $4.6 million, respectively, of premiums receivable, which represents the present value of future expected premiums on contracts where installments are collected over the term of the policy. This amount is included within "Premiums receivable" on the Consolidated Balance Sheets, net of the related ceding commissions payable as of December 31, 2019 and 2018 of $1.0 million and $2.0 million, respectively. As of December 31, 2019 and 2018, $0.2 million and $0.2 million, respectively, of paid losses (recoverable)/due to ceding companies was netted off "Premiums receivable" on the Consolidated Balance Sheets where the right of offset with a ceding company exists.

The estimated premiums written for the years ended December 31, 2019 and 2018, were ($14.2) million and ($2.6) million, respectively; see Note 8 – Commutations and Other Settlements for details of commutations in the period included within these numbers. Included in premiums written in 2019 and 2018 was estimated accretion of the premiums receivable of $2.1 million and $0.1 million, respectively. Accretion of the ceding commissions payable of $0.9 million and $4.0 thousand, respectively, was included in acquisition expenses for such years.

6. 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 December 31, 2019 and 2018. 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 December 31, 2019	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	$ 58,618,871	$ 41,954,431	$ 16,664,440	$ -
Corporate debt securities	28,977,770	-	28,977,770	-
Municipal securities	10,385,205	-	10,385,205	-
Mortgage-backed securities	10,193,574	-	10,193,574	-
Asset-back securities	21,572,482	-	21,572,482	-
Investments available for sale fixed maturity investments	129,747,902	41,954,431	87,793,471	-
Equity investments available for sale	-	-	-	-
Cash and Cash Equivalents	22,601,650	22,601,650	-	-
Restricted Cash	10,557,497	10,557,497	-	-
Financial Liabilities:				
Derivative Liabilities	$ 10,181	$ -	$ -	$ 10,181

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

		Fair Value Measurements at Reporting Date Using		
	Balance as of December 31, 2018	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	$ 62,672,438	$ 46,180,197	$ 16,492,241	$ -
Corporate debt securities	24,770,687	-	24,770,686	-
Mortgage-backed securities	13,275,225	-	13,275,226	-
Asset-back securities	35,177,631	-	35,177,631	-
Investments available for sale fixed maturity investments	135,895,981	46,180,197	89,715,784	-
Equity investments available for sale	-	-	-	-
Cash and Cash Equivalents	34,707,538	34,707,538	-	-
Restricted Cash	6,554,204	6,554,204	-	-
Financial Liabilities:				
Derivative Liabilities	$ 266,066	$ -	$ -	$ 266,066

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 December 31, 2019 and 2018, all the Company's securities were valued using the independent pricing services.

There were no transfers into or out of Level 1 or 2 during the years ended December 31, 2019 and 2018.

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 December 31, 2019 and 2018. The Company holds an investment in a capital trust, classified as a corporate debt

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

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.

Equity investments

In 2018, 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. AOG and AORE equity fund investments were sold in 2019.

ORE equity fund investment remains and is $1.2 million and $1.0 million as of December 31, 2019 and 2018, respectively

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.

As of December 31, 2019 and 2018, the fair value of the Company's $38.6 million, respectively redeemable Series A Preference Shares was approximately $7.3 million and $7.0 million, respectively. These fair value estimates are based on the present value of expected cashflows, together with the Company's best estimate of fair value of this instrument. The fair value measurement was classified as Level 3 in the fair value hierarchy.

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

7. LOSSES AND LOSS EXPENSE RESERVE

The Company's loss and loss expense reserve as of December 31, 2019, 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 years ended December 31, 2019 and 2018 is presented in the following table:

	2019	2018
Losses and loss expense reserve		
Balance - Beginning of year	$ 266,727,620	$ 304,772,603
Less: reinsurance recoverable	(192,901,183)	(216,872,054)
Net balance - Beginning of year	73,826,437	87,900,549
Reserves transferred in through loss portfolio transfer	-	-
Incurred related to:		
Current year	4,070,143	1,966,036
Prior years	3,388,029	627,341
Premium deficiency reserve	15,358	-
Total incurred	7,473,530	2,593,377
Net losses paid related to:		
Current year	(2,035,099)	(1,070,889)
Prior years	(10,209,652)	(15,596,600)
Total Paid	(12,244,751)	(16,667,489)
Net balance - End of year	69,055,216	73,826,437
Add: reinsurance recoverable	194,630,544	192,901,183
Balance - End of year	$ 263,685,760	$ 266,727,620

For the year ended December 31, 2019, the Company incurred loss and LAE of $7.5 million. Incurred losses related to the Company's short-tailed property casualty business were $3.7 million, driven by $4.1 million of incurred loss on the current accident year. The financial guaranty reinsurance business generated net incurred losses of $3.8 million in 2019 including fair value adjustments.

For the year ended December 31, 2018, the Company incurred loss and LAE of $2.6 million. Incurred losses related to the Company's short-tailed property casualty business were $1.1 million, driven by $2.0 million of incurred loss on the current accident year. The financial guaranty reinsurance business generated net incurred losses of $1.5 million in 2018 including fair value adjustments, primarily related to its reinsurance of obligations of Commonwealth of Puerto Rico.

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

Financial guaranty

To determine the adequacy of its aggregate reserves, the Company considers the loss reserves established by its ceding companies for the exposures it has reinsured as well as the methodologies used by the ceding companies to calculate such ceded loss reserves. For the property and casualty reinsurance, which is from affiliates, the Company books the same reserves as the ceding company. To further evaluate the ceded reserve amounts established by the ceding companies, the Company uses its own expected loss forecasting methodologies. Ultimately, the Company decides on an individual credit-by-credit basis whether to establish the ceding company's reserve as its own or to use its own forecast methodology to determine the reserve for such credit. As of December 31, 2019 and 2018, the Company's recorded loss and LAE reserves for financial guaranty contracts are $17.5 million (2018: $19.9 million) higher than the reserves reported by the primaries.

The Company uses one of two approaches to perform its own forecast of expected losses. The first approach is a statistical expected loss approach, which considers the likelihood of alternative outcomes. The statistical expected loss is a function of: (i) the net par outstanding on the credit; (ii) internally developed historical default assumptions (taking into consideration internal ratings and remaining term to maturity of an obligation); (iii) internally developed loss severities; and (iv) a discount factor. This approach is referred to by the Company as the probabilistic expected loss ("PEL") modeling approach. The loss severities and default assumptions are based on rating agency information, are specific to each bond type and are established and approved by management. For certain credit exposures, the Company's surveillance activities may provide information relevant to adjust the estimate of the statistical expected losses. As such, the default probability or loss severity for such exposures under certain probabilistic scenarios may be adjusted based on the judgment of senior management.

The second approach entails the use of more precise estimates of expected net cash outflows (future claim payments, net of potential recoveries, expected to be paid to the holder of the insured financial obligation). The Company's risk management staff considers the likelihood of alternative possible outcomes and develops alternative loss scenarios, in conjunction with a review of historical performance data of the collateral pools. In this approach, a probability-weighted expected loss estimate is developed based on assigning probabilities to multiple net claim payment scenarios and applying an appropriate discount factor. For RMBS, the Company takes into account the first loss protective features inherent in the structure of the insured exposure, collateral losses to date, current delinquency rates and loan product characteristics such as loan-to-value ratio and credit score. The first loss protection in most of the Company's RMBS transactions is provided by excess spread, overcollateralization, subordination, and in some cases mortgage pool insurance.

A loss reserve is recorded for the excess, if any, of estimated expected losses (net cash outflows) over unearned premium reserve ("UPR"). For certain policies, estimated potential recoveries exceed estimated future claim payments because all or a portion of such recoveries relate to claims previously paid. The expected net cash inflows for these policies are recorded as a recoverable asset.

The discount factor applied is based on a risk-free discount rate corresponding to the remaining expected weighted-average life of the exposure or based on multiple risk-free discount rates related to the timing of individual claims payments. The discount factors are updated for the current risk-free rates each reporting period. As of December 31, 2019, the Company used risk free rates ranging from 1.48% to 2.39% to discount reserves for loss and loss adjustment expenses. As of December 31, 2018, the Company used risk free rates ranging from 2.44% to 3.02% to discount reserves for loss and loss adjustment expenses.

The Company establishes reserves that it believes are adequate to cover the present value of ultimate liability for losses and loss adjustment expenses, net of UPR. These reserves are based on estimates and may vary materially from actual results.

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

Property and casualty

The following presents information about incurred and paid claims development for the short term duration contracts as of December 31, 2019, net of reinsurance. The information about incurred and paid claims development for the 2013 to 2019 years, and the average annual percentage payout of incurred claims by age as of December 31, 2019, is presented as required supplementary information. The below tables begin at June 26, 2013. This was the date AOG became part of OGL, whose U.S. subsidiaries write short duration property and casualty business. Claims count information is not reflected in the below tables. Due to the role of the U.S subsidiaries in the non standard auto and the reinsurance business this information is not available.

Incurred loss and allocated loss adjustment expenses, net of reinsurance
For the Years Ended December 31,

(dollars in thousand) Accident Year	(unaudited) 2013	(unaudited) 2014	(unaudited) 2015	2016	2017	2018	2019	Total of incurred-but-not-reported liabilities plus expected development on reported claims
2013	$ 34,799	$ 38,858	$ 38,245	$ 38,013	$ 38,057	$ 37,913	$ 37,879	$ 21
2014	-	34,792	35,215	34,577	34,694	34,530	34,492	20
2015	-	-	5,182	5,076	5,332	5,173	5,206	14
2016	-	-	-	3,072	3,388	3,223	3,137	45
2017	-	-	-	-	3,126	2,852	2,699	99
2018	-	-	-	-	-	1,966	1,858	104
2019	-	-	-	-	-	-	4,070	1,155
					$ 84,596	$ 85,657	$ 89,341	

Cumulative paid claims and allocated loss adjustment expenses, net of reinsurance
For the Years Ended December 31,

(dollars in thousand) Accident Year	(unaudited) 2013	(unaudited) 2014	(unaudited) 2015	2016	2017	2018	2019
2013	$ 15,872	$ 30,676	$ 35,199	$ 37,208	$ 37,919	$ 38,137	$ 38,196
2014	-	21,080	28,728	32,052	33,420	33,927	34,007
2015	-	-	3,392	4,708	5,332	5,384	5,467
2016	-	-	-	1,980	2,794	2,952	2,978
2017	-	-	-	-	1,810	2,571	2,694
2018	-	-	-	-	-	1,071	1,409
2019	-	-	-	-	-	-	2,034
					$ 81,275	$ 84,042	$ 86,785
All outstanding liabilities before 2013, net of reinsurance						21	21
Liabilities for claims and claims adjustment expense, net of reinsurance						$ 1,636	$ 2,576

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	Year 1	Year 2	Year 3	Year 4	Year 5
	58%	27%	9%	3%	2%

7. 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)		2019
Net Outstanding Liabilities		
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	$	2,576
Premium Deficiency Reserve		275
Total reinsurance recoverable on unpaid claims		194,245
Insurance lines other than short-duration		66,589
Unallocated claims adjustment expenses		-
Other		-
		263,685
Total gross liability for unpaid claims and claims adjustment expense	$	263,685

8. COMMUTATIONS AND OTHER SETTLEMENTS

Effective June 1, 2019, the Company entered into a Commutation, Reassumption and Release Agreement with Assured Guaranty Municipal Corp. ("AGM"). This agreement provided, among other things, for the Company to pay a $12,823,945 net commutation payment to terminate the reinsurance with respect to a certain policy previously assumed, with par in-force of $1.0 billion (the "Released Risks"). In return, each party was released from all liabilities and obligations with respect to the Released Risks. The effect of this agreement on the Company's results of operations was an overall loss to net income at the time of termination of $2.8 million.

Effective January 1, 2018, the Company entered into a Commutation, Reassumption and Release Agreement with Assured Guaranty Municipal Corp. ("AGM"). This agreement provided, among other things, for the Company to pay a $6,000,000 net commutation payment to terminate the reinsurance with respect to a certain policy previously assumed, with par in-force of $43.5 million (the "Released Risks"). In return, each party was released from all liabilities and obligations with respect to the Released Risks. The effect of this agreement on the Company's results of operations was an overall loss to net income at the time of termination of $1.6 million.

The Company entered into a Commutation, Reassumption and Release Agreement, effective July 1, 2018, with Assured Guaranty (Europe) PLC. ("AGE"). This agreement provided, among other things, for the Company to pay a $3,575,881 net commutation payment to terminate the reinsurance with respect to a certain policy previously assumed, with par in-force of $121.4 million (the "Released Risks"). In return, each party was released from all liabilities and obligations with respect to the Released Risks. The effect of this agreement on the Company's results of operations was an overall loss to net income at the time of termination of $2.4 million.

Effective July 1, 2018, the Company entered into a Commutation, Reassumption and Release Agreement with AGM. This agreement provided, among other things, for the Company to pay a $364,834 net commutation payment to terminate the reinsurance with respect to a certain policy previously assumed, with par in-force of $87.9 million (the "Released Risks"). In return, each party was released from all liabilities and obligations with respect to the Released Risks. The effect of this agreement on the Company's results of operations was an overall loss to net income at the time of termination of $0.2 million.

8. COMMUTATIONS AND OTHER SETTLEMENTS (cont'd)

AORE entered into a Commutation Agreement, effective April 1, 2020, to commute the remaining portfolio of financial guaranty reinsurance business it had assumed from Assured Guaranty Municipal Corp ("AGMC"), effective upon receipt of the commutation payment to AGMC – see Note 25 Subsequent Events. The aggregate outstanding par value of the reinsurance portfolio being commuted was $345.0 million as of April 1, 2020, therefore eliminating the financial guaranty reinsurance business on AORE. As of December 31, 2019 and 2018, the aggregate outstanding par value of the reinsurance portfolio was $362.0 million and $1,474.0 million, respectively.

9. 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 includes AORE's financial guaranty operations which are in run-off and which the Company has no plans to re-enter. During the year ended December 31, 2019, our major customers were the following primary monoline financial guaranty insurers all owned by a common group: Assured Guaranty Corp., or "Assured Guaranty", Assured Guaranty Municipal Corp. (formerly Financial Security Assurance Inc.), or "AGM", and together with AGM, "FSA". As the Company does not manage its assets by segment, investment income, interest expense and total assets are not allocated to individual reportable segments.

9. SEGMENT INFORMATION (cont'd)

The following tables provide a summary of the segment results.

	December 31, 2019			
(dollars in thousands)	**Property/Casualty**	**Financial Guaranty**	**Corporate**	**Total**
Net premiums earned	$ 8,824	$ (14,247)	$ -	$ (5,423)
Net change in fair value of credit derivatives	-	265	-	265
Losses and loss adjustment expenses	(3,701)	(3,773)		(7,474)
Acquisition expenses	(4,752)	3,125	-	(1,627)
Underwriting gain (loss)	371	(14,630)	-	(14,259)
Fee income	11,591	-	-	11,591
Net investment income	-	-	2,447	2,447
Other income	-	-	383	383
Net realized gain on sales of investments	-	-	1,824	1,824
Fair value adjustment	-	-	10,586	10,586
Operating expenses	(10,741)	(2,753)	(111)	(13,605)
Interest expense	-	-	(1,803)	(1,803)
Amortization expense	-	-	-	-
Other expense	-	-	-	-
Income tax	(287)	-	-	(287)
Net income (loss) before non controlling interest	$ 934	$ (17,383)	$ 13,326	$ (3,123)

	December 31, 2018			
(dollars in thousands)	**Property/Casualty**	**Financial Guaranty**	**Corporate**	**Total**
Net premiums earned	$ 2,361	$ (2,576)	$ -	$ (215)
Net change in fair value of credit derivatives	-	75	-	75
Losses and loss adjustment expenses	(1,060)	(1,533)		(2,593)
Acquisition expenses	(556)	1,133	-	577
Underwriting gain (loss)	745	(2,901)	-	(2,156)
Fee income	11,470	-	-	11,470
Net investment income	-	-	2,809	2,809
Other income	-	-	532	532
Net realized gain on sales of investments	-	-	8	8
Fair value adjustment	-	-	332	332
Operating expenses	(9,278)	(3,975)	(139)	(13,392)
Interest expense	-	-	(2,191)	(2,191)
Amortization expense	-	-	-	-
Other expense	-	-	-	-
Income tax	(4)	-	-	(4)
Net income (loss) before non controlling interest	$ 2,933	$ (6,877)	$ 1,351	$ (2,592)

10. 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.

11. LEASES

The Company has 4 operating leases comprised of two vehicles, a copier, and office space. The vehicles and copier have a remaining lease term of 1-2 years and have fixed lease payments. The office space has a remaining lease term of 8 years and 8 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:

	December 31, 2019
Operating lease cost	$ 330,423
Total lease cost	$ 330,423

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	$ 338,520

Supplemental balance sheet information related to leases was as follows:

Operating leases	
Operating lease right-of-use assets	$ 1,908,178
Current operating lease liabilties	$ 2,177,546

Other information:

Weight average remaining lease term - operating	8.48 years
Weight average discount rate - operating	6.04%

11. LEASES (cont'd)

Future minimum lease payments as of December 31, 2019 are as follows:

2020	$	342,786
2021		319,013
2022		308,610
2023		312,877
2024		317,143
Thereafter		1,198,887
Total	$	2,799,316
Less: Interest		(621,770)
Lease Liability	$	2,177,546

As of December 31, 2019, the Company has no additional operating leases that have not yet commenced.

12. 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 years ended December 31, 2018 and 2017, there were no dividends declared or paid. The payment of preference share dividends is classified as interest expense. On March 10, 2010, AOG completed a tender offer for the Series A Preference Shares, pursuant to which 15,300 shares, or 20.40% of the 75,000 shares previously outstanding were validly tendered. The Company accepted for purchase all such Series A Preference Shares that were validly tendered as of the applicable expiration date and paid $3.8 million for all such Series A Preference Shares realizing a gain of $11.5 million. On August 8, 2016, American Overseas Group commenced a tender offer for any and all of its outstanding Series A Non-Cumulative Preference Shares for cash at a price not to exceed $200 for each $1,000 principal liquidation amount of the Series A Shares validly tendered and accepted by the Company. In order to be purchased in the tender offer, Series A Shares were to be tendered on or before September 2, 2016, and accepted by the Company. Of the 59,700 outstanding shares, 1,100 shares were tendered for a redemption value of $220,000.

On January 23, 2018, AOG accepted for purchase $20 million Series A Preference Shares that were validly tendered as of the applicable expiration date and paid $4.4 million for all such Series A Preference Shares realizing a gain of $15.6 million. After expiration of the tender, 38,600 Series A Non –Cumulative Preference Shares remain outstanding as of December 31, 2019.

12. REDEEMABLE SERIES A PREFERENCE SHARES (cont'd)

The Company is not permitted under the terms of the Series A Preference Shares to pay common share dividends or repurchase common shares unless full dividends for the latest completed dividend period on all Series A Preference Shares have been paid. The Company has no plans to liquidate, pay common share dividends or to repurchase any of its common shares.

See Note 3 for discussion of the establishment of an irrevocable trust for the benefit of holders of the Series A Preference Shares.

13. 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.

Following the settlement of previous repurchases, 373.01 shares of Class B Preference Shares remained outstanding at December 31, 2019 and 2018. 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 December 31, 2019 and 2018.

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. In 2019, the Class B Security Trust was sold (see Note 4 – Investments for details).

If declared by the board, dividends are payable on the Class B Preference Shares every 90 days at a rate of 6.276%. 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 $0.6 million paid to the Class B preference shareholders in 2019 and 2018, respectively.

14. SHARE CAPITAL

As at December 31, 2019 and 2018, authorized common share capital was $9,000,000. As at December 31, 2019 and 2019, there were 10,000,000 authorized undesignated preference shares with a par value of $0.10 each. Common shares and additional paid in capital are presented net of treasury shares held by the company and its subsidiaries.

The following table shows a roll forward of the issued, outstanding and unissued common shares for the years ended December 31, 2018 and 2019:

	Outstanding share capital	Outstanding Shares	Treasury Shares	Issued Shares	Unissued Shares
As at December 31, 2017	**$ 4,555,800**	**45,558**	**42**	**45,600**	**44,400**
Issued restricted stock awards during the year	9,600	96	-	96	(96)
Shares issued in lieu of cash for director's fees	57,000	570	-	570	(570)
Shares issued in lieu of cash for consultant's fees	(10,000)	(100)	-	(100)	100
As at December 31, 2018	**$ 4,612,400**	**46,124**	**42**	**46,166**	**43,834**
Issued restricted stock awards during the year	5,500	55	-	55	(55)
As at December 31, 2019	**$ 4,617,900**	**46,179**	**42**	**46,221**	**43,779**

15. SHARE BASED COMPENSATION

As of April 26, 2006, AOG adopted the 2006 Equity Plan (the "AOG Plan"). The number of common shares that may be issued under the AOG Plan may not exceed 4,500. In the event of certain transactions affecting the common shares of the Company, the number or type of shares subject to the AOG Plan, the number and type of shares subject to outstanding awards under the Plan, and the exercise price of awards under the AOG Plan will be adjusted in accordance with the terms of the AOG Plan. The AOG Plan authorizes the grant of share options, share appreciation rights, share awards, restricted share units, performance units, or other awards that are based on AOG's common shares. The awards granted are contingent on the achievement of service conditions during a specified period, and may be subject to a risk of forfeiture or other restrictions that will lapse upon the achievement of one or more goals relating to completion of service by the participant. Awards under the AOG Plan may accelerate and become vested upon a change in control of the Company. The AOG Plan is administered by the Board of Directors. The AOG Plan is subject to amendment or termination by the board.

As at December 31, 2019, outstanding awards under the AOG Plan consisting of 1,576 share options and 974 restricted share units had been granted to the Company's directors, officers, employees and consultants. Each of the options vest in equal annual installments over a four-year period and will expire at the earlier of the tenth anniversary of the date of grant or the expiration of the AOG Plan. The grant price is the average of the highest and lowest quoted selling price on the grant date. In 2019 and 2018, there were no stock options granted. Restricted share units vest in equal annual installments over a four-year period.

15. SHARE BASED COMPENSATION (cont'd)

Stock options

Compensation cost is recognized on a straight-line basis over the vesting period and is net of estimated pre-vesting forfeitures of 10% for both periods. The estimated forfeiture rate is based on future forfeiture expectations. At December 31, 2019, the weighted average grant date fair value for options issued subsequent to January 1, 2006 was $809.93. The Company expensed $0.2 million in compensation expense related to the stock options for each of the years ended December 31, 2019 and 2018 respectively. As at December 31, 2019, there was $0.1 million of unrecognized compensation expense related to the stock options granted subsequent to January 1, 2006, which is expected to be recognized over the weighted average remaining service period of 1.22 years. For both the twelve month periods ended December 31, 2019 and 2018, the Company recognized no compensation expense for share options with an exercise price less than the market value of the underlying common shares on the date of the grant.

The following tables summarize the stock option activity for the years ended December 31, 2019 and 2018:

Stock option activity

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value [(1)]
Year ended December 31, 2019				
Options				
Outstanding - beginning of year	1,576	$ 830.35		
Granted	-	-		
Exercised	-	-		
Forfeited	-	-		
Outstanding - end of year	1,576	830.35	5.71	$ -
Exercisable - end of year	1,364	$ 850.61	5.47	$ -

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value [(1)]
Year ended December 31, 2018				
Options				
Outstanding - beginning of year	1,851	$ 817.06		
Granted	-	-		
Exercised	-	-		
Forfeited	(275)	-		
Outstanding - end of year	1,576	830.35	6.71	$ -
Exercisable - end of year	1,044	$ 866.03	6.20	$ -

1) The aggregate intrinsic value was calculated based on the market value of $325.00 and $200.00 as at December 31, 2019 and 2018, respectively, and is calculated as the difference between the market value and the exercise price of the underlying options.

15. SHARE BASED COMPENSATION (cont'd)

Restricted share units

The following table summarizes the restricted share unit activity for the years ended December 31, 2019 and 2018:

Restricted Share Units

	Number of share units	Weighted average grant date fair value per share
Year ended December 31, 2019		
Restricted Share Units		
Non-vested - beginning of year	317	$ 812.85
Granted	800	225.00
Vested	(143)	950.17
Forfeited	-	-
Non-vested - End of year	974	$ 309.86

	Number of share units	Weighted average grant date fair value per share
Year ended December 31, 2018		
Restricted Share Units		
Non-vested - beginning of year	631	$ 925.08
Granted	-	-
Vested	(183)	1,121.99
Forfeited	(131)	921.44
Non-vested - End of year	317	$ 812.85

The Company expensed $0.1 million and $0.2 million in compensation expense related to the restricted share units for the years ended December 31, 2019 and 2018 respectively under the AOG Plan. The compensation expense for restricted share units is expensed on a prorated basis over the vesting period. At December 31, 2019, there is unrecognized compensation expense related to the non-vested restricted share units under the AOG Plan of $0.2 million, which will be recognized over the weighted average remaining service period of 2.54 years.

16. 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 December 31, 2019 and 2018, there were 1,576, 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 years ended December 31, 2019 and 2018:

	2019	2018
Net loss available to common shareholders	$ (3,708,517)	$ (3,176,966)
Basic weighted-average shares	46,161	45,965
Effect of stock options	-	-
Effect of restricted share units	120	-
Diluted weighted-average shares	46,281	45,965
Basic loss earnings per share	$ (80.34)	$ (69.12)
Diluted loss earnings per share	$ (80.13)	$ (69.12)

17. 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 2019 or 2018. The Company has commuted all remaining outstanding par as of April 1, 2020, and no longer has any exposure to financial guaranty cessions (see Note 25 - Subsequent Events).

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, debt service on the senior notes payable and capital investments in its subsidiaries. As of December 31, 2019, AOG has $4.4 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 subsidiaries' 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, the amounts required to be held in trust for the benefit of its ceding companies, adverse market changes, insurance regulatory changes, changes in general economic conditions beyond the next twelve months and law. The

17. RISKS AND UNCERTAINTIES (cont'd)

Company believes that AOG's expected liquidity needs can be funded from its operating and investing cash flows for the next twelve months.

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 $232.1 million of collateral compared to $246.8 million of balances at December 31, 2018 and such amounts are included in reinsurance balances received net on the consolidated balance sheet.

At December 31, 2019, the Company had $164.1 million of cash and investments of which $60.5 million was held in trust for the benefit of our ceding companies, leaving $103.6 million cash and investments available to support ongoing business. See Note 3 – Pledged Assets, for further information regarding these trust accounts. Pursuant to the terms of the treaties, losses are paid out of AORE's unrestricted cash rather than AORE's trust accounts which reduces available cash until the trust accounts are adjusted. AORE is not permitted to withdraw funds from these trust accounts without the ceding companies' express permission. The ceding companies are allowed to withdraw funds from the trust account under certain conditions as specified in the trust agreements.

The underwriting of insured risks and the reporting of underwriting results to the Company are the responsibility of the primary insurers under the treaties. The Company leverages and relies on the operations and reporting of the primary insurers. As a result of this model, the Company is highly dependent on the operating and reporting of the ceding companies. The ceding companies often use complex financial models, which have been internally developed, to produce their results. The Company performs its own assessment of the reasonableness of the information provided by ceding companies (See Note 5 - Financial Guaranty Policies Accounted for as Reinsurance and Note 7 – Losses and Loss Expense Reserve, for details of the work completed by the Company on this information). However, depending on the nature of the information provided by the ceding company, the Company may not be able to identify errors in the reported information in the period in which it is reported, which may be material, as indicated by corrections of errors in primary reported information in prior period financial statements.

18. VARIABLE INTEREST ENTITIES

OACM is a mutual insurance company that is owned by its policyholders; however, the Company effectively has complete control over OACM through the management contract in place between the two entities, and is therefore the primary beneficiary. The Company has determined that OACM is a variable interest entity and is included in these consolidated financial statements. The interests that OACM's policyholders have in its financial position are included as non-owned interest in VIE totaling $0.3 million at December 31, 2019 and December 31, 2018.

Creditors have no recourse against the Company in the event of default by OACM nor does the Company have any implied or unfunded commitments to OACM. The Company's financial or other support provided to OACM is limited to its management services and original investment.

The following OACM balances have been included in the Company's consolidated financial statements at December 31, 2019 and 2018 with appropriate eliminations being made for intercompany balances:

	2019	2018
ASSETS:		
Cash	$ 14,002,195	$ 19,448,765
Investments	41,992,980	40,621,477
Premiums receivable	74,875,706	75,384,930
Reinsurance balances receivable	195,174,796	321,568,144
Deferred reinsurance premiums	112,612,640	-
Other assets	476,975	368,357
Total assets	$ 439,135,292	$ 457,391,673
LIABILITIES:		
Unpaid losses and loss adjustment expenses	$ 180,403,365	$ 192,108,841
Unearned premium	112,612,640	110,066,129
Ceded premium payable	86,893,191	93,478,550
Payable to general agents	165,825	1,069,214
Funds withheld	52,664,758	54,411,291
Accounts payable and accrued expenses	283,049	538,184
Due to parent and affiliates	677,803	789,773
Total liabilities	$ 433,700,631	$ 452,461,982
EQUITY:		
Policyholders' surplus	$ 300,000	$ 300,000
Surplus debenture	4,700,000	4,700,000
Accumulated other comprehensive loss	434,661	(70,309)
Total equity	$ 5,434,661	$ 4,929,691
Total Liabilities and Equity	$ 439,135,292	$ 457,391,673

19. BUSINESS CONCENTRATION

The Company's property casualty insurance subsidiaries, OACM and Old American Indemnity Company ("OA Indemnity"), produce business through unrelated managing general agencies. In 2019, four of these managing general agencies produced approximately 59.3% of OACM's gross premium writings and 59.4% of the Company's gross written premiums plus policy fees. In 2019, one managing general agent produced approximately 89.7% of OA Indemnity's gross premium writings and 89.9% of the Company's gross written premiums plus policy fees.

20. GOODWILL AND INTANGIBLE ASSETS

The Company performs its impairment analysis of goodwill and indefinite-lived intangible assets annually as of December 31.

In conjunction with the acquisition of OA Indemnity in 2010, the Company recorded intangible assets of $300,000, representing the fair value of six insurance licenses acquired. The impairment analysis for this indefinite-lived intangible asset is performed on the licenses aggregated as a single unit of accounting. The fair value is determined by comparing the fair value of insurance company licenses based on observable inputs. Based upon the results of the assessment, the Company concluded that the carrying value of this intangible asset was not impaired as of December 31, 2019.

In conjunction with the acquisition of OACM in 2012, the Company recorded intangible assets and goodwill. The impairment analysis for the indefinite-lived asset of $4,500,000 associated with the insurance license acquired was performed on this license as a unit of accounting separate from the insurance licenses of OA Indemnity. The fair value is determined by comparing the fair value of insurance company licenses, with the underlying assumption that OACM's license continues to represent the value of multiple insurance licenses due to its unique ability to operate under multiple rate filing structures within a single state. Based on the number of active managing agencies using multiple rate filings in OACM, the Company concluded that the carrying value of this intangible asset was not impaired as of December 31, 2019.

The impairment analysis was performed on OACM as the reporting unit. The fair value was determined using a discounted cash flow analysis for the revenues and operating expenses associated with this reporting unit. The fair value was compared to the carrying value of the goodwill and intangible assets net of accumulated amortization, and the fair value exceeded the carrying value of those items. Accordingly, it was determined that the carrying value of goodwill was not impaired as of December 31, 2019.

20. GOODWILL AND INTANGIBLE ASSETS (cont'd)

The gross and net carrying amounts of intangible assets by major category as of December 31, 2019 and 2018 are as follows:

	Gross	Accumulated Amortization	Net
As of December 31, 2019			
Insurance licenses	$ 4,800,000	$ -	$ 4,800,000
Customer relationships	12,100,000	12,100,000	-
Internally developed software	350,000	350,000	-
Intangible assets	$ 17,250,000	$ 12,450,000	$ 4,800,000
As of December 31, 2018			
Insurance licenses	$ 4,800,000	$ -	$ 4,800,000
Customer relationships	12,100,000	12,100,000	-
Internally developed software	350,000	350,000	-
Intangible assets	$ 17,250,000	$ 12,450,000	$ 4,800,000

Insurance licenses are not amortized because they have an indefinite life. Finite-lived intangible assets are amortized over their respective useful lives. Customer relationships are amortized to align with the expected economic benefit of the income associated with those relationships, through 2015. Internally developed software is amortized on a straight-line basis over its useful life of 3 years. The management contract will expire on January 1, 2036. Unless renewed, the Company will not own the rights to manage OACM after that date.

21. 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 2019 and 2018, respectively, on the 2015 OACC Notes. As of December 31, 2019, $0.3 million in interest was accrued and unpaid on the $10.5 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 2019 and 2018, respectively, on the AOG Notes. As of December 31, 2019, $0.1 million in interest was accrued and unpaid on the remaining balance of $6.0 million on the AOG Notes.

21. NOTES PAYABLE (cont'd)

Directors and members of their respective families held notes payable in the aggregate principal amount of approximately $8.6 million at December 31, 2019.

In 2018, AOG issued a $3.0 million promissory note to AORE at a 6% interest rate. As of December 31, 2018 the remaining balance is $1.5 million and nil in accrued interest. In 2019, the promissory note was repaid including interest owed.

22. 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. 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 will expire on June 30, 2021.

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.

22. TAXATION (cont'd)

The provision for income taxes for the years ended December 31, consisted of the following:

	2019	2018
Current tax expense	$ -	$ -
Deferred tax expense	286,944	4,200
Income tax expense	$ 286,944	$ 4,200

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 2019 and 2018.

	2019	2018
Net (loss) before income tax	$ (2,836,320)	$ (2,587,513)
Adjustment for non-taxable entities	6,297,447	6,815,120
Taxable income before income tax expense	$ 3,461,127	$ 4,227,607
Expected tax benefit at statutory rates in taxable jurisdictions	726,837	887,797
Increases (reductions) in taxes resulting from:		
Exclusion of profit from VIE not included in consolidated		
Valuation allowance	565,644	(661,551)
Other	(1,005,537)	(222,046)
Income tax expense	$ 286,944	$ 4,200
Effective tax rate	8%	0%

22. 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 December 31, 2019 and 2018 were as follows:

	2019	2018
Deferred tax assets:		
Net operating loss carryforward	$ 4,940,032	$ 3,871,612
Unearned premium reserves	26,545	30,793
Discounted unpaid losses and loss adjustment expenses	5,006	12,004
Goodwill and other intangible assets	-	-
Total deferred tax assets	4,971,583	3,914,409
Deferred tax liabilities:		
Deferred acquisition costs	108,166	33,892
Intangible Assets	2,849,875	2,145,675
	2,958,041	2,179,567
Deferred tax assets, net, before valuation allowance	2,013,542	1,734,842
Valuation allowance	(2,335,661)	(1,770,017)
Deferred tax liability, net	$ (322,119)	$ (35,175)

As of December 31, 2019, the Company had net operating loss carry forwards of $23,523,962 the expiration of which is as follows:

2032	4,098,493
2033	9,242,590
2034	8,062,662
2035	240,639
2036	836,386
2037	964,116
2038	22,586
2039 est	56,490

As of December 31, 2019 and 2018, 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.

23. REINSURANCE

The Company has various quota share reinsurance agreements with reinsurers. The Company remains liable to its policyholders for all of its policy obligations and the reinsuring companies are obligated to the Company to the extent of the reinsured portion of the risks. Balances are presented gross of the reinsurance agreements in the accompanying consolidated financial statements.

Due to the nature of the OACM's reinsurance programs, a concentration of credit risk exists with four reinsurers that have net balances due in excess of 5% of OACM's total receivable balances in 2019. These four reinsurers account for approximately 58% of the total net recoverable from reinsurers, and 91% for 2018. OACM reinsures substantially all of its business, and monitors the credit quality of its reinsurers to ensure that its cessions are to financially sound reinsurers. Collateral which includes funds held in trust and letters of credit are obtained both to satisfy regulatory requirements for reinsurers not authorized, and to address the Company's credit concerns related to less highly rated reinsurers. As of December 31, 2019, all of the reinsurance recoverables were either collateralizerd or due from A.M. Best rated A- or better reinsurers. Substantially all of the balances ceded to reinsurers rated less than A are collateralized. During 2019 and 2018, OACM obtained collateral totaling $213.3 million and $239.8 million respectively, to offset the overall reinsurance credit risk. If the counterparties to these reinsurance contracts completely failed to perform under these contracts, which management believes is a remote possibility, the potential loss to the Company is the amount of the uncollateralized reserves for losses and loss adjustment expenses, reinsurance recoverable, and unearned premium net of reinsurance payable, which is approximately $91.6 million as of December 31, 2019 as compared to $86.5 million for 2018.

With OA Indemnity's reinsurance programs, a concentration of credit risk exists with seven reinsurers that have net balances due in excess of 5% of OA Indemnity's total receivable balances in 2019. These seven reinsurers account for approximately 88% of the total net recoverable from reinsurers, and 58% for 2018. During 2019, OA Indemnity obtained collateral and letters of credit totaling $18.8 million to offset the overall reinsurance credit risk. If the counterparties to these reinsurance contracts completely failed to perform under these contracts, which management believes is a remote possibility, the potential loss to the Company is the amount of the uncollateralized reserves for losses and loss adjustment expenses, reinsurance recoverable, and unearned premium net of reinsurance payable, which is approximately $13.7 million as of December 31, 2019 as compared to $1.0 million as of December 31, 2018.

24. 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 December 31, 2019, OA Indemnity had statutory capital and surplus of $10.5 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 December 31, 2019.

24. STATUTORY REQUIREMENTS (cont'd)

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. The excess of AORE's assets over the aggregate of its liabilities and stated capital at December 31, 2019 was $33.6 million. The minimum required solvency margin for AORE was $1.1 million at December 31, 2019. The excess of the Company's other Barbados domiciled insurance companies' assets over the aggregate of their liabilities and stated capital was $3.6 million. The minimum required solvency margin for those entities was $0.4 million.

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

25. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 2, 2020, which is the date the financial statements were issued.

On January 27, 2020, AORE entered into a $4.0 million promissory note with AOG that has a 6% interest rate.

On January 29, 2020, AOG completed a private repurchase of $25.0 million liquidation value of 25,000 of its Series A Preference Shares from an undisclosed holder.

On January 30, 2020, the World Health Organization ("WHO") declared a global emergency related to the COVID-19 virus and they subsequently increased the declaration to a global pandemic on March 11, 2020. These declarations led to various actions being taken by the federal and local governments, including stay-in-place orders in some areas. Despite the stay-in-place orders, the Company has been able to continue day-to-day operations remotely. A full estimate of the financial impact cannot be made at this time, but the Company is not expecting material financial impacts in the short-term. As the situation is still very fluid, the Company is continuing to monitor the situation and its impacts on the financials.

AORE entered into a Commutation Agreement, effective April 1, 2020, to commute the remaining portfolio of financial guaranty reinsurance business it had assumed from Assured Guaranty Municipal Corp ("AGMC"), effective upon receipt of the commutation payment to AGMC. The aggregate outstanding par value of the reinsurance portfolio being commuted was $345.0 million as of April 1, 2020, therefore eliminating the financial guaranty reinsurance business on AORE.

Management has determined that there are no other material subsequent events that would require disclosure in AOG's financial statements through this date.