Consolidated Audited Financial Statements

Nissan Global Reinsurance, Ltd.
Year Ended March 31, 2023
With Report of Independent Auditors

Ernst & Young Ltd.

Building a better working world

Nissan Global Reinsurance, Ltd.

Consolidated Audited Financial Statements

Year Ended March 31, 2023

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Building a better
working world

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Independent Auditor's Report

The Board of Directors
Nissan Global Reinsurance, Ltd.

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Nissan Global Reinsurance, Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 consolidated financial statements* section of our report. 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) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

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

In preparing the 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.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the 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 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.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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 the Board of Directors 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.

Hamilton, Bermuda
July 26, 2023

Nissan Global Reinsurance, Ltd.

Consolidated Statements of Financial Position
(Expressed in Thousands of United States Dollars)

	March 31 2023	March 31 2022
Assets		
Cash and cash equivalents *(Notes 3, 13, 15, and 16)*	**$ 1,667,416**	$ 1,914,835
Accrued interest receivable *(Notes 19(c) and (h))*	**9,940**	2,650
Loans receivable from related parties *(Notes 15, 19(c) and (h))*	**792,270**	1,241,752
Insurance balances receivable *(Notes 15, 16, and 19(d))*	**185,890**	230,281
Dealer dividend advances (*Note 15*)	**99,632**	32,634
Deferred reinsurance premiums *(Note 19(b))*	**58,640**	61,467
Deferred acquisition costs *(Notes 4 and 19(b))*	**252,939**	307,675
Deferred income tax assets	**6**	4
Prepaid expenses	**1,257**	593
Derivative receivable	**10**	–
Other assets *(Note 10)*	**5,968**	2,938
	$ 3,073,968	$ 3,794,829
Liabilities		
Insurance balances payable (*Notes 15 and 19(f)*)	**$ 3,965**	$ 12,315
Accounts payable and accrued liabilities *(Notes 9, 15, and 19(g))*	**43,277**	46,845
Amounts due to affiliates *(Notes 15 and 19(e))*	**17,562**	13,206
Reserves for losses and loss expenses *(Notes 6, 15, and 19(a))*	**431,537**	377,112
Unearned premiums *(Notes 5 and 19(a))*	**1,284,401**	1,366,733
Income taxes payable *(Note 14)*	**98,718**	82,634
Deferred income tax liabilities *(Note 14)*	**41,701**	49,865
Deferred ceding commission	**3,969**	12,830
Funds withheld *(Note 15)*	**37,915**	38,005
Other liabilities *(Notes 10 and 14)*	**4,027**	6,015
	$ 1,967,072	$ 2,005,560

Nissan Global Reinsurance, Ltd.

Consolidated Statements of Financial Position (continued)
(Expressed in Thousands of United States Dollars)

	March 31	
	2023	**2022**
Shareholder's Equity		
Issued capital *(Note 11)*	**$ 120**	$ 120
Additional paid-in capital *(Notes 12 and 13)*	**99,880**	99,880
Accumulated other comprehensive loss	**(5,194)**	(6,354)
Retained earnings *(Note 13)*	**1,012,090**	1,695,623
	1,106,896	1,789,269
	$ 3,073,968	$ 3,794,829

See accompanying notes.

On behalf of the Board:

Director

Director

Nissan Global Reinsurance, Ltd.

Consolidated Statements of Comprehensive Income
(Expressed in Thousands of United States Dollars)

	Year Ended March 31	
	2023	**2022**
Gross premiums written *(Notes 5 and 7)*	**$ 680,515**	$ 722,590
Ceded reinsurance premiums written *(Notes 7 and 19(b))*	**(17,975)**	(16,290)
Net premiums written *(Note 7)*	**662,540**	706,300
Change in unearned premiums	**71,767**	36,679
Change in deferred reinsurance premiums	**(2,955)**	(4,523)
Net premiums earned *(Notes 7 and 19(a))*	**731,352**	738,456
Other income *(Note 19(b))*	**20,678**	29,403
Interest income *(Notes 19(c) and (h))*	**87,126**	60,380
Total net revenue	**839,156**	828,239
Losses and loss expenses *(Note 19(a))*	**424,229**	345,286
Losses and loss expenses recoveries	**(9,821)**	(8,368)
Net losses and loss expenses *(Note 6)*	**414,408**	336,918
Fronting fees and taxes	**1,764**	12,288
Acquisition costs *(Notes 4 and 19(b))*	**121,355**	117,103
General and administrative expenses *(Notes 8 and 19(b))*	**26,118**	26,039
Other expenses *(Note 19(h))*	**1,182**	3,659
Foreign exchange loss (gain), net	**(5,657)**	2,274
Total expenses	**559,170**	498,281
Profit before tax	**279,986**	329,958
Income tax expense *(Note 14)*	**38,519**	38,069
Profit for the year attributable to equity shareholder	**241,467**	$ 291,889
Other comprehensive income (loss)	**1,160**	(13,966)
Total comprehensive income attributable to equity shareholder	**$ 242,627**	277,923

See accompanying notes.

All results are from continuing operations.

Nissan Global Reinsurance, Ltd.

Consolidated Statements of Changes in Shareholder's Equity

(Expressed in Thousands of United States Dollars)

	Issued Capital	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance, March 31, 2021	$ 120	$ 99,880	$ 7,612	$ 1,403,734	$ 1,511,346
Foreign currency translation loss	–	–	(13,966)	–	(13,966)
Profit for the year	–	–	–	291,889	291,889
Balance, March 31, 2022	$ 120	$ 99,880	$ (6,354)	$ 1,695,623	$ 1,789,269
Foreign currency translation gain	**–**	**–**	**1,160**	**–**	**1,160**
Profit for the year	**–**	**–**	**–**	**241,467**	**241,467**
Dividend paid	**–**	**–**	**–**	**(925,000)**	**(925,000)**
Balance, March 31, 2023	**$ 120**	**$ 99,880**	**$ (5,194)**	**$ 1,012,090**	**$ 1,106,896**

See accompanying notes.

Nissan Global Reinsurance, Ltd.

Consolidated Statements of Cash Flows
(Expressed in Thousands of United States Dollars)

	Year Ended March 31	
	2023	**2022**
Operating activities		
Profit for the year	**$ 241,467**	$ 291,889
Adjustments for:		
Interest income	**(87,126)**	(60,380)
Amortization expense	**1,307**	1,094
Interest expense for lease liabilities	**(59)**	8
Change in:		
Insurance balances receivable	**44,391**	(26,760)
Dealer dividend advances	**(66,998)**	18,298
Deferred reinsurance premiums	**2,827**	4,524
Deferred acquisition costs	**54,736**	18,296
Deferred income tax assets	**(2)**	(4)
Prepaid expenses	**(664)**	844
Other assets	**(4,082)**	(710)
Insurance balances payable	**(8,350)**	(4,162)
Accounts payable and accrued liabilities	**(3,568)**	1,663
Amounts due to affiliates	**4,356**	138
Reserves for losses and loss expenses	**54,425**	39,825
Unearned premiums	**(82,332)**	(44,423)
Income taxes payable	**16,084**	22,905
Deferred income tax liabilities	**(8,164)**	11,040
Deferred ceding commission	**(8,861)**	1,798
Funds withheld	**(90)**	(9,948)
Derivative receivable	**(10)**	–
Other liabilities	**(1,988)**	(61)
Net cash provided by operating activities	**$ 147,299**	$ 265,874
Investing activities		
Interest received	**$ 79,539**	$ 58,950
Issuance of loans receivable to related parties	**(1,709,165)**	(293,058)
Repayment of loans receivable from related parties	**2,158,945**	327,842
Net cash provided by investing activities	**$ 529,319**	$ 93,734

Nissan Global Reinsurance, Ltd.

Consolidated Statements of Cash Flows (continued)
(Expressed in Thousands of United States Dollars)

	Year Ended March 31	
	2023	**2022**
Financing activities		
Payment of principal portion of lease liabilities	**$ (197)**	$ (185)
Dividend paid to the Parent	**(925,000)**	–
Net cash used in financing activities	**$ (925,197)**	$ (185)
Net increase (decrease) in cash before effect of foreign currency translation	**$ (248,579)**	$ 359,423
Effect of foreign currency translation	**1,160**	(13,966)
Net increase (decrease) in cash and cash equivalents	**(247,419)**	345,457
Cash and cash equivalents, beginning of year	**1,914,835**	1,569,378
Cash and cash equivalents, end of year	**$ 1,667,416**	$ 1,914,835
Income taxes paid, net of recoveries	**$ 34,343**	$ 8,291

See accompanying notes.

(All amounts expressed in Thousands of United States Dollars unless otherwise stated)

1. Operations

Nissan Global Reinsurance, Ltd. (the Company or NGRe) was incorporated in Bermuda on March 15, 2005, and was registered as a Class 3 insurer under The Bermuda Insurance Act 1978, amendments thereto and related Regulations (the Act and Regulations). The Company's insurance license has been effective since March 28, 2005. The Insurance Amendment Act 2008 introduced three Class 3 sub-classes and the Company re-registered as a Class 3B insurer pursuant to Section 4 of the Act and Regulations. The principal place of business of the Company is located at Wessex House, 45 Reid Street, 5th Floor, Hamilton, Bermuda, HM12.

The Company is a wholly-owned subsidiary of Nissan Assurance Holding Company NV (the Parent), a company registered in Netherland Antilles. The Parent is a wholly-owned subsidiary of Nissan Motor Co., Ltd. (NML). NML is publicly traded on the Tokyo Stock Exchange (ticker symbol 7201) and NASDAQ (ticker symbol NSANY).

As at March 31, 2023, the principal subsidiaries and the Company's percentage interest (directly or indirectly) are as follows (collectively referred to as the Group):

Subsidiaries	Country of Incorporation	Equity Holdings
Nissan Global Reinsurance Trust (NGRe Trust)	USA	100%
Nissan Extended Services, North America G.P. (NESNA G.P.)	USA	100%
Nissan Extended Services, North America Inc. (NESNA Inc.)	USA	100%
Nissan Reinsurance International, Inc. (NRI)	USA	100%
Nissan Motor Insurance Services Corporation (NMISC)	USA	100%
Nissan Canada Extended Services, Inc. (NCESI)	Canada	100%
Nissan International Insurance, Ltd. (NII)	Malta	99%
Nissan International Service Company Sarl (NISCS)	Switzerland	100%
Nissan International Services Ltd. (NIS)	Malta	99.9%

(All amounts expressed in Thousands of United States Dollars unless otherwise stated)

1. Operations (continued)

Subsidiaries	Country of Incorporation	Equity Holdings
Nissan Auto Receivables 2015 – B Grantor Trust Asset Backed Certificates (Grantor Trust)	USA	100%
Nissan Auto Receivables 2016 – A Grantor Trust Asset Backed Certificates (Grantor Trust)	USA	100%
Nissan Auto Receivables 2016 – B Grantor Trust Asset Backed Certificates (Grantor Trust)	USA	100%
Nissan Auto Receivables 2017 – A Grantor Trust Asset Backed Certificates (Grantor Trust)	USA	100%
Nissan Auto Receivables 2017 – B Grantor Trust Asset Backed Certificates (Grantor Trust)	USA	100%
Nissan Auto Receivables 2018 – A Grantor Trust Asset Backed Certificates (Grantor Trust)	USA	100%
Nissan Auto Receivables 2018 – B Grantor Trust Asset Backed Certificates (Grantor Trust)	USA	100%

NGRe reinsures NML and its subsidiaries' product liability risk.

NESNA G.P. and NESNA Inc. (collectively referred to as NESNA) sell vehicle service and maintenance contracts on vehicles in the United States of America (USA). NESNA offers a variety of products: (1) Security+Plus, (2) QualityGuard+Plus, (3) Elite-Infiniti Extended Protection Plan (IEPP), (4) Certified Pre-Owned (CPO) service agreements, (5) Maintenance+Plus Agreement, (6) Infiniti Elite Maintenance Agreement and (7) QualityGuard+Plus Maintenance Agreement. A vehicle service contract provides various coverages for a vehicle during and after the warranty has expired. In addition, NESNA offers branded ancillary products.

1. Operations (continued)

Through March 2018, NESNA reinsured the extended service contracts comprising of Security+Plus, QualityGuard+Plus, IEPP and CPO programs with NGRe through a 100% quota share arrangement. NESNA moved to an excess loss structure relationship with NGRe for sales occurring after March 2018. For those sales, NESNA reinsures claims in excess of $200 per instance with NGRe. NESNA retains the Maintenance+Plus Agreements, Infiniti Elite Maintenance Agreements and QualityGuard+Plus Maintenance Agreements. Under the CPO contracts, Nissan North America (NNA) retained a minimal fee per contract sold and is liable to provide the goodwill protection.

Effective April 1, 2018, NESNA assumed the dealer incentive program where independent car dealerships in the USA can be paid advances in anticipation of future vehicle service contract sales and can earn a commission of up to 50% of the product cost by meeting certain sales performance levels.

NMISC was incorporated on February 25, 1991, in the State of California and NESNA G.P. acquired 100% of the ownership on August 1, 2014. NMISC is a licensed property and casualty insurance agency for the sale of insurance to authorized Nissan and Infiniti dealers.

NRI was incorporated in the State of Tennessee on March 15, 2016, as a wholly-owned subsidiary of NESNA Inc. Effective April 1, 2016, NRI reinsures the marine and property risks of NGRe and insures excess workers' compensation and employers' liability risks of NNA. Effective April 1, 2018, NRI directly reinsures the property and marine cargo risks of NML and its subsidiaries with third-party insurers.

NCESI is situated in Canada and was incorporated on March 6, 2008, to offer a variety of vehicle service and maintenance contracts in Canada for Nissan and Infiniti vehicles. The Company assumes 90% of the risk for the vehicle service contracts under a risk transfer agreement for all areas except Alberta, where 100% of the risk is assumed. In addition, NCESI offers branded ancillary products.

NII is situated in Malta and was incorporated on July 9, 2008, to offer a variety of extended warranty contracts in Europe.

1. Operations (continued)

NISCS is situated in Switzerland and was incorporated on March 31, 2015, to provide various services in Switzerland including service contracts directly or indirectly related to the automotive business as well as to develop, maintain and charge usage fees for computer software in particular for Nissan group companies.

NIS, Ltd. is situated in Malta and was incorporated on November 4, 2020, to offer a variety of extended warranty contracts in Europe.

NGRe entered into reinsurance agreements to accept risks associated with vehicle service contracts from unrelated parties in Japan, China, and Mexico. In 2019, NGRe added two new markets Australia and the Middle East.

NGRe assumes 70% of all insurance risk issued relating to Payment Protection for a Mexican life Insurance Company.

NGRe entered into a gap coverage agreement in Mexico to assume 50% of the risk relating to the amount paid to the customer for the difference between the vehicle's commercial value and invoice value in case of total loss or theft during the third year of the financial plan effective December 1, 2018.

NGRe assumes 80% of all insurance risk issued relating to Loan Protections and Cancer for Nissan Leasing Thailand Co, Ltd.

During 2018, the following changes in the Company's operational structure occurred:(a) effective April 1, 2018, NESNA directly took over the dealer reinsurance program for one dealer reinsurance company; and (b) NGRe and another dealer reinsurance company entered into a termination agreement to release NGRe from its obligations under the reinsurance agreement effective December 31, 2017. In doing so, NGRe has provided monetary consideration for the production of vehicle service contracts before 2018 through the related dealership group that were reinsured by NGRe. This payment is recorded as deferred acquisition costs and amortized in line with the earning of the related premiums. In addition, the dealership group has been enrolled in NESNA's dealer dividend program effective January 1, 2018.

Effective April 2, 2019, NESNA directly took over the dealer reinsurance program for all dealer reinsurance companies with a ceding relationship with NGRe.

2. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which consist of standards issued or adopted by the International Accounting Standards Board (IASB) and Interpretations issued by its Standing Interpretations Committee. When IFRS is silent, as it is in respect of the measurement of insurance products, the IFRS framework allows reference to another comprehensive body of accounting principles. In this instance, the Company defers to accounting principles generally accepted in the USA (US GAAP).

The accounting policies adopted are consistent with those of the previous financial years.

The Company has taken into account the following new and revised IFRS standards that have been issued and effective during the financial year.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform: In August 2020, the IASB issued phase 2 to provide temporary reliefs to address the financial reporting effects when interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The effective date is for annual periods beginning on or after January 1, 2021. These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships or transactions impacted by IBOR.

- Amendments to IFRS 16: In May 2020, the IASB amended IFRS 16 to provide relief to lessees from applying IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. These amendments had no impact on the consolidated financial statements of the Group as the entities received no such relief.

2. Significant Accounting Policies (continued)

The Company has not early adopted the following new and revised IFRS that have been issued but are not yet effective in these consolidated financial statements. The Company intends to adopt these standards when they become effective.

- IFRS 17 Insurance Contacts: In May 2017, the IASB issued IFRS 17, a comprehensive new accounting standard covering a number of significant changes regarding the measurement and disclosure of insurance contracts both in terms of liability measurement and profit recognition. IFRS 17 will be mandatorily effective for annual reporting periods beginning on or after January 1, 2021, and will replace IFRS 4. In November 2018, the IASB tentatively deferred the effective date of IFRS 17 to January 1, 2021. In March 2020, the IASB proposed changes to defer the effective date of IFRS 17 including IFRS 9 application for qualifying insurance entities for first time reporting periods beginning on or after January 1, 2023. The Company will continue to assess the potential impact of the new standard on its financial statements and the presentation and disclosure thereof.

  The Company currently applies IFRS 4 Insurance Contracts which specifies the financial reporting for insurance contracts by an insurer. The standard was issued by the IASB as the first phase in their project to develop a comprehensive standard for insurance contracts.

- IFRS 9 Financial Instruments: In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, although it has been deferred for insurers until January 1, 2023, to align with the implementation of IFRS 17 for entities with activities predominantly connected with insurance within the scope of IFRS 4 and meet the set criteria.

- The Company evaluated its liabilities as of March 31, 2022 and March 31, 2023, and concluded that more than 90% represents liabilities arising from insurance contracts within the scope of IFRS 4. As of the same date, the Company's predominant activities were also established to be insurance related as evidenced through revenues reported in the consolidated financial statements.

2. Significant Accounting Policies (continued)

Further, the Company has not previously applied any version of IFRS 9. Therefore, the Company is an eligible insurer that qualifies for temporary exemption from the application of IFRS 9. As of January 1, 2018, the Company has elected to apply the optional temporary exemption under IFRS 4 that permits the deferral of the adoption of IFRS 9 for eligible insurers. The Company will continue to apply IAS 39 and will monitor the progress of the project in order to assess any potential impact the new standard will have on its results and the presentation and disclosure thereof.

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current: In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. IAS 1 is effective for annual periods beginning on or after January 1, 2023. The Company willcontinue to assess the potential impact of the new standard on its financial statements and the presentation and disclosure thereof.

- Amendments to IAS 1 and IFRS Practice Statement 2: In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 to help entities apply materiality judgements to accounting policy disclosures. IAS 1 is effective for annual periods beginning on or after January 1, 2023. The Company will assess the potential impact of the new standard on its financial statements and the presentation and disclosure thereof.

2. Significant Accounting Policies (continued)

- Amendments to IAS 8: In February 2021, the IASB issued amendments to IAS 8 to introduce a new definition of accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Additionally, the amendments clarify how entities use measurement techniques and inputs to develop accounting estimates. IAS 8 is effective for annual periods beginning on or after January 1, 2023. The Company will assess the potential impact of the new standard on its financial statements and the presentation and disclosure thereof.

The Consolidated Statements of Financial Position of the Group is presented in order of decreasing liquidity.

The significant accounting policies adopted in preparing the consolidated financial statements are summarized as follows:

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in United States Dollars (USD), being at par with Bermudian dollars, as most of the transactions are conducted in USD and reflect the economic substance of the underlying events and circumstances of the Group. The amounts have been rounded to the nearest thousand dollar.

2. Significant Accounting Policies (continued)

Principles of Consolidation

The Group's consolidated financial statements include the assets, liabilities, shareholder's equity, revenues, expenses, and cash flows of NGRe and its subsidiaries. A subsidiary is an entity in which the Company owns, directly or indirectly, more than 50% of the voting power of the entity or otherwise has the power to govern its operating and financial policies. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee.
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.
- The results of subsidiaries acquired are included in the consolidated financial statements from the date on which control is transferred to the Company. Intercompany balances, profits and transactions are eliminated upon consolidation. Subsidiaries' accounting policies are consistent with the Company's accounting policies.

Use of Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported and disclosed amounts at the Consolidated Statements of Financial Position date, and the reported and disclosed amounts of revenues and expenses during the reporting period. Actual results may differ materially from the estimates. The most significant estimate made by management is in relation to the reserve for losses and loss expenses.

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash, money market funds, and short-term time deposits with original maturities of three months or less. The carrying amounts reported in the Consolidated Statements of Financial Position for these instruments approximate their fair values.

Loans Receivable from Related Parties

Loans receivable are financial assets with fixed or determinable payments that are not held-for-trading and are measured at amortized cost using the effective interest method less impairment losses. Interest is earned on the accrual basis.

Dealer Dividend Advances

Dealer dividend advances are paid to independent car dealerships in the USA in anticipation of future vehicle service contract sales. Amounts are reclassified as deferred acquisition costs based on sales levels achieved by the car dealerships over time.

Deferred Acquisition Costs

Commissions and other costs incurred in the acquisition of new business and renewal of existing business are deferred and amortized over the terms of the respective policies and contracts of reinsurance to which they relate, in the same manner as the related premiums. Anticipated losses and loss expenses, based on historical and current experience, and anticipated investment income related to those premiums are considered in determining the recoverability of deferred acquisition costs (DAC).

Deferred dealer dividends are amortized consistent to the premium and earnings curve.

2. Significant Accounting Policies (continued)

Intangible Assets

Intangible assets, included in other assets, consist of computer software licenses for vehicle service contracts and are capitalized on the basis of the costs incurred to acquire and bring the software into use. These costs are amortized over the asset's useful economic life and assessed for impairment whenever there is an indication that it may be impaired. The amortization period and the amortization method for intangible assets are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in the Consolidated Statements of Comprehensive Income in general and administrative expenses.

Impairment of Assets

The Group assesses at each Consolidated Statements of Financial Position date, or more frequently, when changes in circumstances indicate that the carrying amount may not be recoverable. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from repossession less costs of obtaining and selling the collateral, whether or not repossession is probable. The carrying amount of financial assets are reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying value is reduced through the use of an allowance account. Subsequent recoveries of amounts previously written off, brought about by an occurrence of an objective event after the impairment date, are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

2. Significant Accounting Policies (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Payments made under operating leases were charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the period of the lease.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

2. Significant Accounting Policies (continued)

Company as a Lessee (continued)

ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Other Liabilities in the Consolidated Statement of Financial Position.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

2. Significant Accounting Policies (continued)

Losses and Loss Expenses

The estimated reserves for losses and loss expenses includes the accumulation of estimates for losses and loss expenses reported prior to the Consolidated Statements of Financial Position date, estimates (based on projection of historical developments) of losses incurred but not reported (IBNR), and estimates of expenses for investigating and adjusting all incurred and unadjusted claims. Reserves for losses and loss expenses for excess workers' compensation and employers' liability, and the product liability programs are primarily discounted at a 4.43% and 4.36% (2022 – 2.90%) interest rate respectively over a five year (2022 – five year) expected claim settlement period based on the Company's anticipated investment performance. Had the Company provided for losses at undiscounted levels, losses and loss expenses provisions would have increased by $31,344 (2022 – $18,573) and the reserve for losses and loss expenses would be $462,881 (2022 – $395,685). Reserves for losses and loss expenses for the other insurance programs are not discounted as they are considered short tailed business.

Amounts reported are subject to the impact of future changes in economic and social conditions. Management believes that the reserve for losses and loss expenses will be reasonable to cover the ultimate net cost of losses incurred to the Consolidated Statements of Financial Position date, but the provision is an estimate and may ultimately be settled for a significantly greater or lesser amount. It is at least reasonably possible that management will revise this estimate significantly in the near term. Any subsequent differences arising are recorded in the period in which they are determined.

Funds Withheld

Funds withheld are financial liabilities relating to the reinsurance ceded business. Interest expense is recorded on an accrual basis.

2. Significant Accounting Policies (continued)

Fair Value Measurements

The Company uses a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of March 31, 2023 and 2022, the Company held no financial assets and liabilities that are required to be measured at fair value on a recurring basis.

The Group's financial instruments include cash and cash equivalents, accounts receivable, loans and insurance balance receivable and accounts and insurance balances payable. All of these financial instruments are accounted for on an historical cost basis. Due to the short-term nature of receivables and payables, the carrying values approximate fair value at the statement of financial position date. The Loans receivable bear interest at current market rates thus their carrying value approximates their fair value. Refer to discussion on proceeding page for Derivative Financial assets.

Derivative Financial Assets

The Company uses derivatives mainly for the purposes of minimizing its exposure to adverse fluctuations in foreign currency exchange rates on intercompany loans denominated in foreign currencies, but does not enter into such transactions for speculative purposes. Derivative financial assets are stated at fair value. The fair value and unrealized gain or loss on derivative transactions are estimates that are considered appropriate based on the market at the statement of financial position date and, thus, the fair value is not necessarily indicative of the actual amounts that might be realized or settled in the future. The Company at the inception of a new derivative transaction determines whether to apply hedge accounting or not. As of March 31, 2023, the Company had one outstanding derivative transaction.

Accruals for Expenses and Commitments

Accruals are made when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

2. Significant Accounting Policies (continued)

Income Taxes

As a company organized under the laws of Bermuda, NGRe is not subject to taxation in Bermuda. Income tax provisions relate to the consolidated subsidiaries and are based on the asset and liability method. Deferred federal taxes have been provided for related to temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. A valuation allowance against a deferred tax asset is recorded if it is more likely than not that all, or some portion, of the benefits relating to deferred tax assets will not be realized. In making such determination, the Group considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations.

Premiums

Premiums are earned on a monthly pro-rata basis over the terms of the policies. Premiums applicable to the unexpired terms of the underlying policies are recorded as unearned premiums. Premiums relating to certain policies insured by the Company are subject to adjustment based on the results of future reviews of premium bases. The Company has accrued the estimated ultimate premiums based on management's best estimates of the premium bases. Adjustments to this estimate will be recorded in the Company's Consolidated Statements of Comprehensive Income in future years when such adjustments become known. Vehicle service and maintenance contract premiums are recognized in proportion to the expected emergence of claims. The portion of premiums that will be earned in the future is deferred and reported as unearned premiums.

Ceded Reinsurance Premiums

Ceded reinsurance premiums comprise the cost of reinsurance contracts entered into by the Company. Ceded reinsurance premiums are accounted for in the period in which the contract is bound. The provision for reinsurers' share of unearned premiums included in the deferred reinsurance premiums balance represents that part of reinsurance premiums ceded which are estimated to be earned in future financial periods. Unearned reinsurance commissions are recognized as a liability using the same principles and are included in the deferred ceding commission balance. Any amounts recoverable from reinsurers are estimated using the same methodology as the underlying losses.

2. Significant Accounting Policies (continued)

The Group monitors the credit-worthiness of its reinsurers on an ongoing basis and assesses any reinsurance assets for impairment, with any impairment loss recognized as an expense in the period in which it is determined.

Interest Income

Interest income is recorded on the accrual basis.

Other Income

Other income consists primarily of commission payments on ancillary products, service fees earned from providing administrative support to NNA and contract cancellation fees charged to customers when they cancel a contract. These fees are recorded as the services are provided.

Foreign Currency Translation

Transactions included in the consolidated financial statements of each of the controlled entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency) at average annual exchange rates. Monetary assets and liabilities are revalued to the functional currency at closing exchange rates, whereas non-monetary assets and liabilities are revalued to the functional currency at historical rates. Gains and losses on revaluation are reported in earnings.

The consolidated financial statements are presented in USD, which is the Company's presentation currency. Assets and liabilities of subsidiaries with functional currencies other than USD are translated from the functional currency to USD at closing rates. Revenues and expenses are translated at average exchange rates. Translation adjustments are reported as part of accumulated other comprehensive income in the Consolidated Statements of Changes in Shareholder's Equity.

(All amounts expressed in Thousands of United States Dollars unless otherwise stated)

3. Cash and Cash Equivalents

	March 31 2023	March 31 2022
Cash	**$ 383,175**	$ 163,213
Cash in transit	**95,545**	299,495
Money market funds	**1,188,696**	366,553
Short-term deposits	**–**	1,085,574
	$ 1,667,416	$ 1,914,835

The effective interest rates earned were as follows:

	March 31 2023	March 31 2022
Cash	**0.30%**	(0.01)%
Money market funds	**1.64%**	0.94%
Short-term deposits	**4.58%**	0.30%

4. Deferred Acquisition Costs

The following table summarizes the deferred acquisition costs activity:

	March 31 2023	March 31 2022
Opening deferred acquisition costs	**$ 307,675**	$ 325,971
Expenses deferred	**62,568**	94,769
Amortization	**(121,355)**	(117,103)
Foreign exchange translation impact	**4,051**	4,038
Ending deferred acquisition costs	**$ 252,939**	$ 307,675

(All amounts expressed in Thousands of United States Dollars unless otherwise stated)

5. Unearned Premiums

The following table summarizes the unearned premiums reserve activity:

	March 31 2023	March 31 2022
Opening unearned premiums	**$ 1,366,733**	$ 1,411,156
Gross premiums written	**680,515**	722,590
Premiums earned	**(752,282)**	(759,269)
Foreign exchange translation impact	**(10,565)**	(7,744)
Ending unearned premiums	**$ 1,284,401**	$ 1,366,733

6. Reserves for Losses and Loss Expenses

Activity in the reserves for losses and loss expenses is summarized as follows:

	March 31 2023	March 31 2022
Opening net reserves for losses and loss expenses	**$ 377,112**	$ 337,287
Incurred related to:		
Current year	**404,077**	346,538
Prior years	**10,331**	(9,620)
Total incurred	**414,408**	336,918
Paid related to:		
Current year	**210,606**	201,147
Prior years	**145,419**	91,570
Total paid	**356,025**	292,717
Foreign exchange translation impact	**(6,732)**	(4,376)
Change in deferred gain	**2,774**	–
Ending reserves for losses and loss expenses	**$ 431,537**	$ 377,112

Notes to the Consolidated Financial Statements (continued)

(All amounts expressed in Thousands of United States Dollars unless otherwise stated)

6. Reserves for Losses and Loss Expenses (continued)

The reinsurance recoverable is included in other assets.

The following loss development table reflects the cumulative incurred claims for each successive accident year at each Consolidated Statements of Financial Position date, together with cumulative payments to date.

Accident year at end of	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Accident year	310,482	319,435	312,761	316,832	319,146	346,752	350,091	351,750	333,593	320,406	318,655
One year later	309,724	315,300	310,935	315,455	303,493	304,080	369,077	381,312	320,604	376,050	-
Two years later	284,250	298,654	313,543	305,798	288,107	280,286	349,815	345,701	327,394	-	-
Three years later	279,814	290,243	305,280	315,679	288,029	256,575	355,735	359,002	-	-	-
Four years later	269,568	304,082	328,640	313,980	286,826	325,064	376,315	-	-	-	-
Five years later	268,504	295,711	334,857	12,212	283,218	321,984	-	-	-	-	-
Six years later	271,141	299,644	344,345	310,628	294,182	-	-	-	-	-	-
Seven years later	271,279	311,903	344,993	312,079	-	-	-	-	-	-	-
Eight years later	281,004	312,296	339,282	-	-	-	-	-	-	-	-
Nine years later	285,744	328,472	-	-	-	-	-	-	-	-	-
Ten years later	277,044	-	-	-	-	-	-	-	-	-	-
Current estimate of cumulative claims	277,044	328,472	339,282	312,079	294,182	321,984	376,315	359,002	327,394	376,050	318,655
Accident year	(209,763)	(204,226)	(183,116)	(185,488)	(172,904)	(192,370)	(261,885)	(233,517)	(216,447)	(209,943)	(236,592)
One year later	(237,380)	(252,009)	(246,331)	(259,506)	(244,922)	(242,446)	(316,088)	(319,874)	(230,572)	(247,705)	-
Two years later	(246,501)	(258,909)	(263,024)	(274,130)	(255,305)	(229,057)	(316,218)	(309,117)	(255,038)	-	-
Three years later	(254,842)	(263,136)	(279,872)	298,019)	(258,239)	(227,835)	(331,191)	(286,128)	-	-	-
Four years later	(256,282)	(271,118)	(320,037)	(300,143)	(262,824)	(302,668)	(357,424)	-	-	-	-
Five years later	(262,254)	(274,956)	(322,345)	(303,049)	(265,197)	(306,164)	-	-	-	-	-
Six years later	(265,335)	(275,724)	(337,125)	(302,025)	(271,374)	-	-	-	-	-	-
Seven years later	(265,867)	(276,209)	(338,970)	(302,617)	-	-	-	-	-	-	-
Eight years later	(275,787)	(276,278)	(340,905)	-	-	-	-	-	-	-	-
Nine years later	(276,122)	(328,405)	-	-	-	-	-	-	-	-	-
Ten years later	(276,151)	-	-	-	-	-	-	-	-	-	-
Cumulative payments to date	(276,151)	(328,405)	(340,905)	(302,617)	(271,374)	(306,164)	(357,424)	(286,128)	(255,038)	(247,705)	(236,592)
Closing liabilities	893	67	(1,623)	9,462	22,808	15,820	18,891	72,874	72,356	128,345	82,063
Subtotal – closing liabilities											$ 421,956
Liabilities of underwriting years prior to 2013											$ 9,581
Liabilities recognized in the Consolidated Statements of Financial Position											$ 431,537

6. Reserve for Losses and Loss Expenses (continued)

The Company experienced overall unfavorable development of $10,331 during the year ended 31 March 2023 (2022 – $9,620 favorable). The product liability program experienced higher expected losses of $54,995 (2022 – $18,204) due to the adverse development in the settlement amount of a single large claim in the United States for the 2012 underwriting year. On the other hand, the property program experienced lower than initially anticipated loss claims development mostly for the 2019 to 2021 underwriting years (2022 – 2018 to 2020) which resulted in a $11,062 (2022 – $13,927) favorable change. The remaining favorable development of $33,602 related to prior underwriting years was primarily related to favorable prior year loss reserve adjustments to Marine for $12,956, Japan for $12,175, ESC NESNA for $5,023, ESC Mexico for $2,232 and others for the total amount of $1,216.

7. Reinsurance

NGRe and NRI have the following irrevocable unsecured letters of credit (LOC):

a) LOC of $35,000 (2022 – $35,000) with Mizuho Corporate Bank, Ltd. issued to American Bankers Insurance Company of Florida as beneficiary for USA vehicle service contracts requiring surety clips.

b) LOC of $23,636 (2022 – $24,709) with NMAC. issued to Sompo Japan Nipponkoa Insurance Inc. as beneficiary for global property insurance program.

c) LOC of $12,468 (2022 – $11,650) with NMAC. issued to Tokio Marine & Nichido Fire Insurance Co., Ltd. as beneficiary for global marine insurance program.

d) LOC of $3,896 (2022 – $3,641) with NMAC issued to Mitsui Sumitomo Insurance Co., Ltd. as beneficiary for global marine insurance program.

e) LOC of $20,000 (2022 – $Nil) with MUFG Union Bank, N.A. issued to Starr Marine as beneficiary for global marine insurance program.

f) LOC of $1,420 (2022 – $1,420) with Mizuho Corporate Bank, Ltd. issued to American Bankers Insurance Company of Florida as beneficiary for Canada vehicle service contracts requiring mechanical breakdown insurance.

g) LOC of $3,000 (2022 – $3,000) with Mizuho Corporate Bank, Ltd. issued to Wesco Insurance Company as beneficiary for ESC NESNA High Mileage insurance risks.

(All amounts expressed in Thousands of United States Dollars unless otherwise stated)

7. Reinsurance (continued)

The effect of reinsurance on net premiums written and earned is as follows:

	March 31			
	2023		2022	
	Written	**Earned**	**Written**	**Earned**
Inward direct	**$ 394,895**	**$ 470,838**	$ 436,733	$ 474,467
Inward assumed	**285,620**	**281,444**	285,857	284,802
Gross premiums	**680,515**	**752,282**	722,590	759,269
Ceded premiums	**(17,975)**	**(20,930)**	(16,290)	(20,813)
Net premiums	**$ 662,540**	**$ 731,352**	$ 706,300	$ 738,456

8. General and Administrative Expenses

The following table summarizes the components of the Group's general and administrative expenses:

	March 31	
	2023	**2022**
Salaries and employee benefit expenses	**$ 9,374**	$ 8,636
Information technology expenses *(Note 19(b))*	**5,309**	6,113
Depreciation and Amortization expense	**1,307**	1,094
Office expenses	**4,121**	2,499
Management and consulting fees	**1,365**	2,734
Service contract support costs	**2,729**	2,791
Sales and Marketing	**634**	534
Government and secretarial fees	**534**	566
Tax fees	**(14)**	541
Other miscellaneous expenses	**573**	264
Letter of credit fees	**186**	267
	$ 26,118	$ 26,039

(All amounts expressed in Thousands of United States Dollars unless otherwise stated)

8. General and Administrative Expenses (continued)

Salaries and employee benefit expenses are further classified as follows:

	March 31 2023	March 31 2022
Wages and salaries	**$ 7,951**	$ 7,549
Employee benefits	**1,340**	1,011
Employee lease allowance	**83**	76
	$ 9,374	$ 8,636

Management and consulting fees are further classified as follows:

	March 31 2023	March 31 2022
Consulting fees	**$ 1,530**	$ 1,449
Management fees	**488**	466
Audit fees	**(803)**	689
Legal fees	**150**	130
	$ 1,365	$ 2,734

9. Accounts Payable and Accrued Liabilities

The following table summarizes the components of the Group's accounts payable and accrued liabilities:

	March 31 2023	March 31 2022
Accounts payable	**$ 15,614**	$ 3,086
Accruals	**25,611**	40,937
Commodity and premium taxes payable	**670**	1,589
Commissions payable	**984**	796
Other	**398**	437
	$ 43,277	$ 46,845

(All amounts expressed in Thousands of United States Dollars unless otherwise stated)

10. Leases

The Group leases office premises. In 2019, the Company entered into a new lease agreement with a third party (Lessor) for the rental of office space for a period of one year with no option to renew. During 2019 the Company entered into a new lease agreement to occupy a new office space for the next fiscal year with an effective date of December 1, 2019, for a rental period of five years with no option to purchase the asset. In addition, NII also has a lease effective 2022 for a period of five years.

	March 31 2023	**March 31 2022**
Right-of-use asset		
Right-of-use asset beginning of year	**$ 281**	$ 444
Additions	**423**	–
Less depreciation for the year	**151**	163
Right-of-use asset end of year	**$ 553**	$ 281
Lease liabilities		
Lease liability beginning of year	**$ 312**	$ 505
Lease Additions	**423**	–
Interest expense on lease	**59**	(8)
Less lease payments	**197**	185
Lease liability end of year	**$ 597**	$ 312

11. Issued Capital

	March 31 2023	**2022**
Capital stock is comprised of:		
Authorized, issued and fully paid:		
120,000 shares of U.S. $1 each par value	**$ 120**	$ 120

The Company was incorporated with minimum capital of $120. The capital was then issued by the creation of 120,000 common shares with a par value of $1.00 each. All authorized shares were issued at par for cash to the Parent company.

12. Additional Paid-in Capital

Additional paid-in capital represents additional contributions to capital made by the Parent company.

13. Statutory Requirements

The Act and Related Regulations require the Company to maintain minimum levels of solvency and liquidity. At March 31, 2023, the minimum required solvency and liquidity level was $73,450 (2022 – $54,722) and actual statutory capital and surplus was $1,105,357 (2022 – $1,787,892). In addition, a minimum liquidity ratio must be maintained whereby relevant assets, as defined by the Act, must exceed 75% of relevant liabilities. As at March 31, 2023 and 2022, the liquidity ratio was met.

The Maltese Insurance Business Act 1998 requires that NII hold regulatory capital and maintain minimum levels of solvency. NII is in compliance with the Solvency II capitalization requirements based on the latest unaudited capitalization requirement calculations as at March 31, 2023, and 2022.

The State of Tennessee's Division of Insurance requires that NRI hold cash in a restricted depository account naming the Tennessee Commissioner of Insurance as the beneficiary. NRI is in compliance with this requirement and its restricted cash is with a US bank and is included in cash and cash equivalents.

NGRe has completed its 2023 Bermuda Solvency Capital Requirement and it exceeds the target level of required capital.

There are no statutory requirements applicable to NCESI, NESNA, NMISC and NISCS.

(All amounts expressed in Thousands of United States Dollars unless otherwise stated)

14. Income Taxes

Bermuda

As a company organized under the laws of Bermuda, the Company is not subject to taxation in Bermuda, as Bermuda does not impose any form of taxation on receipts, dividends, capital gains, gifts or net income. In the event that such taxes are levied, the Company has received an assurance from the Bermuda government to be exempted from all such taxes until March 31, 2035.

United States of America

NGRe does not consider itself to be engaged in trade or business in the USA and, accordingly, does not expect to be subject to USA taxation on its Bermuda operations.

The Company's USA-domiciled subsidiaries, NESNA G.P., NESNA Inc., NMISC and NRI are subject to USA taxation. The subsidiaries are treated as insurance companies for federal income tax purposes and accordingly are allowed a deduction for losses and loss expenses and are taxed on premium income as earned.

Due to its Canadian, Maltese, and Swiss subsidiaries, NCESI, NII, and NISCS, the subsidiaries of the Company are also subject to Canadian, Maltese, and Swiss taxation.

The provision for income taxes consists of the following:

	March 31	
	2023	**2022**
Current:		
Federal	**$ 38,574**	$ 25,171
State	**8,111**	1,868
Total current expense (benefit)	**46,685**	27,039
Deferred:		
Federal	**(7,189)**	275
State	**(977)**	10,755
Total deferred (benefit) expense	**(8,166)**	11,030
Income tax expense	**$ 38,519**	$ 38,069

(All amounts expressed in Thousands of United States Dollars unless otherwise stated)

14. Income Taxes (continued)

The actual income tax expense attributable to income for the year ended March 31, 2023, differs from the amount computed by applying the combined effective rate of Nil% (2022 – Nil%) under Bermuda law to income before income tax expense, and is a result of the following:

	March 31 2023	March 31 2022
Computed expected tax expense	**$ –**	$ –
Tax expense effect of foreign taxes	**38,519**	38,069
Income tax expense	**$ 38,519**	$ 38,069

The components of the deferred income tax assets and liabilities are as follows:

	March 31 2023	March 31 2022
Deferred income tax assets:		
Deferred ceding commission	**$ 2,239**	$ 4,243
Accrued vacation	**65**	64
Loss carry-forwards – State	**112**	112
Advance maintenance contract payments	**35,624**	33,074
State benefit on unearned premium reserve	**8,885**	9,312
Unearned premiums reserves	**21,478**	22,401
Discount on loss reserve	**2,013**	1,677
Other	**9,201**	9,893
Total deferred income tax assets before valuation allowance	**$ 79,617**	$ 80,776
Valuation allowance	**(505)**	(706)
Total deferred income tax assets after valuation allowance	**$ 79,112**	$ 80,070
Deferred income tax liabilities:		
Deferred reinsurance premiums	**$ 62,583**	$ 65,260
Deferred acquisition costs	**47,666**	53,071
Other	**10,558**	11,600
Total deferred income tax liabilities	**$ 120,807**	$ 129,931
Net deferred income tax liabilities	**$ 41,695**	$ 49,861

(All amounts expressed in Thousands of United States Dollars unless otherwise stated)

14. Income Taxes (continued)

NESNA's federal net operating loss carryforwards per the filed return, including subsequent Internal Revenue Service (IRS) appeals adjustments, at March 31, 2023 and 2022, totaled $Nil and $40,500, respectively, resulting in a deferred tax benefit of $Nil and $8,500, respectively. State net operating loss carryforwards at March 31, 2023 and 2022, totaled $57,900 and $96,600, respectively, resulting in a deferred tax benefit of $4,000 and $6,700, which will expire between 2023 and 2037. NESNA's uncertain tax position subsequently eliminates its federal net operating loss carryforward deferred tax assets and its state net operating loss carryforwards deferred tax assets as of March 31, 2023 and March 31, 2022, for each year after applying uncertain tax position.

NESNA established a valuation allowance of $505 (2022 – $706) as of March 31, 2023, related to the utilization of state net operating losses. Due to changes in state tax laws, NESNA is more likely than not that it will not recognize the full benefit of its state net operating loss carryforwards. These net operating loss carryforwards will begin to expire in 2023.

The following table summarizes the activity related to NESNA's gross unrecognized tax benefit from uncertain tax positions:

	March 31	
	2023	**2022**
Balance as of April 1	**$ 79,112**	$ 88,639
Additions for tax positions related to:		
Prior years	–	–
Current years	–	–
Reductions related to:		
Prior years	**(3,292)**	(9,527)
Current years	–	–
Balance as of March 31	**$ 75,820**	$ 79,112

14. Income Taxes (continued)

NESNA continues to maintain a total reserve for uncertain tax positions established in prior year and has decreased the reserve by $3,292 to reflect the impact of their uncertain tax position on current year activity. In total, NESNA maintains a total reserve of $75,820. Approximately $3,900 has been recorded net of deferred tax amounts for federal and state net operating losses and the excess is recorded through current tax expense. The total unrecognized tax benefits that, if recognized, would affect the effective tax rate is $3,400 as of March 31, 2023, and $1,800 as of March 31, 2022. NESNA does not expect a significant change in their liability for uncertain tax positions in the next twelve months.

For purposes of calculating federal income taxes, NESNA has been in a net operating loss position through the tax year ended December 31, 2020. If the Company's uncertain tax position is not sustained, the Company will be required to pay Federal income taxes beginning with the tax year ended December 31, 2021. As the Company made $8,750 extension tax payments for tax year 2022, the Company accrued federal interest expense of $7,500 related to the uncertain tax position. The Company has not yet accrued interest for the tax year ended December 31, 2022, as the Company has not yet filed its income tax return for that period. Similarly, while the Company is also in a net operating loss position for state income tax purposes, the realization of the uncertain tax position will result in the Company having current state income tax exposure. As a result, the Company has recorded $3,500 of state interest expense related to its uncertain tax position. The Company has not accrued any penalties related to the uncertain tax position as the Company believes that it is more likely than not that there will not be any assessment of penalties. The Company's policy is to include interest and penalties associated with tax uncertainties within income tax expense.

The Company has reached a settlement with the IRS for tax returns for the calendar years ending December 31, 2014 through December 31, 2016. The Company's tax returns for the calendar years ending December 31, 2017 through December 31, 2019, remain subject to examination by the IRS for U.S. federal tax purposes. The IRS is conducting an audit of tax years 2017 through 2019. As of the date of these financial statements, the Company has not been made aware of any proposed adjustments by the IRS.

15. Risk Disclosures

The primary objective of the Company is to manage risks within the Group and protect the various associated companies individually and collectively from determined risks whilst retaining certain level of risks within the Group subject to management's risk appetite. The Company is exposed to risks from several areas.

Operational Risk

Operational risks are an inevitable consequence of being in business. Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems. The Company has identified its key operational risks which are incorporated in the Risk Management Framework. In order to manage operational risks, the Group has implemented a robust governance framework which includes a code of conduct, a governance policy, a process manual and a risk management framework. Policies and procedures are documented and identify the key risks and controls within processes. The framework is reviewed by management annually.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Company is comprised of three types of risk: foreign exchange rates (currency risk), market interest rates (interest risk), and liquidity risk.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in USD and its exposure to foreign exchange risk arises primarily with respect to Japanese Yen (JPY). The Company has two loan receivables from related parties in EUR of which the original currency is USD. The Company has an FX Swap to cover FX exposure on one of these loans. The other loan is offset by a loan payable in EUR to another related party for the same amount. The Company also has transactions in Canadian Dollars (CAD), Euros (EUR), Polish Zloty (PLN), Russian Rubles (RUB), British Pounds (GBP) and Swiss Francs (CHF) through its Canadian, Maltese and Swiss subsidiaries. The Company also has Chinese Yuan (CNY), Mexican Peso (MXN), Thailand Bhat (THB) and Australian Dollar (AUD) exposure through its China ESC, Mexico ESC, Mexico PPI, Mexico Gap, Thailand PPI and ESC Australia businesses. The exposure to foreign exchange risk on these transactions is not material. The Company's financial assets are primarily denominated in the same currencies as its insurance liabilities, which mitigate the foreign currency exchange rate risk.

(All amounts expressed in Thousands of United States Dollars unless otherwise stated)

15. Risk Disclosures (continued)

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	CAD	EURO	JPY	CNY	MXN	PLN	RUB	GBP	CHF	THB	AUD
March 31, 2023											
Cash and cash equivalents	41,332	37,872	5,624,772	6,397	302,266	2,472	2,272	4,673	1,774	23,593	-
Loans receivable from related parties	90,865	-	-	-	-	-	-	-	-	-	-
Insurance balances receivable	4,898	6,568	3,877,547	-	136,418	-	-	-	471	(16,319)	(59)
Accrued interest receivable	472	296	-	-	-	-	-	-	-	-	-
Accounts payable and accrued liabilities	(2,935)	(3,485)	-	-	-	-	-	-	(572)	-	-
Insurance balances payable	-	(111)	-	17	-	-	-	-	-	-	-
Amounts due to affiliates	(300)	-	-	-	-	-	-	-	-	-	-
Reserves for losses and loss expenses	(176)	(1,137)	(2,754,153)	(2,460)	(186,428)	-	-	-	-	(13,566)	-
Gross Consolidated Statement of Financial Position Exposure in original currencies	134,156	40,003	6,748,166	3,954	252,256	2,472	2,272	4,673	1,673	(6,292)	(59)
Gross Consolidated Statement of Financial Position Exposure in U. S. Dollars	$ 99,208	$ 43,655	$ 50,537	$ 575	$ 13,950	$ 578	$ 30	$ 5,794	$ 1,854	$ (184)	$ (40)

(All amounts expressed in Thousands of United States Dollars unless otherwise stated)

15. Risk Disclosures (continued)

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	CAD	EURO	JPY	CNY	MXN	RUB	GBP	CHF	THB	AUD
March 31, 2022										
Cash and cash equivalents	55,190	58,754	5,414,540	23,380	519,812	190,512	2,626	1,783	18,504	–
Loans receivable from related parties	85,000	–	–	–	–	–	–	–	–	–
Insurance balances receivable	4,691	3,733	2,684,250	–	145,728	–	–	280	2,082	(59)
Accrued interest receivable	75	126	–	–	–	–	–	–	–	–
Accounts payable and accrued liabilities	(3,041)	(1,060)	–	–	–	–	–	(312)	–	–
Insurance balances payable	–	(2,112)	–	(15,943)	–	–	–	–	–	–
Amounts due to affiliates	(230)	–	–	–	–	–	–	–	–	–
Reserves for losses and loss expenses	(350)	(857)	(1,233,154)	(2,205)	(145,921)	–	–	–	(7,482)	–
Gross Consolidated Statement of Financial Position Exposure in original currencies	141,335	58,584	6,865,636	5,232	519,619	190,512	2,626	1,751	13,104	(59)
Gross Consolidated Statement of Financial Position Exposure in U. S. Dollars	$ 113,054	$ 65,111	$ 56,096	$ 1,001	$ 26,137	$ 9,162	$ 5,695	$ 1,896	$ 395	$ (44)

(All amounts expressed in Thousands of United States Dollars unless otherwise stated)

15. Risk Disclosures (continued)

The following significant exchange rates were applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2023	**2022**	**2023**	**2022**
CAD	**0.76**	0.80	**0.74**	0.80
EURO	**1.04**	1.16	**1.09**	1.11
CNY	**0.15**	0.16	**0.15**	0.16
JPY	**0.01**	0.01	**0.01**	0.01
MXN	**0.05**	0.05	**0.06**	0.05
PLN	**0.22**	0.25	**0.23**	0.24
RUB	**0.02**	0.01	**0.01**	0.05
GBP	**1.20**	1.37	**1.24**	2.17
CHF	**1.05**	1.09	**1.11**	1.08
THB	**0.03**	0.03	**0.03**	0.03
AUD	**0.68**	0.74	**0.67**	0.75

A strengthening/weakening of the USD, as indicated below, against the foreign currencies at March 31, 2023 and 2022, would have increased (decreased) consolidated shareholder's equity and profit by the amounts shown below. The analysis is based on a foreign exchange movement of 10% up and 10% down against the USD at the year-end spot rate. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted net income. The analysis was performed on the same basis for 2022.

	Strengthening		Weakening	
	Equity ($)	**Profit ($)**	**Equity ($)**	**Profit ($)**
March 31, 2023				
CAD	**(8,048)**	**(2,863)**	**8,048**	2,863
EURO	**(3,578)**	**(244)**	**3,578**	244
JPY	**(5,054)**	**(5,054)**	**5,054**	5,054
CNY	**(57)**	**(57)**	**57**	57
MXN	**(1,395)**	**(1,395)**	**1,395**	1,395
PLN	**(47)**	**–**	**47**	-
RUB	**(2)**	**–**	**2**	-
GBP	**(469)**	**–**	**469**	-
CHF	**(185)**	**–**	**185**	-
THB	**18**	**18**	**(18)**	(18)
AUD	**4**	**4**	**(4)**	(4)
Total	**$ (18,813)**	**$ (9,591)**	**$ 18,813**	$ 9,591

(All amounts expressed in Thousands of United States Dollars unless otherwise stated)

15. Risk Disclosures (continued)

	Strengthening		Weakening	
	Equity ($)	**Profit ($)**	**Equity ($)**	**Profit ($)**
March 31, 2022				
CAD	(9,418)	(4,186)	9,418	4,186
EURO	(5,125)	–	5,125	–
JPY	(5,610)	(5,610)	5,610	5,610
CNY	(100)	(100)	100	100
MXN	(2,614)	(2,614)	2,614	2,614
RUB	(721)	–	721	–
GBP	(448)	–	448	–
CHF	(161)	–	161	–
THB	(39)	–	39	–
AUD	(4)	–	4	–
Total	$ (24,240)	$ (12,510)	$ 24,240	$ 12,510

Interest Rate Risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating interest rate instruments expose the Company to cash flow interest rate risk, whereas fixed interest rate instruments expose the Company to fair value interest rate risk.

The Company is exposed to potential interest rate risk associated with loans receivable from affiliated companies (Notes 19(c) and 19(h)). The Company believes that overall interest rate risk associated with these instruments is not significant.

Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations when they are due without incurring an unreasonable cost. The Company has sufficient funds to meet all current obligations. Liquidity risk is also mitigated by the monthly cash flows from collections of the loans receivable from related parties (Notes 19(c) and 19(h)). The monthly cash inflows from investments are usually greater than cash outflows towards accounts payable and accrued liabilities.

(All amounts expressed in Thousands of United States Dollars unless otherwise stated)

15. Risk Disclosures (continued)

The maturity analysis for the financial assets and liabilities on an undiscounted cash flow basis is as follows:

	Carrying Amount	Up to One Year	To 3 Years	To 5 Years	Over 5 Years
March 31, 2023					
Financial Assets					
Cash and cash equivalents	$ 1,667,416	$ 1,667,416	$ –	$ –	$ –
Loans receivable from related parties	792,270	792,270	–	–	–
Insurance balances receivable	185,890	185,890	–	–	–
Accrued interest receivable	9,940	9,940	–	–	–
Total undiscounted financial assets	$ 2,655,516	$ 2,655,516	$ –	$ –	$ –
Financial liabilities					
Insurance balances payable	$ 3,965	$ 3,965	$ –	$ –	$ –
Accounts payable and accrued liabilities	43,277	43,277	–	–	–
Amounts due to affiliates	17,562	17,562	–	–	–
Reserves for losses and loss expenses*	462,881	234,350	125,038	57,100	46,393
Income taxes payable	98,718	98,718	–	–	–
Funds withheld	37,915	37,915	–	–	–
Other liabilities	4,027	4,027	–	–	–
Total undiscounted financial liabilities	$ 668,345	$ 439,814	$ 125,038	$ 57,100	$ 46,393
Total liquidity gap	$ 1,987,171	$ 2,215,702	$ (125,038)	$ (57,100)	$ (46,393)

*Note – The amount recorded on the balance sheet ($431,537) is the discounted amount at 4.43% and 4,36%.

(All amounts expressed in Thousands of United States Dollars unless otherwise stated)

15. Risk Disclosures (continued)

The maturity analysis for the financial assets and liabilities on an undiscounted cash flow basis is as follows:

	Carrying Amount	Up to One Year	To 3 Years	To 5 Years	Over 5 Years
March 31, 2022					
Financial Assets					
Cash and cash equivalents	$ 1,914,835	$ 1,914,835	$ –	$ –	$ –
Loans receivable from related parties	1,241,752	773,298	468,454	–	–
Insurance balances receivable	230,281	230,281	–	–	–
Accrued interest receivable	2,650	2,650	–	–	–
Total undiscounted financial assets	$ 3,389,518	$ 2,921,064	$ 468,454	$ –	$ –
Financial liabilities					
Insurance balances payable	$ 12,315	$ 12,315	$ –	$ –	$ –
Accounts payable and accrued liabilities	46,845	46,845	–	–	–
Amounts due to affiliates	13,206	13,206	–	–	–
Reserves for losses and loss expenses	395,685	214,135	97,056	49,337	35,157
Income taxes payable	82,634	82,634	–	–	–
Funds withheld	38,005	38,005	–	–	–
Other liabilities	2,813	2,813	–	–	–
Total undiscounted financial liabilities	$ 591,503	$ 409,953	$ 97,056	$ 49,337	$ 35,157
Total liquidity gap	$ 2,798,015	$ 2,511,111	$ 371,398	$ (49,337)	$ (35,157)

16. Concentration of Credit Risk

The Group is party to financial instruments with concentration of credit risk. These financial instruments include cash and cash equivalents, loans receivable from related parties, insurance balances receivable and dealer dividend advances.

The Company has cash and cash equivalents in the amount of $1,100,534 (2022 – $1,058,993) with three United States banks, $25,883 (2022 – $35,996) with a Canadian bank and $10,608 (2022 – $38,575) with a Bermudian bank. NESNA holds $478,719 (2022 – $410,294) in three United States banks and in an affiliate investment pool in the United States. NCESI has $1,937 (2022 – $2,281) in a Canadian bank. NII has $1,984 (2022 – $4,287) in a Maltese bank, $25,430 (2022 – $30,853) in three United Kingdom banks, $577 (2022 - $Nil) in German bank and $19,740 (2022 – $30,159) in two French banks. NISCS has $1,965 (2022 – $1,930) in a Swiss bank. NIS has $40 (2022 – $40) with a Maltese bank.

Credit risk arises from the failure of the counter-party to perform according to the terms of a contract. The Company does not require collateral or other security to support financial instruments with credit risk.

The Company has insurance balances receivable in the amount of $185,890 (2022 – $230,281). All loans are with related parties or affiliates where fixed or determinable payments are measured at amortized cost. Refer to Note 19 for loans with related parties. Credit risk is mitigated as these amounts are primarily due from related parties and there is no indication that such related parties will be unable to meet their current obligations.

Dealer dividend advances are paid to independent car dealerships in the USA in anticipation of future vehicle service contract sales. Credit risk is mitigated as these amounts are reclassified to deferred acquisition costs based on sales levels achieved by the car dealerships over time.

The Company believes that overall credit risk is not significant.

17. Management of Insurance and Financial Risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The objective of the Company's insurance underwriting strategy is to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Another objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company reinsures product liability risk and NRI reinsures property and marine cargo risks of NML and its subsidiaries worldwide. Premiums are reviewed each year and there is no guaranteed renewal agreement. The greatest likelihood of significant losses on the property risk is due to fire or weather related events. The greatest likelihood of significant losses is due to a large weather event on the marine cargo and a large single event, like a design fault, on the product liability. The Company and NRI have mitigated the risk exposure by limiting the total exposure per claim and per underwriting year. Risks are also mitigated due to the fact that they are spread across various geographical areas. Due to the nature of the risks, the claims develop quickly and the loss adjusters are able to estimate losses accurately within a short period of time after the losses arise.

NRI insures workers' compensation and employers' liability risks of NNA. Premium for this program is reviewed each year and there is no guaranteed renewal agreement. The greatest likelihood of significant losses is due to an accumulation of separate events. NRI has mitigated the risk exposure by limiting the total exposure per claim and per underwriting year.

The Company assumes the risks for: (a) vehicle service contracts through risk transfer agreements with NESNA, NCESI and reinsurance agreements from unrelated parties in Japan, China and Mexico; (b) Payment Protection Insurance (PPI) through a reinsurance agreement with a Mexican life insurance company; and (c) gap coverage through a reinsurance agreement with a Mexican vehicle insurance company. Premiums for all of these programs are reviewed each year and there are no guaranteed renewal agreements. The greatest likelihood of significant losses is due to an accumulation of separate events. Risk of significant loss under vehicle service contracts, payment protection insurance and gap coverage is mitigated due to the fact that they are spread across thousands of contracts.

(All amounts expressed in Thousands of United States Dollars unless otherwise stated)

17. Management of Insurance and Financial Risk (continued)

The underwriting results are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, net premium earned and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

Change in loss ratio or underwriting expenses ratio:

	Change in Assumptions		**Net Premium Earned ($)**		**Equity ($)**	
	Increase	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**
2023	+10%	-10%	(73,135)	73,135	(62,918)	62,918
2022	**+10%**	**-10%**	**(73,845)**	**73,845**	**(64,061)**	**64,061**

The Company is exposed to minimal financial risk due to the nature of its assets.

18. Capital Risk Management

Capital Management Objectives, Policies, and Approach

The Company has established the following capital management objectives, policies, and approach in managing the risks that affect its capital position:

The capital management objectives are to retain financial flexibility by maintaining strong liquidity and to align the profile of assets and liabilities taking into account risks inherent in the business.

The operations of the Company are also subject to regulatory requirements within the jurisdiction where it operates. Such regulations prescribe not only approval and monitoring of activities, but also impose certain restrictive provisions to minimize the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as they arise.

18. Capital Risk Management (continued)

Management considers the Group's capital to be net assets. At March 31, 2023, net assets is $1,106,896 (2022 – $1,789,269), comprised entirely of consolidated shareholder's equity.

The Company's capital requirements vary with the insurance cycle.

Management reviews the level and composition of capital on an ongoing basis with a view to:

- Maintain sufficient capital for growth opportunities;
- Maximize the return to the shareholder; and
- Maintain adequate capital to meet regulatory requirements.

Capital can therefore be raised or returned as appropriate. Capital raising can include debt or equity and returns of capital may be made through dividends to the shareholder. Other capital management tools and products available to the Company may also be utilized. All capital actions require approval by the Board of Directors.

Regulatory Framework

The operations of the Company are subject to regulatory requirements within the jurisdiction where it operates. Such regulations prescribe approval and monitoring of activities and also impose certain restrictive provisions to minimize the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as they arise.

19. Related-Party Transactions

In the course of its regular business activities, the Company enters into routine transactions with affiliates of the Company. Such transactions are at commercial rates.

a) NRI's (the Company's in years prior to 2016) excess workers' compensation and employers' liability insurance contract with NNA resulted in net premiums earned of $10,881 (2022 – $8,300) and losses and loss expenses of $11,493 (2022 – $6,667) for the year ended March 31, 2023. As at March 31, 2023, the reserves for losses and loss expenses and the unearned premiums on the insurance contract amounted to $19,544 and $Nil (2022 – $14,279 and $Nil), respectively.

The reserves for outstanding losses for the workers' compensation and product liability retroactive agreements are $2,131 (2022 – $2,315) and $1,119 (2022 – $1,119), respectively, as of March 31, 2023.

b) NESNA's CPO reinsurance contract with NNA resulted in ceded premiums of $4,216 (2022 – $4,428) for the year ended March 31, 2023. As at March 31, 2023, the deferred reinsurance premium on the reinsurance contract amounted to $16,175 (2022 – $13,545).

NESNA pays service fees to NNA for administrative services it performs on NESNA's behalf. The service fees amounted to $2,500 (2022 – $3,100) for the year ended March 31, 2023, and are included in information technology expense in general and administrative expenses.

NESNA also provides administrative support to NNA for vehicle service contracts issued by NNA prior to the Company taking over the business. The revenue from this activity for the year ended March 31, 2023, is $200 (2022 – $200) and is included in other income.

NESNA pays Nissan Motor Acceptance Corporation (NMAC) a fee of 2% of gross written premiums relating to the extended service and maintenance contracts sold through the Nissan dealer network. NESNA recorded these payments as DAC and is amortized as appropriate. These fees were $4,300 (2022 – $4,700) for the year ended March 31, 2023.

NMAC administers certain sales promotion activities on behalf of NESNA. NESNA incurred approximately $2,800 (2022 – $2,800) of sales and promotion activities that are treated as deferred acquisition costs for the year ended March 31, 2023.

19. Related-Party Transactions (continued)

NCESI pays fees to Nissan Canada Inc. (NCI) for financial and dealership support it performs on NCESI's behalf. The fees amounted to $117 (2022 – $123) in general and administrative expenses for the year ended March 31, 2023. NCESI has $Nil (2022 – $Nil) payable to NCI relating to these fees as of March 31, 2023. NCESI also pays to NCI for expenses charged by Nissan Canada Financial Services for management support and market access fees to NCESI. These fees are reported in general and administrative expenses and fronting fees and taxes, respectively. The fees amounted to $920 (2022 – $910) for the year ended March 31, 2023. Outstanding fee as of March 31, 2023, relating to these charges are included in the $227 (2022 – $184) due to NCI (Note 19(e)). NCESI received management fee recovery from NCI for its Dealer Support Personnel supporting the CPO program amounting to $59 (2022 – $62) which is recorded to other income.

NGRe pays NNA a claims administration fee on the Product Liability program. The fees are reported in losses and loss expenses and amounted to $1,366 (2022 – $1,366). NGRe has $Nil (2022 – $Nil) due to NNA relating to this fee.

NGRe charges NNA for IT support it performs on NNA's behalf. The fee amounted to $Nil (2022 – $350) for the year ended March 31, 2023, and is normally recorded to other income. The amount outstanding as of March 31, 2023, $Nil (2022 – $350).

NGRe pays management and tax consulting fees and taxes on behalf of the Parent. The amount outstanding as of March 31, 2023, is $35 (2022 – $35).

NISCS charges Nissan International SA (NISA) for software usage amounting to $Nil (2022 – $248) for the year-ended March 31, 2023, which is recorded against general and administrative expenses. The amount outstanding as of March 31, 2023, is $108 (2022 – $10).

(All amounts expressed in Thousands of United States Dollars unless otherwise stated)

19. Related-Party Transactions (continued)

c) NESNA and NRI maintained loans receivable from NMAC totaling $595,000 at March 31, 2023, (2022 – $555,000). In addition, the Company invests operating cash for NESNA and NMISC with related parties on an overnight basis into an aggregate sweep account. As of March 31, 2023, NESNA and NMISC had $312,800 (2022 – $260,600) invested with related parties and this is classified as Cash and cash equivalents. The following schedule reflects the note balances:

	March 31	
	2023	**2022**
NESNA GP loan to NMAC – three year term with a maturity date of December 15, 2023, and interest rate of 1.90%;	**$ 460,000**	$ 460,000
NRI loan to NMAC – 90 day term with maturity date of May 23,2022, and interest rates of 0.95%	–	95,000
NRI loan to NMAC – 92-day term with a maturity date of May 2, 2023, and interest rate of 5.65%;	**135,000**	–
	$ 595,000	$ 555,000

Interest earned on the notes for the year-ended March 31, 2023, was $22,800 (2022 – $10,700). As at March 31, 2023, accrued interest receivable is $1,688 (2022 – $544).

NCESI has a loan receivable from NCI of $66,925 (2022 – $67,962). The flexible redemption option loan was issued on May 30, 2012, with an additional issuance of approximately $4,067 in 2022 at an interest rate of 4.4%. Interest earned on this loan is $1,958 (2022 – $1,300) for the year ended March 31, 2023. The accrued interest receivable relating to this loan as at March 31, 2023, is $349 (2022 – $60).

19. Related-Party Transactions (continued)

d) Insurance balances receivable includes $30,902 (2022 – $35,972) due from NNA for the administration of vehicle service contracts and $1,903 (2022 – $1,045) net premiums receivable due from various Nissan companies all over Europe.

e) Amounts due to affiliates consists of $12,894 (2022 – $11,442) due to NNA for claims reimbursements relating to NESNA's vehicle service contract and NGRE's workers' compensation and employers' liability risks and loss portfolio transfers, $417 (2022 – $466) due to NMAC (Note 19(b)) and $222 (2022 – $184) due to NCI for expenses paid on behalf of NCESI.

f) Insurance balances payable includes $Nil (2022 – $Nil) due to NISA for claims reimbursements and handling, market access fees and regional business unit margins relating to NII's vehicle service contract.

g) Accounts payable and accrued expenses includes $323 (2022 – $238) due to Nissan Automotive Europe SAS for marketing fees, profit commission, audit and retail royalty, and $100 (2022 – $116) due to NISA for fees paid on behalf of NISCS. The Company is a registered owner of a 100% non-assessable, fully-paid, fractional undivided interest in the Nissan Auto Receivables 2015-B Grantor Trust, Nissan Auto Receivables 2016-A Grantor Trust, Nissan Auto Receivables 2016-B Grantor Trust, Nissan Auto Receivables 2017-A Grantor Trust, Nissan Auto Receivables 2017-B Grantor Trust, Nissan Auto Receivables 2018-A Grantor Trust and Nissan Auto Receivables 2018-B Grantor Trust (the Trusts) formed by NMAC, a California corporation (the Seller). The Trusts were created pursuant to a Pooling and Servicing Agreement dated as of September 25, 2015, March 24, 2016, September 23, 2016, March 24, 2017, September 22, 2017, March 22, 2018, and September 21, 2018, respectively, (the Agreements), between the Seller, NMAC, as Servicer (the Servicer) in its individual capacity, and Wilmington Trust Company, as Trustee (the Trustee).

The property of the Trusts includes a pool of retail installment sale contracts of new and used automobiles and light-duty trucks (the Receivables).

(All amounts expressed in Thousands of United States Dollars unless otherwise stated)

19. Related-Party Transactions (continued)

The outstanding loans as of March 31, 2023, which are secured by the Receivables, were purchased for $3,986,241 (2022 – $3,986,241). The face value of the investments was equal to $4,102,176 (2022 – $4,102,176). The discount related to the purchase price amounted to $115,935 (2022 – $115,935).

As at March 31, 2023, the loans receivable due from the Trusts is $64,321 (2022 – $212,945) and accrued interest on the loans is $480 (2022 – $1,463). Total gross interest on the loans for the year is $11,588 (2022 – $30,754).

Other expenses include provision for doubtful accounts, net of recoveries, of $(5,629) (2022 $(10,123)) and service fee expenses of $1,220 (2022 – $3,405) related to the loans receivable from the Trusts.

NGRe has a loan receivable balance from Nissan Motor Co., Ltd. of $65,478 at March 31, 2023. The following schedule reflects the receivable balances:

	March 31 2023	2022
NGRE loan to NCF – 95 day term with maturity date of June 21, 2022, and interest rate of 1.20%	**$ –**	$ 350,000
NGRE loan to NML (EUR50,000) – 365 day term with maturity date of June 21, 2022, and interest rate of 0.3267%	–	55,845
NGRE loan to NML (EUR60,000) – 365 day term with maturity date of July 7, 2023, and interest rate of 0.33%	**65,478**	–
NGRe loan to NISA – 365 day term with maturity date April 14, 2023, and interest rate of 0.26%	**546**	–
	$ 66,024	$ 405,845

Interest income on these loans was $10,200 (2022 – $1,356) and accrued interest receivable of $46 (2022 – $153) as at March 31, 2023.

h) During 2023 and 2022, there were no transactions with directors, executives and personally-related entities. As at March 31, 2023 and 2022, there are no loans outstanding to directors, executives and related entities.

20. Subsequent Events

Subsequent events were evaluated up to the date the consolidated financial statements were available to be issued. Therefore, there were no subsequent events, other than that disclosed below, that would have a material effect on the consolidated financial statements.

NGRE loaned Nissan Financial Services (NFS) 5,000,000 JPY on April 27, 2023. The loan matures on October 26, 2023, and carries an interest rate of 0.11%.

A novation agreement was signed with NGRe and QBE on 2 May 2023, whereby NII is replacing NGRe as the reinsurer for QBE UK Limited covering extended warranty risks in the Middle East, effective as from May 1, 2023.

NGRe has provided a $7,150 guarantee to QBE due to the portfolio transfer for the Middle East market to NII. No external banks were involved. The portfolio transfer took place on May 1, 2023.

On April 13, 2023, NGRe reduced its Assurant LOC with Mizuho for NESNA reinsurance from $35,000 to $14,900.

On April 11, 2023 the NGRe LOC for $1,420 with Mizuho covering the NCESI business with Assurant was not renewed upon expiration. A new agreement is being put into place for NCESI to offer extended warranty products for off-make vehicles. A new LOC will go into place to cover this business, once the agreement is in place.

On April 14, 2023, NGRE reduced its loan to NISA from EUR500 ($544) to EUR 300 ($328) at a new rate of 2.65% and entered into a new FX Swap agreement with Renault Finance. The loan had a three-month term and matured on June 14, 2023. The loan was subsequently repaid to NGRE on the June 14 maturity date and the FX Swap was settled.

20. Subsequent Events (continued)

NRI loaned $95,000 to NMAC on May 2, 2023 – three-month terms with maturity date of May 1, 2026, and interest rate of 4.82%

NRI began participating in operating cash pooling of operating cash with NESNA, NMISC, and affiliates. Initial investment in the pool was $41.9M.

The NII directors have also proposed a further dividend of EUR7,200 ($7,885 USD), which was approved by the MFSA after the reporting period on June 14, 2023, and the dividend was paid on July 12, 2023.

NII received approval from MFSA on June 14, 2023, to enter into another intra-group loan agreement between the Company as the Lender and Nissan Global Reinsurance, Ltd. as the Borrower for a Facilities Limit of EUR50 million, which represents an decrease of EUR10,000 ($10,913) from the previous intra-group loan agreement with Nissan Global Reinsurance, Ltd. which terminated on July 7, 2023.

NGRE borrowed EUR50,000 from NII on July 13, 2023, and loaned EUR50,000 to NML on the same date. Each loan is for a one year term and matures on July 11, 2024. The loan to NML and the loan from NII carry interest rates of 4.66% and 3.71%, respectively.

NGRE loaned NML $450,000 (63,630,000 JPY) on July 13, 2023. The loan matures on September 8, 2023, and carries an interest rate of (0.037787985%).

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