



April 23, 2021

Report of Independent Auditors

To the Board of Directors of Centre Reinsurance (U.S.) Limited

We have audited the accompanying condensed financial statements of Centre Reinsurance (U.S.) Limited, which comprise the condensed balance sheets and condensed statements of capital and surplus as of December 31, 2020 and 2019, and the related condensed statements of income for the years then ended, and the related notes to the condensed financial statements.

Management's responsibility for the condensed financial statements

Management is responsible for the preparation and fair presentation of the condensed financial statements in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial statements (the 'Legislation'). Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of condensed financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the condensed 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 condensed financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the condensed financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the condensed 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 condensed financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for adverse opinion on International Financial Reporting Standards

As described in Note 3 of the condensed financial statements, the condensed financial statements are prepared by the Company on the basis of the financial reporting provisions of the Legislation, which is a basis of accounting other than International Financial Reporting Standards.

The effects on the condensed financial statements of the variances between the regulatory basis of accounting described in Note 3 and International Financial Reporting Standards, although not reasonably determinable, are presumed to be material.



Adverse opinion on International Financial Reporting Standards

In our opinion, because of the significance of the matter discussed in the “Basis for adverse opinion on International Financial Reporting Standards” paragraph, the condensed financial statements referred to above do not present fairly, in accordance with International Financial Reporting Standards, the financial position of the Company as of December 31, 2020 and 2019, or the results of its operations or its cash flows for the years then ended.

Opinion on regulatory basis of accounting

In our opinion, the condensed financial statements referred to above present fairly, in all material respects, the financial position of Centre Reinsurance (U.S.) Limited as of December 31, 2020 and 2019, and the results of its operations for the years then ended in accordance with the financial reporting provisions of the Legislation described in Note 3.

A handwritten signature in black ink that reads "PricewaterhouseCoopers Ltd." in a cursive script.

Chartered Professional Accountants

CONDENSED BALANCE SHEET

CENTRE REINSURANCE (U.S.) LIMITED

As at **December 31, 2020**

expressed in units **United States Dollars**

| LINE No. | | 2020 | 2019 |
|----------|------------------------------------------------------|-------------|-------------|
| 1. | CASH AND CASH EQUIVALENTS | 13,382,658 | 11,497,679 |
| 2. | QUOTED INVESTMENTS: | | |
| (a) | Bonds and Debentures | | |
| | i. Held to maturity | | |
| | ii. Other | 47,201,785 | 47,461,363 |
| (b) | Total Bonds and Debentures | 47,201,785 | 47,461,363 |
| (c) | Equities | | |
| | i. Common stocks | | |
| | ii. Preferred stocks | | |
| | iii. Mutual funds | | |
| (d) | Total equities | - | - |
| (e) | Other quoted investments | | |
| (f) | Total quoted investments | 47,201,785 | 47,461,363 |
| 3. | UNQUOTED INVESTMENTS: | | |
| (a) | Bonds and Debentures | | |
| | i. Held to maturity | | |
| | ii. Other | 3,581,378 | 3,845,990 |
| (b) | Total Bonds and Debentures | 3,581,378 | 3,845,990 |
| (c) | Equities | | |
| | i. Common stocks | | |
| | ii. Preferred stocks | | |
| | iii. Mutual funds | | |
| (d) | Total equities | - | - |
| (e) | Other unquoted investments | | |
| (f) | Total unquoted investments | 3,581,378 | 3,845,990 |
| 4. | INVESTMENTS IN AND ADVANCES TO AFFILIATES | | |
| (a) | Unregulated entities that conduct ancillary services | | |
| (b) | Unregulated non-financial operating entities | | |
| (c) | Unregulated financial operating entities | | |
| (d) | Regulated non-insurance financial operating entities | | |
| (e) | Regulated insurance financial operating entities | | |
| (f) | Total investments in affiliates | - | - |
| (g) | Advances to affiliates | - | - |
| (h) | Total investments in and advances to affiliates | - | - |
| 5. | INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE: | | |
| (a) | First liens | | |
| (b) | Other than first liens | | |
| (c) | Total investments in mortgage loans on real estate | - | - |
| 6. | POLICY LOANS | | |
| 7. | REAL ESTATE: | | |
| (a) | Occupied by the company (less encumbrances) | | |
| (b) | Other properties (less encumbrances) | | |
| (c) | Total real estate | - | - |
| 8. | COLLATERAL LOANS | | |
| 9. | INVESTMENT INCOME DUE AND ACCRUED | 268,820 | 279,413 |
| 10. | ACCOUNTS AND PREMIUMS RECEIVABLE: | | |
| (a) | In course of collection | 101,587,298 | 104,137,298 |
| (b) | Deferred - not yet due | | |
| (c) | Receivables from retrocessional contracts | | |
| (d) | Total accounts and premiums receivable | 101,587,298 | 104,137,298 |

CONDENSED BALANCE SHEET

CENTRE REINSURANCE (U.S.) LIMITED

As at **December 31, 2020**

expressed in units **United States Dollars**

| LINE No. | | 2020 | 2019 |
|----------|--------------------------------------------------------------------------------------|-------------|-------------|
| 11. | REINSURANCE BALANCES RECEIVABLE: | | |
| (a) | Foreign affiliates | | |
| (b) | Domestic affiliates | | |
| (c) | Pools & associations | | |
| (d) | All other insurers | | |
| (e) | Total reinsurance balance receivable | - | - |
| 12. | FUNDS HELD BY CEDING REINSURERS | | |
| 13. | SUNDRY ASSETS: | | |
| (a) | Derivative instruments | | |
| (b) | Segregated accounts companies - long-term business - variable annuities | | |
| (c) | Segregated accounts companies - long-term business - other | | |
| (d) | Segregated accounts companies - general business | | |
| (e) | Deposit assets | | |
| (f) | Deferred acquisition costs | | |
| (g) | Net receivables for investments sold | 571 | 1,453 |
| (h) | Income Tax Receivable | - | - |
| (i) | Deferred Tax Asset | 682,725 | 666,757 |
| (j) | Receivable on Reverse Repurchase Contracts | - | - |
| (k) | Total sundry assets | 683,296 | 668,210 |
| 14. | LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS | | |
| (a) | Letters of credit | | |
| (b) | Guarantees | | |
| (c) | Other instruments | | |
| (e) | Total letters of credit, guarantees and other instruments | - | - |
| 15. | TOTAL | 166,705,235 | 167,889,953 |
| | TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS | | |
| 16. | UNEARNED PREMIUM RESERVE | | |
| (a) | Gross unearned premium reserves | 1,915,135 | 5,337,944 |
| (b) | Less: Ceded unearned premium reserve | | |
| i. | Foreign affiliates | | |
| ii. | Domestic affiliates | 746,861 | 4,021,380 |
| iii. | Pools & associations | | |
| iv. | All other insurers | | |
| (c) | Total ceded unearned premium reserve | 746,861 | 4,021,380 |
| (d) | Net unearned premium reserve | 1,168,274 | 1,316,564 |
| 17. | LOSS AND LOSS EXPENSE PROVISIONS: | | |
| (a) | Gross loss and loss expense provisions | 42,218,500 | 36,076,500 |
| (b) | Less : Reinsurance recoverable balance | | |
| i. | Foreign affiliates | | |
| ii. | Domestic affiliates | 33,096,389 | 27,484,539 |
| iii. | Pools & associations | | |
| iv. | All other reinsurers | | |
| (c) | Total reinsurance recoverable balance | 33,096,389 | 27,484,539 |
| (d) | Net loss and loss expense provisions | 9,122,111 | 8,591,961 |
| 18. | OTHER GENERAL BUSINESS INSURANCE RESERVES | | |
| 19. | TOTAL GENERAL BUSINESS INSURANCE RESERVES | 10,290,385 | 9,908,525 |

CONDENSED BALANCE SHEET

CENTRE REINSURANCE (U.S.) LIMITED

As at **December 31, 2020**

expressed in units **United States Dollars**

| LINE No. | 2020 | 2019 |
|---------------------------------------------------------------|-------------|-------------|
| OTHER LIABILITIES | | |
| 28. INSURANCE AND REINSURANCE BALANCES PAYABLE | 92,642,921 | 95,468,067 |
| 29. COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE | - | - |
| 30. LOANS AND NOTES PAYABLE | | |
| 31. (a) INCOME TAXES PAYABLE | 132,309 | 325,741 |
| (b) DEFERRED INCOME TAXES | - | - |
| 32. AMOUNTS DUE TO AFFILIATES | 188,008 | 44,480 |
| 33. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES | - | - |
| 34. FUNDS HELD UNDER REINSURANCE CONTRACTS: | 6,847,000 | 6,847,000 |
| 35. DIVIDENDS PAYABLE | | |
| 36. SUNDRY LIABILITIES: | | |
| (a) Derivative instruments | | |
| (b) Segregated accounts companies | | |
| (c) Deposit liabilities | | |
| (d) Net payable for investments purchased | | |
| (e) Other sundry liabilities (specify) | | |
| (f) Other sundry liabilities (specify) | | |
| (g) Other sundry liabilities (specify) | | |
| (h) Total sundry liabilities | - | - |
| 37. LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS: | | |
| (a) Letters of credit | | |
| (b) Guarantees | | |
| (c) Other instruments | | |
| (d) Total letters of credit, guarantees and other instruments | - | - |
| 38. TOTAL OTHER LIABILITIES | 99,810,238 | 102,685,288 |
| 39. TOTAL INSURANCE RESERVES AND OTHER LIABILITIES | 110,100,623 | 112,593,813 |
| CAPITAL AND SURPLUS | | |
| 40. TOTAL CAPITAL AND SURPLUS | 56,604,612 | 55,296,140 |
| 41. TOTAL | 166,705,235 | 167,889,953 |
| | TRUE | TRUE |
| | - | - |

CONDENSED STATEMENT OF CAPITAL AND SURPLUS

CENTRE REINSURANCE (U.S.) LIMITED

As at December 31, 2020
expressed in units United States Dollars

| LINE No. | | 2020 | 2019 |
|----------|------------------------------------------------------------------------------|-----------------|------------|
| 1. | CAPITAL: | | |
| (a) | Capital Stock | | |
| | (i) Common Shares | 370,000 | 370,000 |
| | authorized | 370,000 | |
| | value | \$ 1,000 | |
| | fully paid | 370,000 | |
| | | shares of par | |
| | | each issued and | |
| | | shares | |
| | (ii) | | |
| | (A) Preferred shares: | | |
| | authorized | | |
| | value | | |
| | fully paid | | |
| | aggregate liquidation value for — | | |
| | 2020 | | |
| | 2019 | | |
| | (B) Preferred shares issued by a subsidiary: | | |
| | authorized | | |
| | value | | |
| | fully paid | | |
| | aggregate liquidation value for — | | |
| | 2020 | | |
| | 2019 | | |
| | (iii) Treasury Shares | | |
| | repurchased | | |
| | value | | |
| | | shares of par | |
| | | each issued | |
| (b) | Contributed surplus | 26,450,390 | 26,450,390 |
| (c) | Any other fixed capital | | |
| | (i) Hybrid capital instruments | | |
| | (ii) Guarantees and others | | |
| | (iii) Total any other fixed capital | - | - |
| (d) | Total Capital | 26,820,390 | 26,820,390 |
| 2. | SURPLUS: | | |
| (a) | Surplus - Beginning of Year | 28,475,750 | 27,417,955 |
| (b) | Add: Income for the year | 468,754 | 156,999 |
| (c) | Less: Dividends paid and payable | | |
| (d) | Add (Deduct) change in unrealized appreciation (depreciation) of investments | 839,718 | 900,796 |
| (e) | Add (Deduct) change in any other surplus | | |
| (f) | Surplus - End of Year | 29,784,222 | 28,475,750 |
| 3. | MINORITY INTEREST | | |
| 4. | TOTAL CAPITAL AND SURPLUS | 56,604,612 | 55,296,140 |

CENTRE REINSURANCE (U.S.) LIMITED

NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2020

(expressed in United States dollars)

General Notes to the Financial Statements

1. Centre Reinsurance (U.S.) Limited (the Company) is a wholly-owned subsidiary of Centre Group Holdings (U.S.) Limited (CGHUS), a holding company incorporated in the United States. The Company is controlled by CGHUS which is a subsidiary of Zurich Structured Finance, Inc. (ZSF), a company incorporated in the United States. ZSF is a subsidiary of Zurich Finance Company AG, a holding company incorporated in Switzerland, which in turn is owned by Zurich Insurance Company Ltd (Zurich) which is owned by Zurich Insurance Group Ltd which is also incorporated in Switzerland.
2. The Company provides non-traditional customized insurance, reinsurance, and financial solutions primarily for United States based clients. The Company is currently in a managed run-off. There are two lines of business remaining, credit surety and casualty, which includes a non-significant adverse development cover on a Zurich affiliate's loss portfolio transfer.
3. The condensed general purpose financial statements have been prepared in conformity with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to Condensed General Purpose Financial Statements (the Legislation). The condensed general purpose financial statements are based upon International Financial Reporting Standards (IFRS) but are in accordance with the reporting requirements of the Legislation, which varies in certain respects from IFRS. The more significant variances are as follows:
 - A statement of cash flows is not included;
 - A statement of comprehensive income is not included;
 - The presentation and classification of financial statement line items is in accordance with Schedules IX and XI of the Insurance Account Rules 2016 and differ from the expected presentation and classification under IFRS; and
 - The notes included in the condensed general purpose financial statements have been prepared in accordance with Schedule X of the Insurance Account Rules 2016 and exclude certain information required under IFRS.

Certain amounts recorded in the condensed financial statements reflect estimates and assumptions made by management. These include assumptions regarding economic factors such as interest and discount rates, currency and credit assumptions, and non-economic factors such as interest and discount rates, currency and credit assumptions and non-economic factors such as claims frequency and severity expectations. Actual results may differ from the estimates made.

CENTRE REINSURANCE (U.S.) LIMITED

NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2020

(expressed in United States dollars)

4. Significant accounting policies are as follows:

(a) Premiums

Premiums from short duration contracts are recognized as revenue ratably over the terms of the contracts. Unearned premiums are computed on the monthly pro-rata method. Premiums on the residual value insurance (RVI) deals are only earned on the earlier of the strike date or when the entire deal is off risk. Future investment income is considered in determining whether a premium deficiency exists. Premiums on credit enhancement insurance are recognized as revenue over the related risk period.

(b) Losses and loss adjustment expenses

The general business reserve for losses and loss adjustment expenses represents the estimates of the ultimate cost of all losses incurred but not paid through December 31, 2020 and estimates of the total liability incurred under profit/commutation provisions. These estimates are continually reviewed and, as adjustments become necessary, such adjustments are reflected in current operations. Since the reserve is based on estimates, the ultimate settlement of losses and the related loss adjustment expenses may vary from the reserve. All reserves are presented undiscounted for the year ended December 31, 2020. A premium deficiency reserve (PDR) is established for any RVI contracts within 24 months of expiry if it is apparent that a loss is likely to occur upon expiry of the contract.

(c) Investment Income

Investment income is accounted for under the accrual basis.

(d) Investments

Quoted and unquoted investments are carried at fair value, with the unrealized gains and losses on available for sale securities reported in a separate component of surplus, and the unrealized gains and losses on securities classified as trading reported as a component of income. Other private equity unquoted investments are carried at fair value unless significant influence exists then they are carried at the underlying equity in net assets of the investee. Investments are assessed quarterly whether there is objective evidence that loss events have occurred that negatively

CENTRE REINSURANCE (U.S.) LIMITED

NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2020

(expressed in United States dollars)

affect the estimated future cash flows of the investment. A financial asset is considered impaired if there is objective evidence of impairment as a result of one or more occurred loss events that have an impact on the estimated future cash flows of the financial asset. The evaluation of whether an available-for-sale debt security is impaired requires analysis of the credit standing of a particular issuer and involves management judgment. When assessing impairment of available-for-sale debt securities, the Group places emphasis on issuer specific factors, such as significant financial difficulty, default or delinquency on interest or principal payments. A credit rating downgrade, worsened liquidity or decline in fair value below the weighted average cost is not by itself considered a loss event, but rather incorporated in the impairment analysis along with other available information.

(e) Cash and Cash Equivalents

The Company defines cash and cash equivalents as cash and certain highly liquid short-term investments with an original maturity date of three months or less from the date of purchase.

(f) Commutation Policy

Upon commutation of a contract the "loss and loss expense provisions" line on the Company's balance sheet is reduced and a gain or loss is recorded within "net losses incurred and net loss expenses incurred" line within the income statement for the difference between the carried reserve on the contract and the commutation payment. Commutations can account for a significant part of the Company's business.

(g) Income Tax

The Company has elected under Internal Revenue Code Section 953(d) to be treated as a U.S. domestic insurer for federal income tax purposes, and thus is subject to income taxes imposed by U.S. federal authorities.

Deferred federal income taxes are provided for temporary differences between the financial statement and tax basis of assets and liabilities, principally the discount on unpaid losses and loss adjustment expenses, unearned premium reserves, deferred acquisition costs, differences in book and tax basis of investments, and the future benefit of net operating loss carryovers.

CENTRE REINSURANCE (U.S.) LIMITED

NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2020

(expressed in United States dollars)

5. Premium income - See 4(a) above
 Investment income - See 4(c) above
 Commission income - Commission income is earned over the policy period of the ceded contracts.

6-12. Not applicable.

13. The fair value hierarchy of investments is based on the following levels:

Level 1 - includes assets and liabilities for which fair values are determined directly from unadjusted current quoted prices resulting from orderly transactions in active markets for identical assets/liabilities.

Level 2 - includes assets and liabilities for which fair values are determined using significant inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include 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 other observable market inputs.

Level 3 – includes financial assets for which the fair value is determined using valuation techniques with at least one significant input not being based on observable market data. In circumstances when there is little, if any, market activity for a certain instrument, the Company is required to develop internal valuation inputs based on the best information available about the assumptions that market participants would use when pricing the asset or liability. This would normally apply in the case of investments in asset backed securities for which very limited market activity is observed and long-dated derivatives.

| Fair Value Hierarchy | for the year ended December 31 | 2020 | | | |
|--------------------------------------|-------------------------------------|---------|-------------------|------------------|-------------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | | |
| <i>Available-for-sale securities</i> | | | | | |
| | Bonds and Debentures | - | 47,201,785 | 3,581,378 | 50,783,163 |
| | Total Available-for-sale securities | - | 47,201,785 | 3,581,378 | 50,783,163 |
| | Total assets | - | 47,201,785 | 3,581,378 | 50,783,163 |

CENTRE REINSURANCE (U.S.) LIMITED

NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2020

(expressed in United States dollars)

| Fair Value Hierarchy | for the year ended December 31 | 2019 | | | |
|----------------------|-------------------------------------|---------|-------------------|------------------|-------------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | | |
| | Available-for-sale securities | | | | |
| | Bonds and Debentures | - | 47,461,363 | 3,845,990 | 51,307,353 |
| | Total Available-for-sale securities | - | 47,461,363 | 3,845,990 | 51,307,353 |
| | | | | | |
| | Total assets | - | 47,461,363 | 3,845,990 | 51,307,353 |

Amounts have been reclassified to correct the presentation of unquoted investments of \$3.8 million representing Level 3 bonds, that were previously included as a component of quoted investments.

14. The following table shows fair value of debt securities held at December 31 by contractual maturity:

| Debt securities by maturity | for the years ended December 31 | 2020 | 2019 |
|----------------------------------------|---------------------------------|---------------------|-------------------|
| | | Due within one year | 5,402,694 |
| Due after one year through five years | 19,459,089 | 21,780,621 | |
| Due after five years through ten years | 6,807,205 | 5,196,594 | |
| Due after ten years | 19,114,175 | 23,307,868 | |
| | | | - |
| | Total | 50,783,163 | 51,307,353 |

15. The below table sets forth the related party transactions reflected in the Statement of Income. All related party transactions are with Zurich affiliate companies.

| Statement of Income | for the year ended December 31 | 2020 | | |
|---------------------|------------------------------------------|-------------|-----------|-----------|
| | | Affiliate | 3rd Party | Total |
| | Increase (decrease) in unearned premiums | (3,274,520) | 3,422,809 | 148,289 |
| | Incurred expenses | (4,686,711) | 5,192,000 | 505,289 |
| | General and Administrative Expenses | 265,442 | 118,305 | 383,747 |
| | Investment expenses and income received | (72,877) | 1,402,675 | 1,329,798 |

CENTRE REINSURANCE (U.S.) LIMITED

NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2020

(expressed in United States dollars)

| <i>Statement of Income</i> | <i>for the year ended December 31</i> | 2019 | | |
|--------------------------------|------------------------------------------|------------------|------------------|--------------|
| | | Affiliate | 3rd Party | Total |
| | Increase (decrease) in unearned premiums | (5,347,565) | 5,940,023 | 592,458 |
| | Incurred expenses | (16,174,055) | 18,008,037 | 1,833,982 |
| | General and Administrative Expenses | 222,141 | 189,914 | 412,055 |
| | Investment expenses and income received | (73,308) | 1,888,519 | 1,815,211 |

Included in general and administrative expense is \$0.3 million (2019 - \$ 0.2 million) of expenses allocated from Zurich affiliated companies. The allocation is based primarily on the usage by the Company of facilities and other administrative services provided by or for the affiliate.

The Company has investment management fee agreements with Zurich affiliated companies. Aggregate management fee expense during 2020 under such agreements were \$0.1 million (2019 - \$0.1 million). The respective notes below disclose any related party transactions relating to the balance sheet.

16. Not applicable.

17. (a) The Company utilizes reinsurance and retrocessional agreements to reduce its exposure to risk of loss. These agreements provide for recovery of a portion of losses, expenses and future policy benefits from reinsurers and retrocessionaires. The Company remains liable to the extent the reinsurers and retrocessionaires do not meet their obligations under these agreements and therefore provisions are made for amounts considered potentially uncollectible.

- (b) The Company continually monitors its positions with, and the credit quality of, counterparties to its financial instruments. The counterparties to these instruments expose the Company to credit loss in the event of nonperformance. At December 31, 2020, the Company does not anticipate nonperformance and all counterparties are Zurich affiliates.

- (c) At December 31, 2020, the Company had an AA- financial strength rating from Standard & Poor's Rating Services. This reflects the receipt from Zurich Insurance Company of a guarantee of all the Company's payment obligations arising under the terms of any and all insurance and reinsurance contracts issued by the Company.

CENTRE REINSURANCE (U.S.) LIMITED

NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2020

(expressed in United States dollars)

Notes to the Balance Sheet

1. For restricted assets, see Note 17(c).
2. See General Note 4(d) and Note 17(c).
3. Other private equity unquoted investments are carried at fair value unless significant influence exists then they are carried at the underlying equity in net assets of the investee. Investments are adjusted for any declines in value that are impaired. Currently private equity unquoted investments have been fully impaired. See General Note 4(d).
- 4.– 8. Not applicable.
9. Investment income due and accrued is \$0.3 million (2019 - \$0.3 million).
10. (a) Not applicable.
(b) Included in Accounts receivable is a balance with affiliates of \$101.6 million (2019 - \$104.1 million). This represents salvage recoverable.
- 11–12. Not applicable.
13. Sundry Assets mainly comprises of deferred income tax asset of \$0.68 million (2019 -\$0.67 million). The following table shows the details of the deferred income tax asset. See General Note 4(g).

| <i>Deferred income taxes</i> | <i>for the year ended December 31</i> | 2020 |
|------------------------------|--------------------------------------------------|-------------|
| | Reserves for losses and loss adjustment expenses | 1,135,322 |
| | Reserves for unearned premium | 53,462 |
| | Deferred acquisition costs | - |
| | Unrealized (gains)/losses on investments | (503,997) |
| | Other | (2,062) |
| | Deferred income taxes | 682,725 |

CENTRE REINSURANCE (U.S.) LIMITED

NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2020

(expressed in United States dollars)

| <i>Deferred income taxes</i> | <i>for the year ended December 31</i> | 2019 |
|------------------------------|--------------------------------------------------|-------------|
| | Reserves for losses and loss adjustment expenses | 898,342 |
| | Reserves for unearned premium | 60,382 |
| | Deferred acquisition costs | - |
| | Unrealized (gains)/losses on investments | (280,781) |
| | Other | (11,186) |
| | Deferred income taxes | 666,757 |

14. Not applicable.

16. See General Note 4(a).

17. (a) Movements in loss and loss expense provisions for the current and previous years are summarized as follows:

| As at December 31 | 2020 | 2019 |
|----------------------------------------------------------------|-------------|-------------|
| <i>expressed in United States Dollars</i> | | |
| Gross loss and loss expense provisions at beginning of year | 36,076,500 | 40,600,682 |
| Less: Reinsurance recoverable at beginning of year | 27,484,539 | 33,440,911 |
| Net loss and loss expense provisions at beginning of year | 8,591,961 | 7,159,771 |
| Net losses incurred and net loss expenses incurred related to: | | |
| Current year | 1,128,150 | 2,910,783 |
| Prior years | (622,862) | (1,076,801) |
| Total net incurred losses & loss expenses | 505,288 | 1,833,982 |
| Net losses and loss expenses paid or payable related to: | | |
| Current year | 0 | (649,593) |
| Prior years | 24,862 | 247,801 |
| Total losses and loss expenses paid or payable | 24,862 | (401,792) |
| Foreign exchange and other | 0 | 0 |
| Net loss and loss expense provisions at end of year | 9,122,111 | 8,591,961 |
| Add: Reinsurance recoverable at end of year | 33,096,389 | 27,484,539 |
| Gross loss and loss expense provisions at end of year | 42,218,500 | 36,076,500 |

CENTRE REINSURANCE (U.S.) LIMITED

NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2020

(expressed in United States dollars)

(b) The Company is currently in a managed run-off, therefore, it is expected to experience changes in the net losses incurred and net loss expenses incurred related to prior years. No additional premium or return premiums have been accrued in 2020 as a result of the prior year effects. The change in the net losses incurred and net loss expenses relating to current year is due to a premium deficiency reserve increase on a surety deal of \$1.1 million. Offsetting this is \$0.6 million of reserves released from prior years.

(c) Fixed maturities with carrying value of \$3.8 million (2019 - \$ 3.6 million) at December 31, 2020 were on deposit in various trust accounts for the benefit of reinsurance contract holders. The remaining balance is unsecured.

20–27. Not applicable.

28. The insurance and reinsurance balance payable with affiliates is \$92.6 million (2019 - \$95.5 million).

29. Not applicable.

30. Not applicable.

31. (a) The income taxes payable during the year is \$0.13 million (2019 - \$0.33 million).

(b) Not applicable. See General Note 4(g).

32. Amounts due to affiliates are unsecured, interest free and have no specific terms of repayment.

33. Not applicable.

34. The funds held under reinsurance contracts with affiliates is \$6.8 million (2019 - \$6.8 million).

35.-37. Not applicable.

CENTRE REINSURANCE (U.S.) LIMITED

NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2020

(expressed in United States dollars)

Notes to the Statement of Income

- 6. Not applicable.
- 15. Not applicable.
- 32. Not applicable.
- 36. The amount comprises of net gains and losses on the sale of quoted and unquoted bonds, and any impairment adjustment on quoted or unquoted investments.

Notes to the Statement of Capital and Surplus

1. (a) Authorized share capital

- (a) Authorized capital stock is comprised of 370,000 voting common shares of \$1 par value each.
- (b) Not applicable.
- (c) Not applicable.
- (d) Not applicable.

Issued capital

- (a) Issued, called up and fully paid 370,000 voting common shares of \$1 par value each.
- (b) Not applicable.
- (c) Not applicable.

Repurchased shares

- (a) Not applicable.

CENTRE REINSURANCE (U.S.) LIMITED

NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2020

(expressed in United States dollars)

1. (b) Contributed Surplus

There were no changes in contributed surplus during the year.

2. (c) Dividends paid and payable

There were no dividends paid during the year (2019 - \$nil).

- (a) No changes were made to authorized capital stock during 2020.
- (b) Not applicable.
- (c) Not applicable.