



**April 23, 2021**

**Report of Independent Auditors**

**To the Board of Directors of Centre Solutions (Bermuda) Limited**

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

**Management's responsibility for the condensed financial statements**

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

**Auditors' responsibility**

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

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

**Basis for adverse opinion on International Financial Reporting Standards**

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

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



**Adverse opinion on International Financial Reporting Standards**

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

**Opinion on regulatory basis of accounting**

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

A handwritten signature in black ink that reads "PricewaterhouseCoopers Ltd." The signature is written in a cursive, flowing style.

**Chartered Professional Accountants**

**CONDENSED BALANCE SHEET**

Centre Solutions (Bermuda) Limited

As at December 31, 2020

 expressed in units **United States Dollars**

LINE No.		2020	2019
1.	CASH AND CASH EQUIVALENTS	4,922,285	4,381,065
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity	-	-
	ii. Other	13,099,800	10,752,680
(b)	Total Bonds and Debentures	13,099,800	10,752,680
(c)	Equities		
	i. Common stocks	-	-
	ii. Preferred stocks	-	-
	iii. Mutual funds	-	-
(d)	Total equities	-	-
(e)	Other quoted investments	-	-
(f)	Total quoted investments	13,099,800	10,752,680
3.	UNQUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity	-	-
	ii. Other	1,000,202	999,611
(b)	Total Bonds and Debentures	1,000,202	999,611
(c)	Equities		
	i. Common stocks	-	-
	ii. Preferred stocks	-	-
	iii. Mutual funds	-	-
(d)	Total equities	-	-
(e)	Other unquoted investments	-	-
(f)	Total unquoted investments	1,000,202	999,611
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES		
(a)	Unregulated entities that conduct ancillary services	-	-
(b)	Unregulated non-financial operating entities	-	-
(c)	Unregulated financial operating entities	-	-
(d)	Regulated non-insurance financial operating entities	-	-
(e)	Regulated insurance financial operating entities	-	-
(f)	Total investments in affiliates	-	-
(g)	Advances to affiliates	290,737	2,190
(h)	Total investments in and advances to affiliates	290,737	2,190
5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE		
(a)	First liens	-	-
(b)	Other than first liens	-	-
(c)	Total investments in mortgage loans on real estate	-	-
6.	POLICY LOANS	-	-
7.	REAL ESTATE:		
(a)	Occupied by the company (less encumbrances)	-	-
(b)	Other properties (less encumbrances)	-	-
(c)	Total real estate	-	-
8.	COLLATERAL LOANS	-	-
9.	INVESTMENT INCOME DUE AND ACCRUED	79,997	69,617
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	46,357,384	49,190,604
(b)	Deferred - not yet due	-	-
(c)	Receivables from retrocessional contracts	-	162,075
(d)	Total accounts and premiums receivable	46,357,384	49,352,679
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates	-	-
(b)	Domestic affiliates	-	-
(c)	Pools & associations	-	-
(d)	All other insurers	-	-
(e)	Total reinsurance balance receivable	-	-
12.	FUNDS HELD BY CEDING REINSURERS	10,727	6,465

**CONDENSED BALANCE SHEET**

Centre Solutions (Bermuda) Limited

As at December 31, 2020

expressed in units United States Dollars

LINE No.		2020	2019
13.	SUNDRY ASSETS:		
(a)	Derivative instruments	-	-
(b)	Segregated accounts companies - long-term business - variable annuities	-	-
(c)	Segregated accounts companies - long-term business - other	-	-
(d)	Segregated accounts companies - general business	-	-
(e)	Deposit Assets	-	-
(f)	Deferred acquisition costs	-	-
(g)	Net receivables for investments sold	-	-
(h)	Income tax receivable	-	-
(i)	Refundable expenses	-	-
(j)	Fixed Assets	-	-
(k)	Total sundry assets	-	-
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit	-	-
(b)	Guarantees	-	-
(c)	Other instruments	-	-
(e)	Total letters of credit, guarantees and other instruments	-	-
15.	TOTAL	65,761,132	65,564,307
<b>TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS</b>			
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	642,248	3,900,291
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates	-	-
	ii. Domestic affiliates	-	-
	iii. Pools & associations	-	-
	iv. All other insurers	-	-
(c)	Total ceded unearned premium reserve	-	-
(d)	Net unearned premium reserve	642,248	3,900,291
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	39,031,372	29,289,221
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates	-	-
	ii. Domestic affiliates	-	-
	iii. Pools & associations	-	-
	iv. All other reinsurers	-	-
(c)	Total reinsurance recoverable balance	-	-
(d)	Net loss and loss expense provisions	39,031,372	29,289,221
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES	-	-
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	39,673,620	33,189,512
<b>LONG-TERM BUSINESS INSURANCE RESERVES</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 and Associations	-	-
	(iv) All Other Insurers	-	-
(c)	Total Reinsurance Recoverable Balance	-	-
(d)	<b>Total Net Long-Term Business Insurance Reserves</b>	-	-

**CONDENSED BALANCE SHEET**

Centre Solutions (Bermuda) Limited

As at December 31, 2020

expressed in units United States Dollars

LINE No.		2020	2019
	<b>OTHER LIABILITIES</b>		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	1,996	1,993
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE	-	-
30.	LOANS AND NOTES PAYABLE	-	-
31.	(a) INCOME TAXES PAYABLE	-	-
	(b) DEFERRED INCOME TAXES	-	-
32.	AMOUNTS DUE TO AFFILIATES	102,627	51,849
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	482,724	488,829
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:	-	-
35.	DIVIDENDS PAYABLE	-	-
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments	-	-
(b)	Segregated accounts companies	-	-
(c)	Deposit liabilities	-	-
(d)	Net payable for investments purchased	-	-
(e)	Deferred Income	129,628	129,628
(f)	Other sundry liabilities (specify)	-	-
(g)	Other sundry liabilities (specify)	-	-
(h)	Total sundry liabilities	129,628	129,628
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	716,975	672,299
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	40,390,595	33,861,811
	<b>CAPITAL AND SURPLUS</b>		
40.	TOTAL CAPITAL AND SURPLUS	25,370,537	31,702,496
41.	TOTAL	65,761,132	65,564,307
		TRUE	TRUE
		-	-

**CONDENSED STATEMENT OF INCOME**

Centre Solutions (Bermuda) Limited

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

LINE No.		2020	2019
	<b>GENERAL BUSINESS UNDERWRITING INCOME</b>		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written	-	-
	(b) Assumed gross premiums written	-	-
	(c) Total gross premiums written	-	-
2.	REINSURANCE PREMIUMS CEDED	-	-
3.	NET PREMIUMS WRITTEN	-	-
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	3,258,043	5,290,860
5.	NET PREMIUMS EARNED	3,258,043	5,290,860
6.	OTHER INSURANCE INCOME	-	-
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	3,258,043	5,290,860
	<b>GENERAL BUSINESS UNDERWRITING EXPENSES</b>		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	8,992,901	15,769,746
9.	COMMISSIONS AND BROKERAGE	-	-
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	8,992,901	15,769,746
11.	<b>NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS</b>	(5,734,858)	(10,478,886)
29.	<b>COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS</b>	(5,734,858)	(10,478,886)
	<b>UNDERNOTED ITEMS</b>		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	1,283,636	1,146,087
	(b) Personnel cost	-	-
	(c) Other	-	-
	(d) Total combined operating expenses	1,283,636	1,146,087
31.	COMBINED INVESTMENT INCOME - NET	399,821	1,249,499
32.	COMBINED OTHER INCOME (DEDUCTIONS)	4,000	(33,947)
33.	COMBINED INCOME BEFORE TAXES	(6,614,673)	(10,409,421)
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	-	-
	(b) Deferred	-	-
	(c) Total	-	-
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	(6,614,673)	(10,409,421)
36.	COMBINED REALIZED GAINS (LOSSES)	(42,144)	194,948
37.	COMBINED INTEREST CHARGES	-	-
38.	NET INCOME	(6,656,817)	(10,214,473)

**CONDENSED STATEMENT OF CAPITAL AND SURPLUS**

Centre Solutions (Bermuda) Limited  
 As at December 31, 2020  
 expressed in units United States Dollars

LINE No.		2020	2019
1.	<b>CAPITAL:</b>		
(a)	Capital Stock		
	(i) Common Shares		
	authorized 3,700,000 shares of par	370,000	370,000
	value \$ 0.100 each issued and		
	fully paid 3,700,000 shares		
	(ii)		
	(A) Preferred shares:		
	authorized - shares of par	-	-
	value \$ - each issued and		
	fully paid - shares		
	aggregate liquidation value for —		
	2020 -		
	2019 -		
	(B) Preferred shares issued by a subsidiary:		
	authorized - shares of par	-	-
	value \$ - each issued and		
	fully paid - shares		
	aggregate liquidation value for —		
	2020 -		
	2019 -		
	(iii) Treasury Shares		
	repurchased - shares of par	-	-
	value \$ - each issued		
(b)	Contributed surplus	40,730,361	40,730,361
(c)	Any other fixed capital		
	(i) Hybrid capital instruments	-	-
	(ii) Guarantees and others	-	-
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	41,100,361	41,100,361
2.	<b>SURPLUS:</b>		
(a)	Surplus - Beginning of Year	(9,397,865)	102,018
(b)	Add: Income for the year	(6,656,817)	(10,214,473)
(c)	Less: Dividends paid and payable	-	-
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments	324,858	714,590
(e)	Add (Deduct) change in any other surplus	-	-
(f)	Surplus - End of Year	(15,729,824)	(9,397,865)
3.	<b>MINORITY INTEREST</b>	-	-
4.	<b>TOTAL CAPITAL AND SURPLUS</b>	25,370,537	31,702,496

**CENTRE SOLUTIONS (BERMUDA) LIMITED**  
**NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**  
(expressed in United States dollars)

**General Notes to the Financial Statements**

1. Centre Solutions (Bermuda) Limited (the Company) is a wholly-owned subsidiary of Zurich Finance Company AG, incorporated in Switzerland, which in turn is owned by Zurich Insurance Company Ltd which is owned by Zurich Insurance Group Ltd (Zurich), which is also incorporated in Switzerland.
2. The Company provides non-traditional customized insurance, reinsurance and financial solutions for clients worldwide. The main line of business is structured finite reinsurance with the majority being credit surety. The Company has been in a managed run-off since 2004. There remain four counterparties where the Company has determined liabilities, two of which are Zurich affiliates.
3. The Condensed General Purpose Financial Statements have been prepared in conformity with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to Condensed General Purpose Financial Statements (the Legislation). The Condensed General Purpose Financial Statements are based upon International Financial Reporting Standards (IFRS) but are in accordance with the reporting requirements of the Legislation, which varies in certain respects from IFRS. The more significant variances are as follows:
  - A statement of cash flows is not included;
  - A statement of comprehensive income is not included;
  - The presentation and classification of financial statement line items is in accordance with Schedules IX and XI of the Insurance Account Rules 2016 and differ from the expected presentation and classification under IFRS; and
  - The notes included in the condensed general purpose financial statements have been prepared in accordance with Schedule X of the Insurance Account Rules 2016 and exclude certain information required under IFRS.

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



**CENTRE SOLUTIONS (BERMUDA) LIMITED**  
NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2020  
(expressed in United States dollars)

4. Significant accounting policies are as follows:

(a) Premiums

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

(b) Losses and loss adjustment expenses

The reserve for losses and loss adjustment expenses represents the present value estimates of the ultimate cost of all losses incurred but not paid through December 31, 2020 and estimates of the total liability incurred under profit/commutation provisions of various prospective contracts. These estimates are continually reviewed and, as adjustments become necessary, such adjustments are reflected in current operations. Since the reserve is based on estimates, the ultimate settlement of losses and the related loss adjustment expenses may vary from the reserve. Loss reserves of \$39.0 million (2019 - \$29.3 million) on prospective contracts are undiscounted. A premium deficiency reserve (PDR) is established for any RVI contracts within 24 months of expiry if it is apparent that a loss is likely to occur upon expiry of the contract.

(c) Investment Income

Investment income is accounted for under the accrual basis.

(d) Investments

Quoted and unquoted investments are carried at fair value. The unrealized gains and losses on available for sale securities are reported in a separate component of surplus. Other private equity unquoted investments are carried at cost, which approximates the fair values of those assets. Investments are assessed quarterly whether there is objective evidence that loss events have occurred that negatively affect the estimated future cash flows of the investment. A financial asset is considered impaired if there is objective evidence of impairment as a result of one or more occurred loss events that have an impact on the estimated future cash flows of the financial asset.

The evaluation of whether an available-for-sale debt security is impaired requires analysis of the credit standing of a particular issuer and involves management judgment. When assessing impairment of available-for-sale debt securities, the

**CENTRE SOLUTIONS (BERMUDA) LIMITED**  
**NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**  
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Group places emphasis on issuer specific factors, such as significant financial difficulty, default or delinquency on interest or principal payments. A credit rating downgrade, worsened liquidity or decline in fair value below the weighted average cost is not by itself considered a loss event, but rather incorporated in the impairment analysis along with other available information.

(e) Cash and cash equivalents

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

(f) Commutation Policy

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

5. Premium income - See 4(a) above.  
Investment income - See 4(c) above.  
Commission income - Not applicable.
6. Foreign currency monetary assets and liabilities are translated into U.S. Dollars at the rates of exchange prevailing on balance sheet dates. Revenues and expenses are translated at the rates prevailing on the date of the transactions. Gains or losses arising from foreign currency transactions are credited or charged to income in line 32, Combined Other Income (Deductions).
- 7.-12. Not Applicable.
13. The fair value hierarchy of investments is based on the following levels:

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

**Level 2** - includes assets and liabilities for which fair values are determined using significant inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable market inputs.

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

Fair Value Hierarchy	for the year ended December 31	2020			
		Level 1	Level 2	Level 3	Total
<b>Assets</b>					
<i>Available-for-sale securities</i>					
	Bonds and Debentures	-	13,099,800	1,000,202	14,100,002
	Total Available-for-sale securities	-	13,099,800	1,000,202	14,100,002
	<b>Total assets</b>	-	<b>13,099,800</b>	<b>1,000,202</b>	<b>14,100,002</b>

Fair Value Hierarchy	for the year ended December 31	2019			
		Level 1	Level 2	Level 3	Total
<b>Assets</b>					
<i>Available-for-sale securities</i>					
	Bonds and Debentures	-	10,752,680	999,611	11,752,291
	Total Available-for-sale securities	-	10,752,680	999,611	11,752,291
	<b>Total assets</b>	-	<b>10,752,680</b>	<b>999,611</b>	<b>11,752,291</b>

Amounts have been reclassified to correct the presentation of unquoted investments of \$1.0 million representing Level 3 bonds, that were previously included as a component of quoted investments.

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

Debt securities by maturity	for the years ended December 31	2020	2019
		Due within one year	1,092,368
Due after one year through five years	7,658,295	6,693,336	
Due after five years through ten years	1,505,266	134,908	
Due after ten years	3,844,073	4,640,032	
	<b>Total</b>	<b>14,100,002</b>	<b>11,752,291</b>

**CENTRE SOLUTIONS (BERMUDA) LIMITED**  
**NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**  
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15. The below table sets forth the related party transactions reflected in the Statement of Income. All related party transactions are with Zurich affiliate companies.

<i>Statement of Income</i>	<i>for the year ended December 31</i>	<b>2020</b>		
		<b>Affiliate</b>	<b>3rd Party</b>	<b>Total</b>
	Increase (decrease) in unearned premiums	3,258,043	-	3,258,043
	Incurring expenses	4,819,707	4,173,194	8,992,901
	General and Administrative Expenses	1,194,719	88,917	1,283,636
	Investment expenses and income received	(66,236)	466,057	399,821

<i>Statement of Income</i>	<i>for the year ended December 31</i>	<b>2019</b>		
		<b>Affiliate</b>	<b>3rd Party</b>	<b>Total</b>
	Increase (decrease) in unearned premiums	5,290,860	-	5,290,860
	Incurring expenses	15,811,383	(41,637)	15,769,746
	General and Administrative Expenses	1,094,792	51,295	1,146,087
	Investment expenses and income received	(96,911)	1,346,410	1,249,499

Included in general and administrative expense is \$1.2 million (2019 - \$ 1.1 million) of expenses allocated from Zurich affiliated companies. The allocation is based primarily on the usage by the Company of facilities and other administrative services provided by or for the affiliate.

The investment expenses relate to investment management fee agreements with Zurich affiliated companies. Aggregate management fee expense during 2020 under such agreements was \$0.01 million (2019 - \$0.01 million).

The respective notes below disclose any related party transactions on the balance sheet.

17. (a) The Company utilizes reinsurance and retrocessional agreements to reduce its exposure to risk of loss. These agreements provide for recovery of a portion of losses and expenses from reinsurers and retrocessionaires. The Company remains liable to the extent that the reinsurers and retrocessionaires do not meet their obligations under these agreements and therefore provisions are made for amounts considered potentially uncollectible.
- (b) The Company continually monitors its positions with, and the credit quality of counterparties to its financial instruments. The counterparties to these instruments expose the Company to credit loss in the event of nonperformance. As at December 31, 2020 the Company did not anticipate any nonperformance.

**CENTRE SOLUTIONS (BERMUDA) LIMITED**  
**NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**  
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**Notes to the Balance Sheet**

1. To secure certain reinsurance contracts, irrevocable letters of credit of \$0.1 million (2019 - \$0.1 million) were outstanding at December 31, 2020.
2. See Note 4(d) above.
3. Other private equity unquoted investments are carried at cost, which approximates fair value. Investments are adjusted for any decline in value that is impaired. Currently private equity unquoted investments have been fully impaired. See Note 4(d) above.
4. There are no investments in affiliates. Advances to affiliates are unsecured, interest free have no specific terms of repayment and are carried at cost.
5. Not applicable.
6. Not applicable.
7. Not applicable.
8. Not applicable.
9. Investment income due and accrued is \$0.1 million (2019 - \$0.1 million).
10.
  - (a) There are no collateralized balances.
  - (b) The \$46.4 million (2019 - \$49.2 million) relates to salvage proceeds receivable from a Zurich affiliate.
11. Not applicable.
12. The funds held by ceding reinsurers include balances held by affiliates of \$0.011 million (2019 - \$0.006 million).
13. Not applicable.
14. Not applicable.
16. See Note 4 (a) above. The unearned premium balance with affiliates is \$0.6 million (2019 - \$3.9 million).

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

<b>As at December 31</b>	<b>2020</b>	<b>2019</b>
<i>expressed in United States Dollars</i>		
Gross loss and loss expense provisions at beginning of year	29,289,221	35,754,130
Less: Reinsurance recoverable at beginning of year	0	99,674
Net loss and loss expense provisions at beginning of year	29,289,221	35,654,456
Net losses incurred and net loss expenses incurred related to:		
Current year	5,744,846	18,314,976
Prior years	3,074,862	(2,545,230)
Total net incurred losses & loss expenses	8,819,707	15,769,746
Net losses and loss expenses paid or payable related to:		
Current year	0	(24,172,455)
Prior years	922,444	2,035,547
Total losses and loss expenses paid or payable	922,444	(22,136,908)
Foreign exchange and other	0	1,927
Net loss and loss expense provisions at end of year	39,031,372	29,289,221
Add: Reinsurance recoverable at end of year	0	0
Gross loss and loss expense provisions at end of year	39,031,372	29,289,221

- (b) The Company is currently in a managed run-off, therefore, it is expected to experience changes in the net losses incurred and net loss expenses incurred related to prior years. The reason for the change in the net losses incurred and net loss expenses incurred related to current and prior years is mainly due to four deals. Additional premium deficiency reserve of \$5.7 million was reported during the year on a surety deal that matures in 2022. This was offset by additional net loss salvage recoverable of \$0.9 million on two surety deals from the prior year. Also an additional \$4.0 million in reserves was provided for on another deal. No additional premiums or return premiums have been accrued as a result of prior year effects.
- (c) Not applicable.

20-27. Not applicable.

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- 28. The insurance and reinsurance balance payable with affiliates is \$0.002 million (2019 - \$0.002 million).
- 29. Not applicable.
- 30. Not applicable.
- 31. Not applicable.
- 32. The amounts due to affiliates are interest free and have no specific terms of repayment.
- 33. The accounts payable and accrued liabilities are \$0.5 million (2019 - \$0.5 million).
- 34. Not applicable.
- 35. Not applicable.
- 36. (a) The deferred income of \$0.1 million (2019 - \$0.1 million) represents the novation of an affiliate's letters of credit to the Company. The balance is collateralized and is expected to be released in due course.  
  
(b) Not applicable, no derivatives or embedded derivatives.
- 37. Not applicable.

**Notes to the Statement of Income**

- 6. Not applicable.
- 15. Not applicable.
- 32. In 2020, the majority of the balance is comprised of net gains from foreign currency transactions compared net losses from foreign currency in 2019.
- 36. The amount comprises of net gains and losses on the sale of quoted and unquoted bonds, and any impairment on quoted or unquoted investments.

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

1. (a) Capital Stock

Authorized share capital

- (a) Authorized capital stock is comprised of 3,700,000 voting common shares of \$0.10 par value each.
- (b) Not applicable.
- (c) Not applicable.
- (d) Not applicable.

Issued share capital

- (a) Issued, called up and fully paid 3,700,000 voting common shares of \$0.10 par value each.
- (b) Not applicable.
- (c) Not applicable.

Issued share capital

- (a) Not applicable, no shares were repurchased in 2020 and 2019.

1. (b) Contributed Surplus

No change in contributed surplus during 2020.

2. (c) Not applicable, as there were no dividends paid and payable during the year.

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.