

# **New Ocean Insurance Co., Ltd.**

**Condensed General Purpose Financial Statements  
Together with the Independent Auditors' Report**

**December 31, 2020 and 2019**

## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of  
New Ocean Insurance Co., Ltd.

We have audited the accompanying condensed financial statements of New Ocean Insurance Co., Ltd., 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 U.S. Generally Accepted Accounting Principles

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 accounting principles generally accepted in the United States of America.

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.

## REPORT OF INDEPENDENT AUDITORS (CONT'D)

### **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” paragraph, the condensed financial statements referred to above 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, 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 New Ocean Insurance Co., Ltd. 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.

*Deloitte Ltd.*

April 21, 2021

**CONDENSED BALANCE SHEET**

New Ocean Insurance Co., Ltd.

 As at **December 31, 2020**

 expressed in ['000s] **United States Dollars**

LINE No.		2020	2019
1.	CASH AND CASH EQUIVALENTS	26	46
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
i.	Held to maturity	-	-
ii.	Other	12,277	11,566
(f)	Total quoted investments	12,277	11,566
9.	INVESTMENT INCOME DUE AND ACCRUED	66	70
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	1,000	59
(b)	Deferred - not yet due	-	-
(c)	Receivables from retrocessional contracts		
(d)	Total accounts and premiums receivable	1,000	59
13.	SUNDRY ASSETS:		
(f)	Deferred acquisition costs	373	44
(g)	Net receivables for investments sold		
(h)	Income tax receivable	2	71
(k)	Total sundry assets	375	115
15.	TOTAL	13,744	11,856
	<b>TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS</b>		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	2,075	118
(b)	Less: Ceded unearned premium reserve		
iv.	All other insurers	1,403	37
(c)	Total ceded unearned premium reserve	1,403	37
(d)	Net unearned premium reserve	672	81
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	1,252	596
(b)	Less : Reinsurance recoverable balance		
iv.	All other reinsurers	682	262
(c)	Total reinsurance recoverable balance	682	262
(d)	Net loss and loss expense provisions	570	334
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES		
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	1,242	415
	<b>OTHER LIABILITIES</b>		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	1,257	26
31.	(a) INCOME TAXES PAYABLE		
	(b) DEFERRED INCOME TAXES	42	64
32.	AMOUNTS DUE TO AFFILIATES	4	8
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	1	30
38.	TOTAL OTHER LIABILITIES	1,304	128
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	2,546	543
	<b>CAPITAL AND SURPLUS</b>		
40.	TOTAL CAPITAL AND SURPLUS	11,198	11,313
41.	TOTAL	13,744	11,856

**CONDENSED STATEMENT OF INCOME**

New Ocean Insurance Co., Ltd.

 As at December 31, 2020  
 expressed in ['000s] 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	983	184
	(c) Total gross premiums written	983	184
2.	REINSURANCE PREMIUMS CEDED	58	58
3.	NET PREMIUMS WRITTEN	925	126
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	(591)	1
5.	NET PREMIUMS EARNED	334	127
6.	OTHER INSURANCE INCOME	-	-
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	334	127
	<b>GENERAL BUSINESS UNDERWRITING EXPENSES</b>		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	236	63
9.	COMMISSIONS AND BROKERAGE	179	125
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	415	188
11.	<b>NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS</b>	(81)	(61)
29.	<b>COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS</b>	(81)	(61)
	<b>UNDERNOTED ITEMS</b>		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	290	201
	(b) Personnel cost	-	-
	(c) Other	-	-
	(d) Total combined operating expenses	290	201
31.	COMBINED INVESTMENT INCOME - NET	248	329
32.	COMBINED OTHER INCOME (DEDUCTIONS)	-	-
33.	COMBINED INCOME BEFORE TAXES	(123)	67
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	(9)	135
	(b) Deferred	(17)	(76)
	(c) Total	(26)	59
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	(97)	8
36.	COMBINED REALIZED GAINS (LOSSES)	-	216
37.	COMBINED INTEREST CHARGES	-	-
38.	NET INCOME	(97)	224

**CONDENSED STATEMENT OF CAPITAL AND SURPLUS**

New Ocean Insurance Co., Ltd.  
 As at **December 31, 2020**  
 expressed in ['000s] **United States Dollars**

LINE No.		2020	2019
1.	<b>CAPITAL:</b>		
(a)	Capital Stock		
	(i) Common Shares		
	authorized <span style="border: 1px solid black; padding: 2px;">120,000</span> shares of par	<span style="border: 1px solid black; padding: 2px;">120</span>	<span style="border: 1px solid black; padding: 2px;">120</span>
	value <span style="border: 1px solid black; padding: 2px;">\$ 1,000</span> each issued and		
	fully paid <span style="border: 1px solid black; padding: 2px;">120,000</span> shares		
(b)	Contributed surplus	<span style="border: 1px solid black; padding: 2px;">9,880</span>	<span style="border: 1px solid black; padding: 2px;">9,880</span>
(d)	Total Capital	<u>10,000</u>	<u>10,000</u>
2.	<b>SURPLUS:</b>		
(a)	Surplus - Beginning of Year	<span style="border: 1px solid black; padding: 2px;">1,313</span>	<span style="border: 1px solid black; padding: 2px;">1,067</span>
(b)	Add: Income for the year	(97)	224
(c)	Less: Dividends paid and payable	<span style="border: 1px solid black; padding: 2px;"></span>	<span style="border: 1px solid black; padding: 2px;"></span>
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments	<span style="border: 1px solid black; padding: 2px;">(18)</span>	<span style="border: 1px solid black; padding: 2px;">22</span>
(e)	Add (Deduct) change in any other surplus	<span style="border: 1px solid black; padding: 2px;"></span>	<span style="border: 1px solid black; padding: 2px;"></span>
(f)	Surplus - End of Year	<u>1,198</u>	<u>1,313</u>
3.	<b>MINORITY INTEREST</b>	<span style="border: 1px solid black; padding: 2px;"></span>	<span style="border: 1px solid black; padding: 2px;"></span>
4.	<b>TOTAL CAPITAL AND SURPLUS</b>	<u>11,198</u>	<u>11,313</u>

**NEW OCEAN INSURANCE CO., LTD.**  
**NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**  
December 31, 2020 and 2019  
Expressed in Thousand U.S. Dollars

**1. Organization and Structure of business**

New Ocean Insurance Co., Ltd. (“the Company”) is incorporated in Bermuda and is a wholly owned subsidiary of The Hartford Financial Services Group, Inc. (“Hartford”), a U.S. corporation.

**2. General Nature of Risks Underwritten**

As of December 20, 2016, the Company reinsures Magna Carta Insurance, Ltd. (“Magna Carta”), a Bermuda exempted limited liability company, through a quota share reinsurance treaty. Through this treaty, the Company assumes 100% of specific punitive damages wrap policies issued by Magna Carta in conjunction with the Hartford’s domestic US employment practices liability policies. Coverage under the Magna Carta policies is available when the domestic policies are unable to pay a punitive damage award because punitive damages are uninsurable in a given jurisdiction. The underlying Magna Carta policies’ exposure limits vary, but are no greater than USD 25 million per policy. The Company assumes 100% of this risk and then cedes, through a quota share retrocession arrangement, 56% of this risk to non-affiliated, third party reinsurers.

Effective 1 July 2020, the Company began reinsuring additional punitive damages wrap policies issued by Magna Carta in conjunction with the Hartford’s legacy Navigators’ US excess casualty, environmental and life sciences policies. As above, the underlying Magna Carta policies’ exposure limits vary, but are no greater than USD 25 million per policy. The Company cedes 72.72% of this portion of the punitive damages wrap book of business to non-affiliated, third party reinsurers.

The Company also has additional policies that are in run-off from October 13, 2011 in which the Company has reinsured retrospective and prospective quota share contracts, provided deductible indemnification policies and has insured excess punitive damages liabilities. Quota share contracts reinsured an agreed upon percentage of the ultimate net loss suffered by the cedent under a range of their workers compensation, general liability, auto liability and professional indemnity policies. Deductible indemnification policies are 100% reinsured. Individual punitive damages policies have different attachment points, varying from \$1,000 to \$125,000 and exposure limits generally are \$25,000 per policy on a gross basis. The Company has used reinsurance to limit its exposure to \$10,000 per policy on a net basis.

**3-5. Accounting Policies**

*Basis of preparation*

The accompanying condensed general purpose financial statements of the Company are presented in accordance with the financial reporting provisions of the Bermuda Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 (“the legislation”), under the principles generally accepted in the United States of America. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NEW OCEAN INSURANCE CO., LTD.**  
**NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**  
December 31, 2020 and 2019  
Expressed in Thousand U.S. Dollars

**3.5 Accounting Policies (Cont'd)**

*Premiums*

Premiums written under retrospective quota share contracts are earned upon inception of the policy.

For all other contracts, premiums written are earned and premiums ceded are expensed on a pro-rata basis over the terms of the policies. Unearned premiums and prepaid reinsurance premiums represent the portion of premiums written and premiums ceded, respectively, which are applicable to the unexpired terms of the policies in force. *Loss and loss expenses provisions*

General

The loss and loss expenses provisions include estimates for losses incurred but not reported as well as losses pending settlement.

The loss and loss expenses provisions are based upon evaluations by an opining actuary and represents the Company's best estimate. The loss and loss expenses provisions for retrospective quota share contracts are stated at net present value.

Estimating the ultimate cost of future loss and loss expenses is an uncertain and complex process. This estimation process is based on the assumption that past developments are an appropriate predictor of future events and involves a variety of actuarial and scientific techniques that analyze experience, trends and other relevant factors. The uncertainties involved with the reserving process have become increasingly unpredictable due to a number of complex factors including social and economic trends and changes in the concept of legal liability and damage awards. Accordingly, final claim settlements may vary from the present estimates, particularly when those payments may not occur until well into the future.

The Company continually reviews its loss and loss expenses provisions as additional experience and other relevant data becomes available and adjusts provision levels accordingly. Adjustments to previously established provisions, if any, will be reflected in the operating results of the period in which the adjustments are made. On the basis of currently available information, it is the opinion of the Company that that the loss and loss expenses provisions are adequate.

Reinsurance contracts

The loss and loss expenses provisions include estimates for losses incurred but not reported as well as losses pending settlement. The loss and loss expenses provisions are based upon evaluations by an opining actuary and represent the Company's best estimate.



**NEW OCEAN INSURANCE CO., LTD.**  
**NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**  
December 31, 2020 and 2019  
Expressed in Thousand U.S. Dollars

**3.5 Accounting Policies (Cont'd)**

*Premiums (cont'd)*

Punitive damages contracts

As the Company has not received any claim notices from insureds as of December 31, 2020, the loss and loss expenses provisions relate wholly to losses incurred but not reported. The loss and loss expenses provisions are based upon evaluations by an opining actuary and represent the Company's best estimate.

The Company does not have sufficient historical loss experience on which to base its estimate of the reserve for losses incurred but not reported. Accordingly, the Company estimates reserves using the Bornhuetter Ferguson method, with an industry liability factor of 100%. Amounts recoverable from reinsurers are estimated in a manner consistent with the liability under the policies reinsured.

The nature of the punitive damages contracts is such that losses are likely to be of low frequency and high severity, and payments may not occur until well into the future. These factors, together with the lack of historical data on which to base an evaluation of losses, means that no assurance can be given that the ultimate settlement of losses will not vary significantly from the reserves recorded.

*Commissions*

Ceding commissions are earned over the period in which the related ceded premiums are expensed.

*Quoted Investments*

Quoted Investments, which consist of fixed income securities, are carried at fair value. The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment transactions are recorded on a trade date basis. Realized gains or losses on sale of investments are determined using the first in first out method.

*Cash and time deposits*

Cash and time deposits include amounts held in banks and money market funds. The carrying value approximates fair value because of the short maturity of the balances.

*Investment Income*

Investment income is recognized on the accrual method of accounting.

**6.-12. Not Applicable**

**NEW OCEAN INSURANCE CO., LTD.**  
**NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**  
December 31, 2020 and 2019  
Expressed in Thousand U.S. Dollars

**13. Investments**

In accordance with the ASC Topic 820 (“Topic 820”), the Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 establishes a fair value hierarchy that prioritizes the inputs in the valuation techniques used to measure fair value into three broad Levels (Level 1, 2, or 3) as follows:

- Level 1 - Observable inputs that reflect quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date. Level 1 securities include highly liquid U.S. Treasuries and money market funds;
- Level 2 - Observable inputs, other than quoted prices included in Level 1, for the asset or liability or prices for similar assets and liabilities. Most fixed maturities are model priced by vendors using observable inputs and are classified within Level 2.
- Level 3 - Valuations that are derived from techniques in which one or more of the significant inputs are unobservable (including assumptions about risk). Level 3 securities include less liquid securities. Because Level 3 fair values, by their nature, contain one or more significant unobservable inputs as there is little or no observable market for these assets and liabilities, considerable judgment is used to determine the Level 3 fair values. Level 3 fair values represent the Company’s best estimate of an amount that could be realized in a current market exchange absent actual market exchanges.

The following table summarizes the levels within the fair value hierarchy in which the fair value measurements of the Company’s financial instruments fall as of December 31, 2020:

<b>2020</b>	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
Short Term Investment Pool	\$ 4,730	\$ 1,080	\$ -	\$ 5,810
Other Portfolio Investments	-	6,467	-	6,467
<b>Total</b>	<b>\$ 4,730</b>	<b>\$ 7,547</b>	<b>\$ -</b>	<b>\$ 12,277</b>

The investments are in a short-term investment pool and other portfolio investments managed by an affiliated company. The short-term investment pool consists mainly of commercial paper and government treasury holdings with short maturity tenors. All investments are carried at market value. The pool comprises of investment grade assets with a maximum maturity of three years. Interest income on short-term investment pool assets in 2020 totaled \$248 (2019: \$66).

The average life of the invested assets was 346 days in 2020 and 637 days in 2019.

**NEW OCEAN INSURANCE CO., LTD.**  
**NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**  
December 31, 2020 and 2019  
Expressed in Thousand U.S. Dollars

**14. Maturity of Investments**

The following table summarizes the maturity profile of the Company's financial instruments as of December 31, 2020:

<b>2020</b>	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
<b>ASSETS</b>					
Short Term Investment Pool	\$ 5,810	\$ -	\$ -	\$ -	\$ 5,810
Other Portfolio Investments	4,041	401	1,617	408	6,467
<b>Total</b>	<u>\$ 9,851</u>	<u>\$ 401</u>	<u>\$ 1,617</u>	<u>\$ 408</u>	<u>\$ 12,277</u>

**15. Related Party**

*Hartford Investment Management Company*

During the year, the Company's portfolio of investments was managed by Hartford Investment Management Company Inc. ("HIMCO"), an affiliated company, under a management agreement dated March 31, 1997. Under the terms of this agreement, the Company paid management fees to HIMCO totaling \$13 and \$16 in 2020 and 2019 respectively.

*The Hartford Financial Services Group, Inc.*

The Hartford Financial Services Group, Inc. has entered into a Guarantee Agreement with the Company which provides that, on demand of Company's Board of Directors, HFSG will make funds available to the Company to enable the Company to satisfy its obligations for losses arising from the reinsurance treaty between the Company and Magna Carta Insurance, Ltd.

**16. Subsequent Events**

There were no events up to the date of this report.

**17. Not applicable**

**NEW OCEAN INSURANCE CO., LTD.**  
**NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**  
December 31, 2020 and 2019  
Expressed in Thousand U.S. Dollars

Notes to the Condensed General Purpose  
Statutory Statement of Capital and Surplus

**1. (a) Capital Stock**

The insurer's authorized share capital consists of 120,000 shares of \$0.001 each par value. All shares have been issued and fully paid.

**(b) Contributed Surplus**

The Company's contributed surplus is \$9,880 (2019: \$9,880).

**2(c) Not applicable.**

**NEW OCEAN INSURANCE CO., LTD.**  
**NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**  
December 31, 2020 and 2019  
Expressed in Thousand U.S. Dollars

Notes to the Condensed General Purpose  
Statutory Balance Sheet

**1. Not Applicable**

**2. Quoted Investments**

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment transactions are recorded on a trade date basis.

**3.-8. Not Applicable**

**9. Investment income due and accrued**

Accrued investment income is valued as the interest or dividends payable to the Company for corporate and government bonds that are due within one year.

**10.-12. Not Applicable**

**13. Sundry Assets**

Refer to note 31 "Income Tax".

**14. Not Applicable**

**16. Unearned premium reserve**

Refer to notes 3.-5. "Accounting Policies".

**NEW OCEAN INSURANCE CO., LTD.**  
**NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**  
December 31, 2020 and 2019  
Expressed in Thousand U.S. Dollars

Notes to the Condensed General Purpose  
Statutory Balance Sheet

**17. Loss and loss expenses provisions - See Notes 3.-5. (Loss and loss expense provisions).**

	<u>2020</u>	<u>2019</u>
Gross loss and loss expense provision at beginning of year	596	445
Less: Reinsurance recoverable at beginning of year	263	175
Net loss and loss expense provisions at beginning of year	333	270
Add: Net losses and loss expenses reserve movement related to:		
Current year	236	29
Prior years	-	34
Total net incurred losses and loss expenses	236	63
Less: Net losses and loss expenses paid or payable related to:		
Current year	-	-
Prior years	-	-
Total losses and loss expenses paid or payable	-	-
Foreign exchange and other	-	-
Net loss and loss expense provisions at end of year	569	333
add: Reinsurance recoverable at end of year	683	263
Gross loss and loss expense provisions at end of year	1,252	596

**20. Reserves for reported claims**

Refer to notes 3.-5. "Accounting Policies".

**21. Reserves for unreported claims**

Refer to notes 3.-5. "Accounting Policies".

**22.-30. Not Applicable**

**31. Income Tax**

*Bermuda Tax*

At the present time, no income, profit or capital gain taxes are levied in Bermuda and accordingly, no provision for such tax has been recorded by the Company. In the event that such taxes are levied, the Company has received an undertaking by the Bermuda Government exempting it from all such taxes until March 31, 2035.

**NEW OCEAN INSURANCE CO., LTD.**  
**NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**  
December 31, 2020 and 2019  
Expressed in Thousand U.S. Dollars

**31. Income Tax (Cont'd)**

*U.S. Income Tax*

The Company has filed with the United States Internal Revenue Service an election pursuant to Section 953 (d) to be taxed as a domestic corporation for purposes of the United States Internal Revenue Code. The election is effective for the year ended December 31, 1997 and all subsequent years and may not be revoked without the consent of the Secretary of the Treasury.

An electing corporation, as a domestic corporation for United States tax purposes, is not subject to the provisions of Subpart F of the Internal Revenue Code. In addition, premiums paid or ceded to the Company will not be subject to the United States federal excise tax. The Company has also elected to be included in Hartford's consolidated United States federal income tax return.

Deferred Income Tax

Deferred tax assets and liabilities are determined based on the difference between the tax basis of an asset or liability and its reported amount in the financial statements using enacted tax rates. Future tax benefits attributable to these differences are recognized to the extent that realization of such benefits is more likely than not. The primary differences between accounting and taxable income arise from a difference in the method of discounting reserves for loss and loss related expenses.

**32. Amounts due to affiliates**

Amounts due to affiliates are non-interest bearing and settled periodically.

**33. Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities of \$1 (2019: \$30) represent amounts incurred in the normal course of business not yet settled.

**34.-37. Not Applicable**

Notes to the Condensed General Purpose  
Statement of Income

**6. Not Applicable**

**15. Not Applicable**

**32. Not Applicable**

**36. Not Applicable**