

***North Rock Insurance  
Company Limited***

***(A Wholly Owned Subsidiary of  
Continental Casualty Company)***

Condensed General Purpose Financial Statements  
as at and for the Year Ended 31 December 2023

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of North Rock Insurance Company Limited

### **Opinions**

We have audited the accompanying condensed financial statements of North Rock Insurance Company Limited (the "Company"), which comprise the condensed balance sheets and condensed statements of capital and surplus as of December 31, 2023 and 2022, and the related condensed statements of income for the years then ended, including the related notes (collectively referred to as the "condensed financial statements").

#### *Unmodified opinion on regulatory basis of accounting*

In our opinion, the accompanying condensed financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations for the years then ended in accordance with the financial reporting provisions of the Insurance Act of 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial statements (the "Legislation").

#### *Adverse opinion on U.S. Generally Accepted Accounting Principles*

In our opinion, because of the significance of the matter discussed in the *Basis for adverse opinion on U.S. Generally Accepted Accounting Principles* section of our report, the accompanying condensed financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2023 and 2022, or the results of its operations for the years then ended.

### **Basis for Opinions**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the condensed financial statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Basis for adverse opinion on U.S. Generally Accepted Accounting Principles*

As described in Note 3 to the condensed financial statements, the condensed financial statements are prepared by the Company on the basis of the financial reporting provisions of the Legislation, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Bermuda Monetary Authority. The effects on the condensed financial statements of the variances between the regulatory basis of accounting described in Note 3 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

## **Responsibilities of Management for the condensed financial statements**

Management is responsible for the preparation and fair presentation of the condensed financial statements in accordance with the financial reporting provisions of the Legislation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the condensed financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the condensed financial statements are available to be issued.

## **Auditor's responsibilities for the audit of the condensed financial statements**

Our objectives are to obtain reasonable assurance about whether the condensed 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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the condensed financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the condensed financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the condensed financial statements.
- 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the condensed financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Deloitte & Touche LLP*

April 18, 2024

**CONDENSED BALANCE SHEET**  
**NORTH ROCK INSURANCE COMPANY LIMITED**  
**AS AT 31 DECEMBER 2023**  
**(EXPRESSED IN UNITED STATES DOLLARS)**

Line No.	2023	2022
<b>ASSETS</b>		
<b>1. Cash and cash equivalents</b>	\$ 3,766,162	\$ 7,629,545
<b>2. Quoted investments:</b>		
(a) Bonds and debentures		
(i) Held to maturity	—	—
(ii) Other	58,458,567	49,853,890
(b) Total bonds and debentures	58,458,567	49,853,890
(c) Equities		
(i) Common stocks	—	—
(ii) Preferred stocks	—	—
(iii) Mutual funds	—	—
(d) Total equities	—	—
(e) Other quoted investments	—	—
(f) Total quoted investments	58,458,567	49,853,890
<b>3. Unquoted investments:</b>		
(a) Bonds and debentures		
(i) Held to maturity	—	—
(ii) Other	—	—
(b) Total bonds and debentures	—	—
(c) Equities		
(i) Common stocks	—	—
(ii) Preferred stocks	—	—
(iii) Mutual funds	—	—
(d) Total equities	—	—
(e) Other unquoted investments	—	—
(f) Total unquoted investments	—	—
<b>4. Investments in and advances to affiliates:</b>		
(a) Unregulated entities that conduct ancillary services	—	—
(b) Unregulated non-financial operating entities	—	—
(c) Unregulated financial operating entities	—	—
(d) Regulated non-insurance financial operating entities	—	—
(e) Regulated insurance financial operating entities	—	—
(f) Total investments in affiliates	—	—
(g) Advances to affiliates	—	—
(h) Total investments in and advances to affiliates	—	—
<b>5. Investments in mortgage loans on real estate:</b>		
(a) First liens	—	—
(b) Other than first liens	—	—
(c) Total investment in mortgage loans on real estate	—	—
<b>6. Policy loans</b>		
	—	—
<b>7. Real estate:</b>		
(a) Occupied by the Company (less encumbrances)	—	—
(b) Other properties (less encumbrances)	—	—
(c) Total real estate	—	—
<b>8. Collateral loans</b>		
	—	—
<b>9. Investment income due and accrued</b>	574,418	454,156

See accompanying Notes to Condensed General Purpose Financial Statements.

Line No.	2023	2022
<b>10. Accounts and premiums receivable:</b>		
(a) In course of collection	474,441	636,825
(b) Deferred - not yet due	—	—
(c) Receivables from retrocessional contracts	—	—
(d) Total accounts and premiums receivable	474,441	636,825
<b>11. Reinsurance balances receivable:</b>		
(a) Foreign affiliates	—	—
(b) Domestic affiliates	—	—
(c) Pools & associations	—	—
(d) All other insurers	11,454,574	5,188,077
(e) Total reinsurance balances receivable	11,454,574	5,188,077
<b>12. Funds held by ceding reinsurers</b>	—	—
<b>13. Sundry assets:</b>		
(a) Derivative instruments	—	—
(b) Segregated accounts - Long-term business - variable annuities	—	—
(c) Segregated accounts - Long-term business - other	—	—
(d) Segregated accounts - General business	—	—
(e) Deposit assets	—	—
(f) Deferred acquisition costs	260,236	259,694
(g) Net receivables for investments sold	—	—
(h) Other sundry assets 1 - Amounts due from affiliates	1,113,712	140,303
(i) Other sundry assets 2 - Deferred tax asset	2,720,092	2,286,110
(j) Other sundry assets 3 - Ceded premium receivable	11,609,327	—
(k) Total sundry assets	15,703,367	2,686,107
<b>14. Letters of credit, guarantees and other instruments:</b>		
(a) Letters of credit	—	—
(b) Guarantees	—	—
(c) Other instruments	—	—
(d) Total letters of credit, guarantees and other instruments	—	—
<b>15. Total</b>	<u>\$ 90,431,529</u>	<u>\$ 66,448,600</u>
<b>TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND CAPITAL AND SURPLUS</b>		
<b>16. Unearned premium reserve:</b>		
(a) Gross unearned premium reserves	\$ 798,327,401	\$ 776,500,817
(b) Less: Ceded unearned premium reserve		
(i) Foreign affiliates	—	—
(ii) Domestic affiliates	—	—
(iii) Pools & associations	—	—
(iv) All other reinsurers	774,892,002	771,859,504
(c) Total ceded unearned premium reserve	774,892,002	771,859,504
(d) Net unearned premium reserve	23,435,399	4,641,313
<b>17. Loss and loss expense provisions:</b>		
(a) Gross loss and loss expense provisions	29,308,659	39,464,777
(b) Less: Reinsurance recoverable balance		
(i) Foreign affiliates	6,737,815	6,765,508
(ii) Domestic affiliates	—	—
(iii) Pools & associations	—	—
(iv) All other reinsurers	9,282,779	23,103,872
(c) Total reinsurance recoverable balance	16,020,594	29,869,380
(d) Net loss and loss expenses provisions	13,288,065	9,595,397
<b>18. Other general business insurance reserves</b>	—	—
<b>19. Total general business insurance reserves</b>	<u>36,723,464</u>	<u>14,236,710</u>

See accompanying Notes to Condensed General Purpose Financial Statements.

Line No.	2023	2022
<b>LONG-TERM BUSINESS INSURANCE RESERVES <sup>(1)</sup></b>		
20. Reserve for reported claims	—	—
21. Reserve for unreported claims	—	—
22. Policy reserves - Life	—	—
23. Policy reserves - Accident and Health	—	—
24. Policyholders' funds on deposit	—	—
25. Liability for future policyholders' dividends	—	—
26. Other long-term business insurance reserves	—	—
27. Total long-term business insurance reserves:		
(a) Total gross long-term business insurance reserves	—	—
(b) Less: Reinsurance recoverable balance on long-term business		
(i) Foreign affiliates	—	—
(ii) Domestic affiliates	—	—
(iii) Pools & associations	—	—
(iv) All other reinsurers	—	—
(c) Total reinsurance recoverable balance	—	—
(d) Total net long-term business insurance reserves	—	—
<b>OTHER LIABILITIES</b>		
28. Insurance and reinsurance balances payable	5,181,396	9,408,418
29. Commissions, expenses, fees and taxes payable	3,000,632	3,101,177
30. Loans and notes payable	—	—
31. (a) Income taxes payable	945,968	243,237
(b) Deferred income taxes	—	—
32. Amounts due to affiliates	211,661	254,623
33. Accounts payable and accrued liabilities	—	—
34. Funds held under reinsurance contracts	—	—
35. Dividends payable	—	—
36. Sundry liabilities:		
(a) Derivative instruments	—	—
(b) Segregated accounts companies	—	—
(c) Deposit liabilities	—	74,535
(d) Net payable for investments purchased	—	—
(e) Other sundry liabilities 1 - N/A	—	—
(f) Other sundry liabilities 2 - N/A	—	—
(g) Other sundry liabilities 3 - N/A	—	—
(h) Total sundry liabilities	—	74,535
37. Letters of credit, guarantees and other instruments:		
(a) Letters of credit	—	—
(b) Guarantees	—	—
(c) Other instruments	—	—
(d) Total letters of credit, guarantees and other instruments	—	—
38. Total other liabilities	9,339,657	13,081,990
39. Total insurance reserves and other liabilities	46,063,121	27,318,700
<b>CAPITAL AND SURPLUS</b>		
40. Total capital and surplus	44,368,408	39,129,900
41. Total	<u>\$ 90,431,529</u>	<u>\$ 66,448,600</u>

(1) The Company does not write any long-term business.

**CONDENSED STATEMENT OF INCOME**  
**NORTH ROCK INSURANCE COMPANY LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
**(EXPRESSED IN UNITED STATES DOLLARS)**

Line No.	2023	2022
<b>GENERAL BUSINESS UNDERWRITING INCOME</b>		
<b>1. Gross premiums written:</b>		
(a) Direct gross premiums written	\$ 205,448,507	\$ 209,119,803
(b) Assumed gross premiums written	24,576,465	23,215,336
(c) Total gross premiums written	230,024,972	232,335,139
<b>2. Reinsurance premiums ceded</b>	204,722,663	226,730,680
<b>3. Net premiums written</b>	25,302,309	5,604,459
<b>4. Increase (decrease) in unearned premiums</b>	18,794,086	941,023
<b>5. Net premiums earned</b>	6,508,223	4,663,436
<b>6. Other insurance income</b>	3,845,284	3,721,131
<b>7. Total general business underwriting income</b>	10,353,507	8,384,567
<b>GENERAL BUSINESS UNDERWRITING EXPENSES</b>		
<b>8. Net losses incurred and net loss expenses incurred</b>	4,031,546	2,524,684
<b>9. Commissions and brokerage</b>	3,524,958	3,315,550
<b>10. Total general business underwriting expenses</b>	7,556,504	5,840,234
<b>11. Net underwriting profit (loss) - General business</b>	2,797,003	2,544,333
<b>LONG-TERM BUSINESS INCOME <sup>(1)</sup></b>		
<b>12. Gross premiums and other consideration:</b>		
(a) Direct gross premiums and other considerations	—	—
(b) Assumed gross premiums and other considerations	—	—
(c) Total gross premiums and other considerations	—	—
<b>13. Premiums ceded</b>	—	—
<b>14. Net premiums and other considerations:</b>		
(a) Life	—	—
(b) Annuities	—	—
(c) Accident and Health	—	—
(d) Total net premiums and other considerations	—	—
<b>15. Other insurance income</b>	—	—
<b>16. Total long-term business income</b>	—	—
<b>LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES <sup>(1)</sup></b>		
<b>17. Claims - Life</b>	—	—
<b>18. Policyholders' dividends</b>	—	—
<b>19. Surrenders</b>	—	—
<b>20. Maturities</b>	—	—
<b>21. Annuities</b>	—	—
<b>22. Accident and Health benefits</b>	—	—
<b>23. Commissions</b>	—	—
<b>24. Other</b>	—	—
<b>25. Total long-term business deductions and expenses</b>	—	—
<b>26. Increase (decrease) in policy reserves (actuarial liabilities):</b>		
(a) Life	—	—
(b) Annuities	—	—
(c) Accident and Health	—	—
(d) Total increase (decrease) in policy reserves	—	—
<b>27. Total long-term business expenses</b>	—	—
<b>28. Net underwriting profit (loss) - Long-term business</b>	—	—
<b>29. Combined net underwriting results before the undernoted items</b>	2,797,003	2,544,333

(1) The Company does not write any long-term business.

See accompanying Notes to Condensed General Purpose Financial Statements.

Line No.	2023	2022
<b>UNDERNOTED ITEMS</b>		
<b>30. Combined operating expense:</b>		
(a) General and administration	339,444	335,450
(b) Personnel cost	—	—
(c) Other	—	—
(d) Total combined operating expenses	339,444	335,450
<b>31. Combined investment income - net</b>	2,288,863	1,714,880
<b>32. Combined other income (deductions)</b>	—	—
<b>33. Combined income before taxes</b>	4,746,422	3,923,763
<b>34. Combined income taxes (if applicable):</b>		
(a) Current	1,826,282	891,354
(b) Deferred	(829,567)	(67,364)
(c) Total	996,715	823,990
<b>35. Combined income before realized gains (losses)</b>	3,749,707	3,099,773
<b>36. Combined realized gains (losses)</b>	(539)	(10,677)
<b>37. Combined interest charges</b>	—	—
<b>38. Net income</b>	<u>\$ 3,749,168</u>	<u>\$ 3,089,096</u>

See accompanying Notes to Condensed General Purpose Financial Statements.



**CONDENSED STATEMENT OF CAPITAL AND SURPLUS**  
**NORTH ROCK INSURANCE COMPANY LIMITED**  
**AS AT 31 DECEMBER 2023**  
**(EXPRESSED IN UNITED STATES DOLLARS)**

LINE No.	2023	2022
<b>1. Capital:</b>		
(a) Capital stock:		
(i) Common shares (\$1.00 par value; 1,000,000 shares authorized; 1,000,000 shares issued and fully paid)	\$ 1,000,000	\$ 1,000,000
(ii) Preferred shares (no authorized shares)	—	—
(iii) Treasury shares (no repurchased shares)	—	—
(b) Contributed surplus	15,538,750	15,538,750
(c) Any other fixed capital		
(i) Hybrid capital instruments	—	—
(ii) Guarantees and others	—	—
(iii) Total any other fixed capital	—	—
(d) Total capital	<u>16,538,750</u>	<u>16,538,750</u>
<b>2. Surplus:</b>		
(a) Surplus - beginning of year	22,591,150	26,329,659
(b) Add: Income for the year	3,749,168	3,089,096
(c) Less: Dividends paid and payable	—	—
(d) Add (deduct) change in unrealized appreciation (depreciation) of investments	1,489,340	(6,827,605)
(e) Add (deduct) change in any other surplus	—	—
(f) Surplus - end of year	<u>27,829,658</u>	<u>22,591,150</u>
<b>3. Minority Interest</b>	—	—
<b>4. Total capital and surplus</b>	<u>\$ 44,368,408</u>	<u>\$ 39,129,900</u>

See accompanying Notes to Condensed General Purpose Financial Statements.

## NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

### General Notes to the Financial Statements

1. North Rock Insurance Company Limited (the Company) was incorporated in Bermuda in 1994 and is a wholly owned subsidiary of Continental Casualty Company (CCC). CCC is an indirect wholly owned subsidiary of CNA Financial Corporation (CNAF), a company incorporated in the United States. CNAF was approximately 92% owned by Loews Corporation (Loews) at 31 December 2023.

2. The Company, as a licensed Class 3A insurer, writes auto warranty business and punitive damages business on a direct basis. The Company also reinsures business through assuming risks from affiliated companies.

The Company has an assumed reinsurance agreement with The Continental Insurance Company (CIC), an affiliated company, for auto warranty business. The majority of this business is ceded to a number of auto-dealer captives incorporated in Bermuda and Turks and Caicos. Assumed gross premiums written were \$24,576,465 for 2023.

The Company writes auto warranty business under a contractual liability insurance policy issued to Continental Service Provider, an affiliated company. Gross premiums written were \$199,214,849 for 2023. Net premiums written related to this agreement were \$19,068,651 in 2023. Net losses incurred and net loss expenses incurred related to this agreement during 2023 were \$841,803. The business is produced by CNA National Warranty Corporation (CNAN), also an affiliated company. The majority of this business is ceded to a number of auto-dealer captives incorporated in Bermuda and Turks and Caicos.

The Company mitigates its credit risk related to reinsurance ceded to the auto-dealer captives by obtaining collateral, generally in amounts equal to or exceeding 102% of ceded unearned premium reserves. CNAN has also agreed to indemnify the Company for any expenses incurred related to business ceded or retroceded to captive reinsurance companies affiliated with dealers and agents of CNAN.

As of December 31, 2023, the Company commuted certain reinsurance contracts with auto-dealer captives that were operating with collateral shortfalls, which triggered the indemnification agreement between the Company and CNAN. The consideration to be received in the commutation was recorded as Ceded premium receivable under Sundry assets on the Company's Condensed balance sheet.

The Company writes and retains punitive damages coverage with insured limits up to \$25 million. Net premiums written and Net losses incurred and net loss expenses incurred during 2023 were \$6,233,658 and \$3,189,743, respectively.

Although the Company reinsures the majority of its warranty business, the reinsurance contracts do not discharge the primary liability of the Company. Failure of reinsurers, including the aforementioned captives, to honor their obligations could result in losses to the Company.

Due to the significance of the related party transactions between the Company and affiliates of CNAF, the financial statements of the Company may not be indicative of the conditions that would have existed or the results that would have been achieved if the Company had operated independently of CNAF and its affiliates. Certain immaterial expenses incurred by CCC on behalf of the Company are not subject to reimbursement.

3. The Condensed General Purpose Financial Statements have been prepared in accordance with accounting practices prescribed or permitted in Bermuda by the Insurance Act of 1978 and the Insurance Account Rules 2016.

4. Significant accounting policies are as follows:

- a) Cash and cash equivalents include cash as well as a money market fund. Amounts are stated at cost, which approximates fair value.
- b) Quoted investments are carried at fair value with unrealized gains or losses treated as a separate component of surplus. The amortized cost of bonds is adjusted for amortization of premiums and accretion of discounts, which are included in Combined investment income - net on the Condensed Statement of Income. The amortization of premium and accretion of discount for bonds takes into consideration call and maturity dates that produce the lowest yield.

A security is impaired if the fair value of the security is less than its cost adjusted for accretion, amortization and allowance for credit losses. When a security is impaired, it is evaluated to determine whether the Company intends to sell the security before recovery of amortized cost or whether a credit loss exists. Losses on bonds that the Company intends to sell, or it more likely than not will be required to sell before recovery of amortized cost, are recognized as impairment losses within Combined realized gains (losses) on the Condensed Statement of Income. If a credit loss exists, an allowance is established and the corresponding amount is recognized as an impairment loss within Combined realized gains (losses) on the Condensed Statement of Income. The allowance for credit losses on bonds is the difference between the present value of cash flows expected to be collected and the amortized cost basis, limited by the amount that the fair value is less than the amortized cost basis. In subsequent periods, the allowance is reviewed, with any changes in the allowance presented as a component of Combined realized gains (losses) on the Condensed Statement of Income. Changes in the difference between the amortized cost basis, net of the allowance, and the fair value, are recognized as changes in unrealized appreciation (depreciation) of investments on the Condensed Statement of Capital and Surplus. There were no impairment losses for the year ended 31 December 2023.

Purchases and sales of all securities are recorded on the trade date. Realized investment gains and losses are determined on the basis of the cost or amortized cost, net of any allowance for credit losses, of the specific securities sold.

- c) The Company previously entered into fully funded Exposure Buyback Programs for which the deposit method of accounting was adopted as there was no significant transfer of insurance risk to the Company. These programs covered the deductible layer on Workers Compensation and General Liability Insurance policies on a per occurrence basis. The deposit method of accounting requires that premium paid or received by the Company be accounted for as a deposit asset or liability. At 31 December 2023, the Company had no deposit asset or liability under these programs. Interest expense on premium funds recorded as deposit liabilities is recorded, based on rates of return specified in the contracts, as a reduction to Combined investment income - net on the Condensed Statement of Income.
- d) Loss and loss expense provisions on the Condensed Balance Sheet represent the Company's estimate of the ultimate cost of incurred losses, including losses incurred but not reported, which are unpaid at year end. See Notes to the Condensed Balance Sheet, Note 17.

There were no significant changes in accounting policy during the year.

5. The basis of recognition of premium, investment and commission income is as follows:

- a) Premiums on auto warranty contracts are recognized as revenue in proportion to the pattern of incurred losses that is expected to occur over the duration of the policies, based on the Company's historical experience. Premiums on punitive damages contracts are earned ratably over the duration of the policies.
- b) Investment income is accounted for on an accrual basis and includes amortization of premium or accretion of discount net of interest expense on funds held liabilities.
- c) The unearned portion of ceding commission revenue is recorded as Commissions, expenses, fees and taxes payable on the Condensed Balance Sheet and earned ratably over the contract period.

6 - 12. Not applicable.

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities that the reporting entity can access at the measurement date.

Level 2: Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly.

Level 3: Unobservable inputs.

The following provides fair value hierarchy for all quoted and unquoted investments.

31 December 2023	Level 1	Level 2	Level 3	Total Assets at Fair Value
<b>Assets</b>				
Fixed maturity securities:				
Corporate and other taxable bonds	\$ —	\$ 46,955,917	\$ —	\$ 46,955,917
Residential mortgage-backed	—	6,546,097	—	6,546,097
<b>Total fixed maturity securities</b>	<b>—</b>	<b>53,502,014</b>	<b>—</b>	<b>53,502,014</b>
Short term investments	4,956,553	—	—	4,956,553
<b>Total assets</b>	<b>\$ 4,956,553</b>	<b>\$ 53,502,014</b>	<b>\$ —</b>	<b>\$ 58,458,567</b>

14. The following provides the contractual maturity profile of the Company's fixed maturity and short term investments. Actual maturities may differ from contractual maturities because certain securities may be called or prepaid. Securities not due on a single date are allocated based on weighted average life.

31 December	2023	
	Cost or Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 4,957,031	\$ 4,956,553
Due after one year through five years	11,808,206	11,461,897
Due after five years through ten years	39,842,581	35,730,146
Due after ten years	6,389,564	6,309,971
<b>Total</b>	<b>\$ 62,997,382</b>	<b>\$ 58,458,567</b>

15. The components of Amounts due (from) to affiliates, net are presented in the following table:

31 December	2023
Due from CNAN	\$ 1,113,712
<b>Amounts due from affiliates</b>	<b>1,113,712</b>
Due to CIC	343
Due to CCC	211,318
<b>Amounts due to affiliates</b>	<b>\$ 211,661</b>

The amounts above relate to intercompany claim and general and administration expenses and are generally settled on a monthly basis. As of December 31, 2023, Amounts due from affiliates also includes amounts owed to the Company from CNAN under the indemnification agreement as a result of the commutation of certain reinsurance contracts with auto-dealer captives. For additional information regarding related party transactions see General Notes to the Financial Statements, Note 2.

16. Not applicable.

17. There is no difference between the total Bermuda statutory capital and surplus as reported herein and Stockholder's equity based on accounting principles generally accepted in the United States of America (U.S. GAAP).

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

1(a) Capital Stock

As respects authorized capital stock there shall be disclosed severally—

- a) There are 1,000,000 shares authorized of U.S. dollars \$1.00 each. All shares have equal rank. All of the authorized shares are issued and fully paid.
- b) Not applicable.
- c) Not applicable.
- d) Not applicable.

1(b) Not applicable.

2(c) No dividends were declared and paid to CCC for the year ended 31 December 2023.

## **Notes to the Condensed Balance Sheet**

1. Not applicable.

2. Debt securities are valued using quoted market prices, if available. If quoted prices are not available, debt securities are valued using methodologies based on information generated by market transactions involving identical or comparable assets, discounted cash flow methodologies or a combination of both when necessary. Common inputs include prices from recently executed transactions of similar securities, marketplace quotes, benchmark yields, spreads off benchmark yields, interest rates and U.S. Treasury or swap curves.

3 - 8. Not applicable.

9. Investment income due and accrued was \$574,418 at 31 December 2023.

10. a) Not applicable.

b) Not applicable.

11. Reinsurance balances receivable were \$11,454,574 at 31 December 2023. The majority of amounts due from reinsurers are fully collateralized.

12. Not applicable.

13. a) Sundry assets include deferred acquisition costs, amounts due from affiliates, deferred tax asset and ceded premium receivable.

b) Not applicable.

14. Not applicable.

16. The reserve for unearned premiums represents the portion of premiums written relating to the unexpired terms of coverage.

17.

a) 31 December	2023	2022
<b>General Business Reserves</b>		
Gross loss and loss expense provisions at beginning of year	\$ 39,464,777	\$ 62,870,791
Less: Reinsurance recoverable at beginning of year	29,869,380	55,286,352
Net loss and loss expense provisions at beginning of year	9,595,397	7,584,439
Net losses incurred and net loss expenses incurred related to:		
(a) Current year	4,211,247	2,522,174
(b) Prior years	(179,701)	2,510
Total net losses incurred and net loss expenses incurred	4,031,546	2,524,684
Less: Losses and loss expenses paid or payable related to:		
(a) Current year	345,000	520,172
(b) Prior years	(6,122)	(6,446)
Total losses and loss expenses paid or payable	338,878	513,726
Net loss and loss expense provisions at end of year	13,288,065	9,595,397
Add: Reinsurance recoverable at end of year	16,020,594	29,869,380
<b>Gross loss and loss expense provisions at end of year</b>	<b>\$ 29,308,659</b>	<b>\$ 39,464,777</b>

- b) Loss and loss expense provisions represent the estimated amounts necessary to resolve all outstanding claims, including claims that are incurred but not reported as of the reporting date. The Company's reserve projections are based primarily on detailed analysis of the facts in each case, experience with similar cases and various historical development patterns. Consideration is given to historical patterns such as claims settlement practices, loss payments, pending levels of unpaid claims and product mix, as well as court decisions, economic conditions including inflation and public attitudes.

Establishing Loss and loss expense provisions is an estimation process. Many factors can ultimately affect the final settlement of a claim and therefore, the necessary reserve. Changes in the law, results of litigation, medical costs, the cost of repair materials and labor rates can all affect ultimate claim costs. In addition, time can be a critical part of reserving determinations since the longer the span between the incidence of a loss and the payment or settlement of the claim, the more variable the ultimate settlement amount can be. Adjustments to prior year reserve estimates, if necessary, are reflected on the Condensed Statement of Income in the period that the need for such adjustments is determined.

- c) Not applicable.

20 - 27. Not applicable.

28. Insurance and reinsurance balances payable to third parties was \$5,181,396 at 31 December 2023.

29. Unearned ceding commission revenue was \$3,000,632 at 31 December 2023 related to auto warranty business retroceded to the auto-dealer captives. See General Notes to the Financial Statements, Note 5c and Notes to the Condensed Statement of Income, Note 6.

30. Not applicable.

31. The Company is a member of CNAF's consolidated tax group (CNA Tax Group) through its election under Internal Revenue Code Section 953(d), which subjects the Company to U.S. income taxes as a domestic U.S. insurance company. The CNA Tax Group is included in the consolidated U.S. federal income tax return of Loews and its eligible subsidiaries. CNAF has a policy whereby each eligible subsidiary, including the Company, will pay to, or receive from, CNAF the amount of U.S. federal income tax it would have incurred or been entitled to recover, if that entity were filing its own U.S. federal income tax return.

- a) In accordance with the income tax policy noted above, the Company's federal income taxes payable at 31 December 2023 of \$945,968 was due to CNAF and is generally settled on a quarterly basis.

- b) The net deferred tax asset was \$2,720,092 at 31 December 2023.

- 32. Amounts due to affiliates was \$211,661 at 31 December 2023. See General Notes to the Financial Statements, Note 15.
- 33 -35. Not applicable.
- 36. a) Not applicable.  
b) Not applicable.
- 37. Not applicable.

**Notes to the Condensed Statement of Income**

- 6. Other insurance income represents earned ceding commission revenue of \$3,872,576. See General Notes to the Financial Statements, Note 5c.
- 15. Not applicable.
- 32. Not applicable.
- 36. Combined realized gains (losses) represent net capital gains (losses), net of tax, arising from the sale of investments as well as any impairment losses, including losses on investments that the Company intends to sell and changes in the allowance for credit losses. See General Notes to the Financial Statements, Note 4b.