

## Independent Auditor's Report

The Board of Directors  
Centre Solutions (U.S.) Limited

### Our Opinion

In our opinion, the condensed consolidated financial statements of Centre Solutions (U.S.) Limited (the "Company") and its subsidiaries (together the 'Group') are prepared, in all material respects, 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").

#### *What We Have Audited*

The Group's condensed consolidated financial statements comprise:

- the condensed consolidated balance sheet as at December 31, 2021;
- the condensed consolidated statement of income for the year then ended;
- the condensed consolidated statement of capital and surplus as at December 31, 2021; and
- the notes to the condensed consolidated financial statements, which include a summary of significant accounting policies.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the condensed consolidated financial statements* section of our report.

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

#### *Independence*

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the condensed consolidated financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

*Reference: Independent Auditor's Report on the Condensed Consolidated Financial Statements of Centre Solutions (U.S.) Limited as at December 31, 2021 and for the year then ended.*

## **Emphasis of Matter – Basis of Accounting**

Without modifying our opinion, we note that the condensed consolidated financial statements have been prepared in accordance with the financial reporting provisions of the Legislation. The accounting policies used and the disclosures made are not intended to, and do not, comply with all of the requirements of International Financial Reporting Standards (IFRS).

## **Responsibilities of Management and Those Charged with Governance for the Condensed Consolidated Financial Statements**

Management is responsible for the preparation of the condensed consolidated financial statements in accordance with the financial reporting provisions of the Legislation, and for such internal control as management determines is necessary to enable the preparation of condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Condensed Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the condensed consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these condensed consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the condensed consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the condensed consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the condensed consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Ernst & Young Ltd.*

April 27, 2022

Chartered Professional Accountants

*Reference: Independent Auditor's Report on the Condensed Consolidated Financial Statements of Centre Solutions (U.S.) Limited as at December 31, 2021 and for the year then ended.*

## CONDENSED CONSOLIDATED BALANCE SHEET

CENTRE SOLUTIONS (U.S.) LIMITED

As at **December 31, 2021**

expressed in **United States Dollars**

LINE No.		2021	2020
1.	CASH AND CASH EQUIVALENTS	125,965,917	65,454,606
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other	2,207,734,106	2,337,482,537
(b)	Total Bonds and Debentures	2,207,734,106	2,337,482,537
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other quoted investments		
(f)	Total quoted investments	2,207,734,106	2,337,482,537
3.	UNQUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other	8,703,548	56,992,961
(b)	Total Bonds and Debentures	8,703,548	56,992,961
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other unquoted investments		
(f)	Total unquoted investments	8,703,548	56,992,961
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	60,019,279	10,013,440
(h)	Total investments in and advances to affiliates	60,019,279	10,013,440
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	509,657	598,738
7.	REAL ESTATE:C103		
(a)	Occupied by the company (less encumbrances)		
(b)	Other properties (less encumbrances)		
(c)	Total real estate	-	-

## CONDENSED CONSOLIDATED BALANCE SHEET

CENTRE SOLUTIONS (U.S.) LIMITED

As at **December 31, 2021**

expressed in **United States Dollars**

LINE No.		2021	2020
8.	COLLATERAL LOANS		
9.	INVESTMENT INCOME DUE AND ACCRUED	16,093,517	17,312,635
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	14,823,728	64,601,322
(b)	Deferred - not yet due		
(c)	Receivables from retrocessional contracts		
(d)	Total accounts and premiums receivable	14,823,728	64,601,322
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates		
(b)	Domestic affiliates	4	4
(c)	Pools & associations		
(d)	All other insurers	42,203,259	11,579,229
(e)	Total reinsurance balance receivable	42,203,263	11,579,233
12.	FUNDS HELD BY CEDING REINSURERS	23,612,155	21,330,324
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	1,025	884
(h)	Income tax receivable	-	10,073,341
(i)	Deferred tax asset	7,911,857	4,211,253
(j)			
(k)	Total sundry assets	7,912,882	14,285,478
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	2,507,578,052	2,599,651,274

## CONDENSED CONSOLIDATED BALANCE SHEET

CENTRE SOLUTIONS (U.S.) LIMITED

As at **December 31, 2021**

expressed in **United States Dollars**

LINE No.		2021	2020
<b>TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS</b>			
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	(2,828,476)	(3,447,306)
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other insurers	(2,839,600)	(3,551,920)
(c)	Total ceded unearned premium reserve	(2,839,600)	(3,551,920)
(d)	Net unearned premium reserve	11,124	104,614
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	387,216,989	352,808,049
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates		
	ii. Domestic affiliates	-	-
	iii. Pools & associations		
	iv. All other reinsurers	383,157,989	348,748,049
(c)	Total reinsurance recoverable balance	383,157,989	348,748,049
(d)	Net loss and loss expense provisions	4,059,000	4,060,000
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES		
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	4,070,124	4,164,614
<b>LONG-TERM BUSINESS INSURANCE RESERVES</b>			
20.	RESERVE FOR REPORTED CLAIMS	2,150,908	1,971,411
21.	RESERVE FOR UNREPORTED CLAIMS	5,028,309	5,822,640
22.	POLICY RESERVES - LIFE		
23.	POLICY RESERVES - ACCIDENT AND HEALTH	184,514,253	214,553,207
24.	POLICYHOLDERS' FUNDS ON DEPOSIT		
25.	LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS		
26.	OTHER LONG-TERM BUSINESS INSURANCE RESERVES		
27.	TOTAL LONG-TERM BUSINESS INSURANCE RESERVES		
(a)	Total Gross Long-Term Business Insurance Reserves	1,632,560,357	1,850,834,980
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign Affiliates		
	(ii) Domestic Affiliates	1,374,954,554	1,556,870,942
	(iii) Pools and Associations		
	(iv) All Other Insurers	65,912,333	71,616,780
(c)	Total Reinsurance Recoverable Balance	1,440,866,887	1,628,487,722
(d)	<b>Total Net Long-Term Business Insurance Reserves</b>	<b>191,693,470</b>	<b>222,347,258</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

CENTRE SOLUTIONS (U.S.) LIMITED

As at **December 31, 2021**

expressed in **United States Dollars**

LINE No.		2021	2020
	<b>OTHER LIABILITIES</b>		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	54,461,648	23,985,728
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE		
30.	LOANS AND NOTES PAYABLE		
31.	(a) INCOME TAXES PAYABLE	3,598,343	-
	(b) DEFERRED INCOME TAXES	-	-
32.	AMOUNTS DUE TO AFFILIATES	624,761	1,042,557
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	1,117,480	1,627,461
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:	1,766,264,125	1,783,957,766
35.	DIVIDENDS PAYABLE		
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments	229,610,134	301,221,130
(b)	Segregated accounts companies		
(c)	Deposit liabilities		
(d)	Net payable for investments purchased	-	4,422,152
(e)	Deferred Gain	2,910,269	3,285,725
(f)	Other sundry liabilities (specify)		
(g)	Other sundry liabilities (specify)		
(h)	Total sundry liabilities	232,520,403	308,929,007
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	2,058,586,760	2,119,542,519
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	2,254,350,354	2,346,054,391
	<b>CAPITAL AND SURPLUS</b>		
40.	TOTAL CAPITAL AND SURPLUS	253,227,698	253,596,883
41.	TOTAL	2,507,578,052	2,599,651,274



# CONDENSED CONSOLIDATED STATEMENT OF INCOME

CENTRE SOLUTIONS (U.S.) LIMITED

As at December 31, 2021  
expressed in United States Dollars

LINE No.		2021	2020
	<b>GENERAL BUSINESS UNDERWRITING INCOME</b>		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written	-	-
	(b) Assumed gross premiums written	(2,788,027)	(1,098,439)
	(c) Total gross premiums written	(2,788,027)	(1,098,439)
2.	REINSURANCE PREMIUMS CEDED	(2,788,027)	(1,098,439)
3.	NET PREMIUMS WRITTEN	-	-
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	93,490	16,477
5.	NET PREMIUMS EARNED	93,490	16,477
6.	OTHER INSURANCE INCOME	375,456	485,031
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	468,946	501,508
	<b>GENERAL BUSINESS UNDERWRITING EXPENSES</b>		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	13,600	(119,197)
9.	COMMISSIONS AND BROKERAGE	-	-
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	13,600	(119,197)
11.	<b>NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS</b>	455,346	620,705
	<b>LONG-TERM BUSINESS INCOME</b>		
12.	GROSS PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Direct gross premiums and other considerations	11,777,252	13,372,260
	(b) Assumed gross premiums and other considerations	29,667,654	34,773,270
	(c) Total gross premiums and other considerations	41,444,906	48,145,530
13.	PREMIUMS CEDED	25,211,754	29,476,091
14.	NET PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Life		
	(b) Annuities		
	(c) Accident and health	16,233,152	18,669,439
	(d) Total net premiums and other considerations	16,233,152	18,669,439
15.	OTHER INSURANCE INCOME		
16.	TOTAL LONG-TERM BUSINESS INCOME	16,233,152	18,669,439
	<b>LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES</b>		
17.	CLAIMS - LIFE		
18.	POLICYHOLDERS' DIVIDENDS		
19.	SURRENDERS		
20.	MATURITIES		
21.	ANNUITIES		

## CONDENSED CONSOLIDATED STATEMENT OF INCOME

CENTRE SOLUTIONS (U.S.) LIMITED

As at **December 31, 2021**  
expressed in **United States Dollars**

LINE No.		2021	2020
22.	ACCIDENT AND HEALTH BENEFITS	35,288,728	39,545,973
23.	COMMISSIONS	668,230	618,699
24.	OTHER	46,004,593	56,530,220
25.	TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES	81,961,551	96,694,892
26.	INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES):		
	(a) Life		
	(b) Annuities		
	(c) Accident and health	(30,038,954)	(1,631,732)
	(d) Total increase (decrease) in policy reserves	(30,038,954)	(1,631,732)
27.	TOTAL LONG-TERM BUSINESS EXPENSES	51,922,597	95,063,160
28.	<b>NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS</b>	(35,689,445)	(76,393,721)
29.	<b>COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS</b>	(35,234,099)	(75,773,016)
	<b>UNDERNOTED ITEMS</b>		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	4,998,750	3,752,458
	(b) Personnel cost		
	(c) Other		
	(d) Total combined operating expenses	4,998,750	3,752,458
31.	COMBINED INVESTMENT INCOME - NET	72,830,884	35,802,725
32.	COMBINED OTHER INCOME (DEDUCTIONS)	35,645	35,731
33.	COMBINED INCOME BEFORE TAXES	32,633,680	(43,687,018)
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	7,558,101	4,183,988
	(b) Deferred	(6,410,545)	(4,599,842)
	(c) Total	1,147,556	(415,854)
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	31,486,124	(43,271,164)
36.	COMBINED REALIZED GAINS (LOSSES)	(29,456,357)	47,100,667
37.	COMBINED INTEREST CHARGES		
38.	<b>NET INCOME</b>	2,029,767	3,829,503

**CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS**

**CENTRE SOLUTIONS (U.S.) LIMITED**

As at **December 31, 2021**  
expressed in **United States Dollars**

LINE No.		2021	2020
1.	<b>CAPITAL:</b>		
(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		
		shares of par	
		each issued and	
		shares	
	aggregate liquidation value for –		
	2021		
	2020		
	(B) Preferred shares issued by a subsidiary:		
	authorized		
	value		
	fully paid		
		shares of par	
		each issued and	
		shares	
	aggregate liquidation value for –		
	2021		
	2020		
	(iii) Treasury Shares		
	repurchased		
	value		
		shares of par	
		each issued	
(b)	Contributed surplus	163,979,804	163,979,804
(c)	Any other fixed capital		
	(i) Hybrid capital instruments		
	(ii) Guarantees and others		
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	164,349,804	164,349,804
2.	<b>SURPLUS:</b>		
(a)	Surplus - Beginning of Year	89,247,079	83,703,827
(b)	Add: Income for the year	2,029,767	3,829,503
(c)	Less: Dividends paid and payable	-	-
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments	(2,398,952)	1,713,749
(e)	Add (Deduct) change in any other surplus	-	
(f)	Surplus - End of Year	88,877,894	89,247,079
3.	<b>MINORITY INTEREST</b>		
4.	<b>TOTAL CAPITAL AND SURPLUS</b>	253,227,698	253,596,883

CENTRE SOLUTIONS (U.S.) LIMITED  
NOTES TO THE CONDENSED CONSOLIDATED GENERAL PURPOSE FINANCIAL  
STATEMENTS  
DECEMBER 31, 2021  
(expressed in United States dollars)

**General Notes to the Consolidated Financial Statements**

1. Centre Solutions (U.S.) Limited 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.

Centre Insurance Company (CICO), a company incorporated in the state of Delaware and Centre Life Insurance Company (CLIC), a company incorporated in the state of Massachusetts are wholly-owned subsidiaries of the Company that are consolidated into these financial statements.

2. Centre Solutions (U.S.) Limited and its subsidiaries (the Company) provides non-traditional customized insurance, reinsurance and financial solutions for U.S. based clients. The main line of business is structured finite reinsurance. The Company also provides reinsurance for health and disability risks, U.S. asbestos and environmental liability insurance portfolios primarily for United States based clients. The Company is currently in a managed run-off.
3. The condensed consolidated 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 consolidated 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 consolidated statement of cash flows is not included;
  - A consolidated 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 consolidated 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.

CENTRE SOLUTIONS (U.S.) LIMITED  
NOTES TO THE CONDENSED CONSOLIDATED GENERAL PURPOSE FINANCIAL  
STATEMENTS  
DECEMBER 31, 2021  
(expressed in United States dollars)

The condensed consolidated general purpose financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

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.

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.

Premiums from traditional long duration health and disability policies are recognized as revenues when due over the premium paying periods of the policies. Benefits and expenses are matched with such revenues so as to result in the recognition of profits over the life of the contracts. This match is accomplished by means of the provision for liabilities for future policy benefits and the deferral and subsequent amortization of policy acquisition costs.

(b) Policy Acquisition Costs

Policy acquisition costs associated with short duration contracts include brokerage and certain other internal and external underwriting expenses which vary with and are directly related to the production of business. Such costs are deferred to the extent recoverable from future earned premium and anticipated investment income and amortized ratably over the terms of the related contracts.

CENTRE SOLUTIONS (U.S.) LIMITED  
NOTES TO THE CONDENSED CONSOLIDATED GENERAL PURPOSE FINANCIAL  
STATEMENTS  
DECEMBER 31, 2021  
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(c) 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, 2021 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. 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.

(d) Long-term Business Insurance Reserves

Future policy benefits under traditional long duration health and disability reinsurance contracts are estimated using a net level premium method and have been computed based upon expected investment yields and assumptions on mortality, morbidity and withdrawal rates applicable at the time the contracts are issued. These assumptions are based on the ceding company's experience as well as industry experience and standards and include a margin for adverse deviation. The assumptions vary with the characteristics of the plan of insurance, year of issue, age of insured and other appropriate factors. These estimates are continually reviewed and, as adjustments become necessary, such adjustments are reflected in current operations. The best estimate of future policy benefits includes any liability under profit/commutation provisions of various contracts, which incorporates actual investment income including investment gains and losses.

Unrealized gains and losses on investments held to support future policy benefits are recorded as embedded derivatives in accordance with Derivative Implementation Guidance issue B-36 (DIG B36). The investments are classified as trading.

Funds held on behalf of reinsurance contract holders includes amounts held by the Company for the benefit of assuming companies pursuant to the terms of the reinsurance contracts. Interest credited on funds held balances may include realized gains and losses on the Company's trading investment portfolio, depending on contract terms.

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NOTES TO THE CONDENSED CONSOLIDATED GENERAL PURPOSE FINANCIAL  
STATEMENTS  
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(expressed in United States dollars)

Deferred reinsurance losses represent the deficiency of assets received as compared to the liabilities for future policy benefits assumed in connection with reinsurance of existing blocks of health and disability business. Deferred reinsurance losses are amortized over the premium paying period of the related policies using assumptions consistent with those used to compute future policy benefits. Amortization is included in policy claims and benefits in the consolidated statements of income.

(e) Investment Income

Investment income is accounted for under the accrual basis.

(f) 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 realized gains/(losses) in income. Investments are assessed quarterly whether there is objective evidence that loss events have occurred that negatively 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.

(g) 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.

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(h) Commutation Policy

Upon commutation of a contract the "loss and loss expense provisions" line on the Company's consolidated balance sheet is reduced and a gain or loss is recorded within "net losses incurred and net loss expenses incurred" line within the consolidated 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.

(i) 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.

- 5. Premium income - See 4(a) above.
- Investment income - See 4(e) above.
- Commission income - Not applicable.

6. Foreign Currencies

Foreign currency monetary assets and liabilities are translated into U.S. Dollars at the rates of exchange prevailing on balance sheet date. Revenues and expenses are translated at the rates prevailing on the date of the transactions. Gains and losses arising from foreign currency transactions are credited or charged to income.

- 7-12. Not applicable.



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13. The fair values 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	2021			
		Level 1	Level 2	Level 3	Total
<b>Assets</b>					
	Bonds and Debentures	-	2,207,734,106	8,703,548	2,216,437,654
	<b>Total Bonds and Debentures</b>	-	2,207,734,106	8,703,548	2,216,437,654
	<b>Total assets</b>	-	2,207,734,106	8,703,548	2,216,437,654

Fair Value Hierarchy	for the year ended December 31	2020			
		Level 1	Level 2	Level 3	Total
<b>Assets</b>					
	Bonds and Debentures	-	2,337,482,537	56,992,961	2,394,475,498
	<b>Total Bonds and Debentures</b>	-	2,337,482,537	56,992,961	2,394,475,498
	<b>Total assets</b>	-	2,337,482,537	56,992,961	2,394,475,498

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

<i>Bonds and Debentures</i>	<i>for the years ended December 31</i>	2021	2020
		Due within one year	109,722,572
Due after one year through five years	572,414,943	664,536,133	
Due after five years through ten years	488,841,815	443,420,787	
Due after ten years	1,045,458,324	1,216,191,035	
<b>Total</b>		<b>2,216,437,654</b>	<b>2,394,475,498</b>

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.

<i>Statement of Income</i>	<i>for the year ended December 31</i>	2021		
		<b>Affiliate</b>	<b>3rd Party</b>	<b>Total</b>
Line 1 (b) Gross Premium Assumed		(2,788,027)	-	(2,788,027)
Line 2 - Reinsurance Premium Ceded		-	(2,788,027)	(2,788,027)
Line 4 - Increase (decrease) in unearned premiums		93,490	-	93,490
Line 6 - Other Insurance Income		375,456	-	375,456
Line 8 - Incurred		132,878,730	(132,865,130)	13,600
Line 13 - Premiums Ceded		22,209,937	3,001,817	25,211,754
Line 22 - Accident and Health Benefits		23,372,963	11,915,765	35,288,728
Line 23 - Commission		(1,732,629)	2,400,859	668,230
Line 24 - Other		46,004,593	-	46,004,593
Line 30 - Combined Operating Expense		3,245,290	1,753,460	4,998,750
Line 31 - Combined Investment Income		(1,168,509)	73,999,393	72,830,884
Line 36 - Combined Realized Gains and Losses		71,610,996	(101,067,353)	(29,456,357)

  

<i>Statement of Income</i>	<i>for the year ended December 31</i>	2020		
		<b>Affiliate</b>	<b>3rd Party</b>	<b>Total</b>
Line 1 (b) Gross Premium Assumed		(1,098,439)	-	(1,098,439)
Line 2 - Reinsurance Premium Ceded		-	(1,098,439)	(1,098,439)
Line 4 - Increase (decrease) in unearned premiums		16,477	-	16,477
Line 6 - Other Insurance Income		485,031	-	485,031
Line 8 - Incurred		(1,579,369)	1,460,172	(119,197)
Line 13 - Premiums Ceded		26,164,546	3,311,545	29,476,091
Line 22 - Accident and Health Benefits		(178,942,146)	218,488,119	39,545,973
Line 23 - Commission		(2,172,611)	2,791,310	618,699
Line 24 - Other		56,530,220	-	56,530,220
Line 30 - Combined Operating Expense		2,701,461	1,050,997	3,752,458
Line 31 - Combined Investment Income		(1,210,492)	37,013,217	35,802,725
Line 36 - Combined Realized Gains and Losses		(100,307,916)	147,408,583	47,100,667

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Included in combined operating expense is \$3.2 million (2020 - \$2.7 million) of expenses allocated from a Zurich affiliated company. 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. Aggregated management fee expenses during year under such agreements were \$1.3 million (2020 - \$1.4 million).

Related party transactions relating to the balance sheet are disclosed on the notes to the consolidated balance sheet below.

16. See note 32 in Notes to the Balance Sheet.
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 and expenses 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. As at December 31, 2021 the Company did not anticipate any nonperformance.

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17. (c) The Company has a Loss Portfolio Transfer (LPT) retrocessional agreement with a third party, Cavello Bay Reinsurance Limited (Cavello Bay). Cavello Bay is a Bermuda domiciled reinsurer and indirect wholly owned subsidiary of Enstar Group Limited. The LPT comprises of the transfer of mostly U.S. asbestos and environmental liability insurance portfolios predating 1987 written by an affiliate Zurich American Insurance Company (ZAIC) and its subsidiaries. Under the LPT agreement, ZAIC cedes under an intra-group underlying reinsurance agreement, and the Company assumes up to a USD 1 billion limit of liability. The Company has a retrocession agreement with Cavello Bay which reinsures, the same liabilities under the LPT retrocessional agreement, subject to the same limit. The Company does not retain any insurance exposure to the portfolio as the risk assumed is simultaneously retroceded to Cavello Bay. Gross loss and loss expense provision from the LPT is \$352.1 million (2020 - \$314.0 million) from ZAIC of which the entire amount is retroceded to Cavello Bay.

As part of the LPT agreement, Cavello Bay is required to provide additional collateral to the Company in the form of a supplementary trust covering an additional 24% of the reserves. The trust asset for the benefit of the Company has a carrying value of \$68.6 million (2020 - \$55.0 million) as at December 31, 2021.

ZAIC paid an additional premium to the Company of \$3.9 million above the premium agreed with Cavello Bay primarily to cover the cost of capital within the Company. This additional premium is deferred and is earned over the life of the portfolio.

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**Notes to the Consolidated Balance Sheet**

1. Cash and cash equivalents with a carrying value of \$87.2 million (2020: \$25.2 million) at December 31, 2021 were on deposit in various trust accounts for the benefit of reinsurance contract holders.
2. Fixed maturities with a carrying value of \$1,809.9 million (2020: \$2,037.3 million) at December 31, 2021 were on deposit in various trust accounts for the benefit of reinsurance contract holders. See General Notes to the Financial Statements Note 4(f) and 17(c).
3. See General Notes to the Financial Statements Note 4(f) and 17(c).
4. Advances to affiliates pertains to the following:  
  
\$50.0 million loan to an affiliate which is due to mature on February 14, 2022 and is carried at cost. Interest is computed at 0.22310% per annum and is payable on maturity date.  
  
\$10.0 million loan to an affiliate which is due to mature on October 28, 2022 and is carried at cost. Interest is computed at 0.70100% per annum and is payable on maturity date.
5. Not applicable.
6. Policy loans are stated at the aggregate of the unpaid loan balances, which are not in excess of the cash surrender values of the related policies.
- 7-8. Not applicable.
9. Investment income due and accrued is \$16.1 million (2020: \$17.3 million).
10. (a) Not applicable.  
(b) The accounts and premiums receivable balance with affiliates is \$0.02 million (2020: \$46.3 million).
11. There was \$34.0 million of reinsurance balance receivable on paid losses (2020: \$3.3 million).
12. The funds held by ceding reinsurers include balances held by affiliates of \$23.6 million (2020: \$21.3 million).

Prior year's balance was restated by \$3.6m due to a reclassification of unearned premiums. See Note 16 for additional details.

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13. (a) Sundry assets relates to income tax receivable balance of \$nil (2020: \$10.1 million).

Sundry assets also includes deferred income tax position of \$7.9 million (2020 – \$4.2 million). The following table shows the details of the deferred income tax position. See General Note 4(i).

<i>Deferred income taxes</i>	<i>for the year ended December 31</i>	<b>2021</b>	<b>2020</b>
	Reserves for losses and loss adjustment expenses	150,809	176,176
	Life policy benefits	1,787,427	5,080,148
	Deferred acquisition costs	10,126,215	8,939,995
	Unrealized (gains)/losses on investments	(318,323)	(956,020)
	Accruals	2,167,841	1,727,559
	Other	(6,002,112)	(10,756,605)
	<b>Deferred income taxes</b>	<b>7,911,857</b>	<b>4,211,253</b>

(b) Not applicable.

14. Not applicable.
16. See General Notes to the Financial Statements Note 4(a). The unearned premium balance with affiliates is -\$2.8 million (2020: -\$3.4 million) as at December 31, 2021. The negative unearned premium balance relates to a number of claims whereby there is a clause where claimants are to pay or refund premiums based on the reserve and paid development on the related claims.

Prior to 2021, this was booked against the funds withheld account reported in Line 12 and 34 of the Condensed Financial Statement. The 2020 balance was restated by \$3.6 million to reflect the reclassification from funds withheld to unearned premium accounts.

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

<b>As at December 31</b> <i>expressed in United States Dollars</i>	<b>2021</b>	<b>2020</b>
Gross loss and loss expense provisions at beginning of year	352,808,049	430,023,807
Less: Reinsurance recoverable at beginning of year	348,748,049	425,830,811
Net loss and loss expense provisions at beginning of year	<u>4,060,000</u>	<u>4,192,996</u>
Net losses incurred and net loss expenses incurred related to:		
Current year	0	0
Prior years	13,600	(119,197)
Total net incurred losses & loss expenses	<u>13,600</u>	<u>(119,197)</u>
Net losses and loss expenses paid or payable related to:		
Current year	0	0
Prior years	(14,600)	(13,799)
Total losses and loss expenses paid or payable	<u>(14,600)</u>	<u>(13,799)</u>
Foreign exchange and other	0	0
Net loss and loss expense provisions at end of year	<u>4,059,000</u>	<u>4,060,000</u>
Add: Reinsurance recoverable at end of year	383,157,989	348,748,049
Gross loss and loss expense provisions at end of year	<u><b>387,216,989</b></u>	<u><b>352,808,049</b></u>

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 significant movement in 2021. Written premium of -\$2.8 million (2020 - -\$1.1 million) mainly relates to premiums adjustment from the revised valuation of the LPT (see General Note 17c). This premium adjustment was simultaneously retroceded to Cavello Bay.

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c) Fixed maturities and cash and cash equivalents with a carrying value of \$337.0 million (2020: \$347.1 million) and \$81.8 million (2020: \$10.4 million) respectively at December 31, 2021 were on deposit in various trust accounts for the benefit of reinsurance contract holders. \$4.1 million (2020: \$4.1 million) were unsecured.

20-21. See General Notes to the Financial Statements Note 4(d).

22. Not applicable.

23. See General Notes to the Financial Statements Note 4(d).

24-26. Not applicable.

27. a) Fixed maturities and cash and cash equivalents with a carrying value of \$1,480.0 million (2020: \$1,690.1 million) and \$5.4 million (2020: \$14.8 million) respectively at December 31, 2021 were on deposit in various trust accounts for the benefit of policyholder obligations.

b) There are no unsecured policyholder obligations.

28. Insurance and reinsurance payable balance to affiliates is \$31.4 million (2020: \$0.7 million).

29-30. Not applicable.

31. (a) Income tax payable is \$3.6 million (2020 – receivable of \$10.1 million reported under line 13).

(b) Refer to Note 13(a)

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

33. The accounts payable and accrued liabilities are \$1.1 million (2020: \$1.6 million).

34. Funds held under reinsurance contracts to affiliates is \$1,342.7 million (2020: \$1,424.8 million).

Prior year's balance was restated by \$3.6m due to a reclassification of unearned premiums. See Note 16 for additional details.

35. Not applicable.



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36. (a) Sundry liabilities mainly relates to deferred gain from the LPT [see General Notes to the Financial Statements Note 17(c)] of \$2.9 million (2020 - \$3.3 million) and net payable on investment purchased of \$nil (2020 - \$4.4 million) to be offset by cash on account.
- (b) In the normal course of business, the Company enters into reinsurance contracts that include funds withheld balances where interest is earned based on a portfolio of investments which meet criteria which require application of the prescriptions in IFRS 4 governing embedded derivatives. These accounting regulations require that derivatives embedded in reinsurance contracts be separated from the underlying insurance contract (“host contract”) according to the conditions specified in IFRS 4 and IAS 39 and recognised separately at fair value in accordance with IAS 39. These embedded derivatives are in the form of total return swaps. The fair value of the unrealized losses is estimated at \$229.6 million (2020: \$301.2 million) as at December 31, 2021, and is recorded in derivatives in the liability section of the consolidated balance sheets.
37. Not applicable.

**Notes to the Consolidated Statement of Income**

6. Other insurance income relates to amortization of the deferred gain from the LPT [see General Notes to the Financial Statements Note 17(c)].
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 on quoted or unquoted investments and the unrealized gains and losses on securities classified as trading.

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**Notes to the Consolidated Statement of Capital and Surplus**

1. (a) Authorized 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.

Issued share capital

- (a) Not applicable, no shares were repurchased in 2021 and 2020.

1. (b) Contributed Surplus

There are no changes in contributed surplus during the relevant year.

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