

## REPORT OF INDEPENDENT AUDITORS

### To the Board of Directors of Ally International Insurance Company Ltd.

We have audited the accompanying condensed financial statements of Ally International Insurance Company Ltd., which comprise the condensed balance sheets and condensed statements of capital and surplus as of December 31, 2020, and the related condensed statements of income for the year 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.

**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, 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 Ally International Insurance Company Ltd. as of December 31, 2020, 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 22, 2021

**CONDENSED CONSOLIDATED BALANCE SHEET**

Ally International Insurance Company Ltd

As at **December 31, 2020**

expressed in

**United States Dollars**

| LINE No. |  | 2020        | 2019        |
|----------|--|-------------|-------------|
| 1.       | CASH AND CASH EQUIVALENTS                            | 9,235,793   | 9,663,796   |
| 2.       | QUOTED INVESTMENTS:                                  |             |             |
| (a)      | Bonds and Debentures                                 |             |             |
|          | i. Held to maturity                                  |             |             |
|          | ii. Other  | 122,728,880 | 119,466,243 |
| (b)      | Total Bonds and Debentures                           | 122,728,880 | 119,466,243 |
| (c)      | Equities   |             |             |
|          | i. Common stocks                                     |             |             |
|          | ii. Preferred stocks                                 |             |             |
|          | iii. Mutual funds                                    |             |             |
| (d)      | Total equities                                       | -           | -           |
| (e)      | Other quoted investments                             |             |             |
| (f)      | Total quoted investments                             | 122,728,880 | 119,466,243 |
| 3.       | UNQUOTED INVESTMENTS:                                |             |             |
| (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                           | -           | -           |
| 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                               |             |             |
| (h)      | Total investments in and advances to affiliates      | -           | -           |
| 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                    | 665,505     | 724,423     |
| 10.      | ACCOUNTS AND PREMIUMS RECEIVABLE:                    |             |             |
| (a)      | In course of collection                              | 3,640,551   | 3,500,858   |
| (b)      | Deferred - not yet due                               |             |             |
| (c)      | Receivables from retrocessional contracts            |             |             |
| (d)      | Total accounts and premiums receivable               | 3,640,551   | 3,500,858   |
| 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                      |             |             |

## CONDENSED CONSOLIDATED BALANCE SHEET

Ally International Insurance Company Ltd

As at **December 31, 2020**

expressed in

**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   | 8,145,124   | 8,607,869   |
| (g)      | Net receivables for investments sold   |             |             |
| (h)      | Income Taxes Receivable  | 106,211     | -           |
| (i)      | Other Sundry Assets (Specify)  |             |             |
| (j)      | Other Sundry Assets (Specify)  |             |             |
| (k)      | Total sundry assets  | 8,251,335   | 8,607,869   |
| 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  | 144,522,064 | 141,963,189 |
|          | <b>TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS</b> |             |             |
| 16.      | UNEARNED PREMIUM RESERVE   |             |             |
| (a)      | Gross unearned premium reserves  | 89,921,448  | 93,931,551  |
| (b)      | Less: Ceded unearned premium reserve   |             |             |
|          | i. Foreign affiliates  | 27,266,646  | 27,717,173  |
|          | ii. Domestic affiliates  |             |             |
|          | iii. Pools & associations  |             |             |
|          | iv. All other insurers   |             |             |
| (c)      | Total ceded unearned premium reserve   | 27,266,646  | 27,717,173  |
| (d)      | Net unearned premium reserve   | 62,654,802  | 66,214,378  |
| 17.      | LOSS AND LOSS EXPENSE PROVISIONS:  |             |             |
| (a)      | Gross loss and loss expense provisions   | 4,540,187   | 3,122,666   |
| (b)      | Less : Reinsurance recoverable balance   |             |             |
|          | i. Foreign affiliates  | 3,900,863   | 2,698,379   |
|          | ii. Domestic affiliates  |             |             |
|          | iii. Pools & associations  |             |             |
|          | iv. All other reinsurers   |             |             |
| (c)      | Total reinsurance recoverable balance  | 3,900,863   | 2,698,379   |
| (d)      | Net loss and loss expense provisions   | 639,324     | 424,287     |
| 18.      | OTHER GENERAL BUSINESS INSURANCE RESERVES  |             |             |
| 19.      | TOTAL GENERAL BUSINESS INSURANCE RESERVES  | 63,294,126  | 66,638,665  |
|          | <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   |             |             |

**CONDENSED CONSOLIDATED BALANCE SHEET**

Ally International Insurance Company Ltd

As at **December 31, 2020**

expressed in **United States Dollars**

| LINE No. |   | 2020      | 2019      |
|----------|---|-----------|-----------|
|          | (iii) Pools and Associations                              |           |           |
|          | (iv) All Other Insurers                                   |           |           |
| (c)      | Total Reinsurance Recoverable Balance                     | -         | -         |
| (d)      | <b>Total Net Long-Term Business Insurance Reserves</b>    | -         | -         |
|          | <b>OTHER LIABILITIES</b>                                  |           |           |
| 28.      | INSURANCE AND REINSURANCE BALANCES PAYABLE                | 2,287,428 | 2,097,658 |
| 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                                 | 2,717,657 | 2,279,888 |
| 33.      | ACCOUNTS PAYABLE AND ACCRUED LIABILITIES                  | 76,500    | 76,500    |
| 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)      | Other sundry liabilities (specify)                        |           |           |
| (f)      | Other sundry liabilities (specify)                        |           |           |
| (g)      | Other sundry liabilities (specify)                        |           |           |
| (h)      | Total sundry liabilities                                  | -         | -         |
| 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 | -         | -         |

**CONDENSED CONSOLIDATED BALANCE SHEET**

Ally International Insurance Company Ltd

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

| LINE No. |  | 2020        | 2019        |
|----------|--|-------------|-------------|
| 38.      | TOTAL OTHER LIABILITIES                        | 5,081,585   | 4,454,046   |
| 39.      | TOTAL INSURANCE RESERVES AND OTHER LIABILITIES | 68,375,711  | 71,092,711  |
|          | <b>CAPITAL AND SURPLUS</b>                     |             |             |
| 40.      | TOTAL CAPITAL AND SURPLUS                      | 76,146,353  | 70,870,478  |
| 41.      | TOTAL  | 144,522,064 | 141,963,189 |
|          |  | <b>TRUE</b> | <b>TRUE</b> |
|          |  | -           | -           |

**CONDENSED CONSOLIDATED STATEMENT OF INCOME**

Ally International Insurance Company Ltd  
 As at December 31, 2020  
 expressed in United States Dollars

| LINE No. |  | 2020       | 2019       |
|----------|--|------------|------------|
|          | <b>GENERAL BUSINESS UNDERWRITING INCOME</b>                    |            |            |
| 1.       | GROSS PREMIUMS WRITTEN   |            |            |
|          | (a) Direct gross premiums written                              | 53,072,335 | 52,227,442 |
|          | (b) Assumed gross premiums written                             | 15,439,424 | 17,614,067 |
|          | (c) Total gross premiums written                               | 68,511,759 | 69,841,509 |
| 2.       | REINSURANCE PREMIUMS CEDED                                     | 53,072,335 | 52,227,442 |
| 3.       | NET PREMIUMS WRITTEN   | 15,439,424 | 17,614,067 |
| 4.       | INCREASE (DECREASE) IN UNEARNED PREMIUMS                       | 3,559,576  | (964,572)  |
| 5.       | NET PREMIUMS EARNED  | 18,999,000 | 16,649,495 |
| 6.       | OTHER INSURANCE INCOME   |            |            |
| 7.       | TOTAL GENERAL BUSINESS UNDERWRITING INCOME                     | 18,999,000 | 16,649,495 |
|          | <b>GENERAL BUSINESS UNDERWRITING EXPENSES</b>                  |            |            |
| 8.       | INCURRED   | 9,174,968  | 8,999,616  |
| 9.       | COMMISSIONS AND BROKERAGE                                      | 2,469,616  | 2,164,434  |
| 10.      | TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES                   | 11,644,584 | 11,164,050 |
| 11.      | <b>NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS</b>       | 7,354,416  | 5,485,445  |
|          | <b>LONG-TERM BUSINESS INCOME</b>                               |            |            |
| 12.      | GROSS PREMIUMS AND OTHER CONSIDERATIONS:                       |            |            |
|          | (a) Direct gross premiums and other considerations             |            |            |
|          | (b) Assumed gross premiums and other considerations            |            |            |
|          | (c) Total gross premiums and other considerations              | -          | -          |
| 13.      | PREMIUMS CEDED   |            |            |
| 14.      | NET PREMIUMS AND OTHER CONSIDERATIONS:                         |            |            |
|          | (a) Life   |            |            |
|          | (b) Annuities  |            |            |
|          | (c) Accident and health  |            |            |
|          | (d) Total net premiums and other considerations                | -          | -          |
| 15.      | OTHER INSURANCE INCOME   |            |            |
| 16.      | TOTAL LONG-TERM BUSINESS INCOME                                | -          | -          |
|          | <b>LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES</b>              |            |            |
| 17.      | CLAIMS - LIFE  |            |            |
| 18.      | POLICYHOLDERS' DIVIDENDS                                       |            |            |
| 19.      | SURRENDERS   |            |            |
| 20.      | MATURITIES   |            |            |
| 21.      | ANNUITIES  |            |            |
| 22.      | ACCIDENT AND HEALTH BENEFITS                                   |            |            |
| 23.      | COMMISSIONS  |            |            |
| 24.      | OTHER  |            |            |
| 25.      | TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES               | -          | -          |
| 26.      | INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES) |            |            |
|          | (a) Life   |            |            |
|          | (b) Annuities  |            |            |

**CONDENSED CONSOLIDATED STATEMENT OF INCOME**

Ally International Insurance Company Ltd

As at December 31, 2020

expressed in United States Dollars

| LINE No. |  | 2020       | 2019       |
|----------|--|------------|------------|
|          | (c) Accident and health  |            |            |
|          | (d) Total increase (decrease) in policy reserves                     | -          | -          |
| 27.      | TOTAL LONG-TERM BUSINESS EXPENSES                                    | -          | -          |
| 28.      | <b>NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS</b>           | -          | -          |
| 29.      | <b>COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS</b> | 7,354,416  | 5,485,445  |
|          | <b>UNDERNOTED ITEMS</b>  |            |            |
| 30.      | COMBINED OPERATING EXPENSE   |            |            |
|          | (a) General and administration                                       | 226,258    | 246,379    |
|          | (b) Personnel cost   |            |            |
|          | (c) Other  |            |            |
|          | (d) Total combined operating expenses                                | 226,258    | 246,379    |
| 31.      | COMBINED INVESTMENT INCOME - NET                                     | 2,838,101  | 3,108,742  |
| 32.      | COMBINED OTHER INCOME (DEDUCTIONS)                                   | 701,423    | 2,802,818  |
| 33.      | COMBINED INCOME BEFORE TAXES   | 10,667,682 | 11,150,626 |
| 34.      | COMBINED INCOME TAXES (IF APPLICABLE):                               |            |            |
|          | (a) Current  | 2,650,798  | 2,492,310  |
|          | (b) Deferred   | 46,652     | (7,960)    |
|          | (c) Total  | 2,697,450  | 2,484,350  |
| 35.      | COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)                       | 7,970,232  | 8,666,276  |
| 36.      | COMBINED REALIZED GAINS (LOSSES)                                     | 1,937,762  | 349,225    |
| 37.      | COMBINED INTEREST CHARGES  |            |            |
| 38.      | NET INCOME   | 9,907,994  | 9,015,501  |

## CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

Ally International Insurance Company Ltd.

As at December 31, 2020  
expressed in United States Dollars

| LINE No. |  | 2020            | 2019        |
|----------|--|-----------------|-------------|
| 1.       | <b>CAPITAL:</b>  |                 |             |
| (a)      | Capital Stock  |                 |             |
|          | (i) Common Shares  |                 |             |
|          | authorized   | 370,000         | 370,000     |
|          | value  | \$ 1,000        |             |
|          | fully paid   | 370,000         |             |
|          |  | shares of par   |             |
|          |  | each issued and |             |
|          |  | shares          |             |
|          | (ii)   |                 |             |
|          | (A) Preferred shares:  |                 |             |
|          | authorized   |                 |             |
|          | value  |                 |             |
|          | fully paid   |                 |             |
|          |  | shares of par   |             |
|          |  | each issued and |             |
|          |  | shares          |             |
|          | aggregate liquidation value for —  |                 |             |
|          | 2020   |                 |             |
|          | 2019   |                 |             |
|          | (B) Preferred shares issued by a subsidiary:                                 |                 |             |
|          | authorized   |                 |             |
|          | value  |                 |             |
|          | fully paid   |                 |             |
|          |  | shares of par   |             |
|          |  | each issued and |             |
|          |  | shares          |             |
|          | aggregate liquidation value for —  |                 |             |
|          | 2020   |                 |             |
|          | 2019   |                 |             |
|          | (iii) Treasury Shares  |                 |             |
|          | repurchased  |                 |             |
|          | value  |                 |             |
|          |  | shares of par   |             |
|          |  | each issued     |             |
| (b)      | Contributed surplus  | 39,811,019      | 39,811,019  |
| (c)      | Any other fixed capital  |                 |             |
|          | (i) Hybrid capital instruments   |                 |             |
|          | (ii) Guarantees and others   |                 |             |
|          | (iii) Total any other fixed capital  | -               | -           |
| (d)      | Total Capital  | 40,181,019      | 40,181,019  |
| 2.       | <b>SURPLUS:</b>  |                 |             |
| (a)      | Statutory Surplus - Beginning of Year  | 30,689,459      | 25,288,044  |
| (b)      | Add: Income for the year   | 9,907,994       | 9,015,501   |
| (c)      | Less: Dividends paid and payable   | (10,000,000)    | (9,000,000) |
| (d)      | Add (Deduct) change in unrealized appreciation (depreciation) of investments | 3,216,815       | 3,601,451   |
| (e)      | Add (Deduct) change in non-admitted assets                                   | 1,161,817       | 1,310,323   |
| (f)      | Add (Deduct) change in appraisal of real estate                              | -               | -           |
| (g)      | Add (Deduct) change in any other statutory capital                           | 989,249         | 474,140     |
| (h)      | Statutory Surplus - End of Year  | 35,965,334      | 30,689,459  |
| 3.       | <b>MINORITY INTEREST</b>   |                 |             |
| 4.       | <b>TOTAL CAPITAL AND SURPLUS</b>   | 76,146,353      | 70,870,478  |

ALLY INTERNATIONAL INSURANCE COMPANY LTD.  
NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

GENERAL NOTES

1. Ally International Insurance Company Ltd. (the “Company” or “Ally IICL”) is a wholly owned subsidiary of Ally Insurance Holdings Inc. (“Ally Insurance”). Ally Insurance is a wholly owned subsidiary of Ally Financial Inc., which is incorporated in the State of Delaware, USA.

2. The Company writes on a direct basis automobile physical damage for insurance coverage for franchised new automobile dealers located in the United States. The coverage is written under the U.S. Motors Inventory Coverage Program, which provides coverage for the non-financed inventory of Ally dealers. This business is 100% ceded to Motors Insurance Corporation (MIC), an affiliated entity.

The Company has a quota share reinsurance agreement to assume 50% of a portion of MIC Canada’s vehicle service contract business that is not already subject to other reinsurance agreements. MIC Canada is the vehicle service contract and protection plan provider for GM Canada and insures General Motors Company of Canada (GMCC) under a contractual liability policy for claims related to future mechanical repair and replacement vehicle rental costs covered by extended service contracts sold by GMCC Dealers to consumers

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 U.S Generally Accepted Accounting Principles (“GAAP”) but are in accordance with the reporting requirements of the Legislation, which varies in certain respects from GAAP.

4. (a) Premiums

Premiums are recognized as revenue on a pro-rata basis according to the length of the original policies. For extended service contracts, premiums are earned on a basis proportionate to the anticipated loss experience. Unearned premium reserves are established to cover the unexpired portion of the premium written.

Premiums which are subject to adjustments are estimated based upon available information. Any variances from the estimates are recorded in net income in the periods in which they become known.

(b) Loss and loss expense provisions

The liability for losses and loss expenses includes an amount determined from loss reports and individual cases and an amount, based on past experience, for losses and loss expense incurred but not reported. The reserve for losses and loss expense incurred but not reported as of 31<sup>st</sup> December 2020 is determined by management based upon an actuarial report. These estimates are continually reviewed and are necessarily subject to the impact of future changes in such factors as claim severity and frequency.

(c) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. The carrying amount approximates fair value. Interest income earned on cash and cash equivalents is recognized on an accrual basis.

5. Income is recognized on the following basis:

Premiums - see Note 4(a).

Investment Income is recognized on the accrual basis.

Commission Income is recorded on the accrual basis.

6. Ally IICL currently has one foreign branch holding assets and liabilities in CAD. The branch has a different functional currency to the reporting currency that the statutory financial statements are presented in. Monetary assets and liabilities originating in other currencies are translated into U.S. dollars at the rates of exchange in effect at the Balance Sheet date. Non-monetary assets and liabilities originating in other currencies are translated into U.S. dollars at the rates of exchange in effect at the dates when the transactions occurred. The resulting exchange gains or losses are included in the change in other statutory capital, except those related to the translation of investments available-for-sale which are included in the change in unrealized appreciation (depreciation) of investments. Both of these are components of statutory surplus. Revenue and expense items are translated into U.S. dollars at average rates of exchange for the period.

7-15. Not applicable

GENERAL NOTES cont'd

- 16 The spread of COVID-19 has created a global public-health crisis that has resulted in widespread volatility and deteriorations in household, business, economic, and market conditions, including in the United States and Canada where the Company conducts all of its business.

Insurance operations have been adversely impacted by the COVID-19 pandemic, which has not yet been fully contained. While the Company has experienced improvements in the business since the early stages of the COVID-19 pandemic, it has nonetheless negatively impacted the Company, its customers, counterparties, employees, and third-party service providers since the spread of the disease began to accelerate in March 2020. At this time, the Company cannot yet be confident in the extent of this negative impact or the trajectory of the macroeconomic outlook – especially with the ongoing uncertainties around the efficacy, availability, acceptance, and distribution of vaccines and other medical treatments – and the adverse effects on the business, financial position, results of operations, and prospects could be significant

17. N/A

#### NOTES TO THE STATEMENT OF CAPITAL AND SURPLUS

1. (a) Capital Stock

The composition of the Company's common stock for the year ended December 31, 2020 is shown below. The Company's common stocks had no dividend rates applicable and no redemption price of any redeemable shares. These common stock also had no conversion provisions.

|                         | <b>Voting Shares<br/>Authorized</b> | <b>Par<br/>Value</b> | <b>Shares Issued<br/>and Outstanding</b> | <b>Balance</b>      |
|-------------------------|-------------------------------------|----------------------|--|---------------------|
|                         | 370,000                             | \$1                  | 370,000                                  | \$370,000           |
| (b) Contributed Surplus |                                     |                      |  |                     |
|                         |                                     |                      |  | <u>\$39,811,019</u> |

2. (c) The Company paid a cash dividend in the amount of \$10,000,000 during the year.

- (g) Change in other statutory capital for the years ended December 31, 2020 and 2019 was \$989,249 and \$474,140 respectively. Included in the 2020 change are accumulated translation adjustments of \$(260,062) and change in accumulated translation adjustment of \$1,249,311.

#### NOTES TO THE BALANCE SHEET

1. Not applicable.

2. Quoted Investments

Quoted investments are valued using Fair Value. Fair value is defined 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. Fair value should be based on the assumptions market participants would use when pricing an asset or liability and established a fair value hierarchy that prioritizes the information used to develop those assumptions.

The Trust agreement below is held as collateral in currencies other than US Dollars. The investment balances quoted below are the US Dollar equivalent amounts and do not include accrued interest. The beneficiary is the Canadian branch of Motors Insurance Corporation. The purpose of the trust account is to provide reinsurance security to policyholders of the Canadian branch.

| Beneficiary                                    | Description     | Trust Amount (\$) | Date of Issue                  |
|--|-----------------|-------------------|--------------------------------|
| Motors Insurance Corporation – Canadian Branch | Trust Agreement | 88,475,667        | 11 <sup>th</sup> November 2009 |

- 3–8. Not applicable.

10. At December 31, 2020 and 2019 the Company had premiums receivable of \$3,640,551 and \$3,500,858 respectively. These amounts were due from Motors Insurance Corporation, an affiliated entity.

- 11–12. Not applicable.

13. The company has recorded a deferred acquisition cost of \$8,145,124 and \$8,607,869 at December 31, 2020 and 2019 respectively. 100% of the deferred acquisition cost is related to commission on assumed mechanical business from an affiliate.
- Income Tax Receivable were \$106,211 and \$0 at December 31, 2020 and 2019 respectively representing a refund due to over estimation of U.S. federal income tax.
14. Not applicable
16. Unearned premiums represent the portion of premiums which relate to periods of reinsurance subsequent to the Statutory Balance Sheet date. Refer to Part I note 4 for further details concerning the recognition of premiums.
17. The following table provides a reconciliation of the activity in the reserves for insurance losses and loss expenses.

|  | <u>2020</u>        | <u>2019</u>        |
|--|--------------------|--------------------|
| Gross loss and loss expense provisions at beginning of year    | 3,122,666          | 4,770,128          |
| Less: Reinsurance recoverable at beginning of year             | <u>(2,698,379)</u> | <u>(4,358,116)</u> |
| Net loss and loss expense provisions at beginning of year      | 424,287            | 412,012            |
| Net losses incurred and net loss expenses incurred related to: |                    |                    |
| Current year   | 9,023,522          | 9,053,064          |
| Prior years  | <u>151,446</u>     | <u>(53,448)</u>    |
| Total net incurred losses & loss expenses                      | 9,174,968          | 8,999,616          |
| Net losses and loss expenses paid or payable related to:       |                    |                    |
| Current year   | (8,384,198)        | (8,628,776)        |
| Prior years  | <u>(575,733)</u>   | <u>(358,564)</u>   |
| Total losses and loss expenses paid or payable                 | (8,959,931)        | (8,987,341)        |
| Net loss and loss expense provisions at end of year            | <u>639,324</u>     | <u>424,287</u>     |
| Add: Reinsurance recoverable at end of year                    | <u>3,900,863</u>   | <u>2,698,379</u>   |
| Gross loss and loss expense provisions at end of year          | <u>4,540,187</u>   | <u>3,122,666</u>   |

(b) There was immaterial unfavorable prior year development. No premium adjustments were made due to the unfavorable loss emergence.

(c) Not applicable.

- 20-27. Not applicable.
28. Insurance and reinsurance balances payable were \$2,287,428 and \$2,097,658 at December 31, 2020 and 2019 respectively and are balances in the normal course of business for the Company.
- 29-30. Not applicable
31. Under current Bermuda law, Ally IICL is not required to pay taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Bermuda government that, in the event of income or capital gains taxes being imposed, the Company will be exempted from such taxes until the year 2035. The Company has elected to be registered as a U.S. taxpayer and is included in the consolidated U.S. federal income tax return of Ally Financial, Inc.
32. At December 31, 2020 Ally IICL had amounts payable to Ally Insurance Holdings Inc. in the amount of \$2,693,343 and to Motors Insurance Corporation \$24,314. These amounts are interest free and intercompany amounts are settled on a quarterly basis.
33. The nature of the items included in accounts payable and accrued expenses are accruals related to audit fees of \$76,500.
- 34-37. Not applicable.

6. Not applicable.

15. Not applicable.

32. Other income (deduction)

The nature of the items included in other income at December 31, 2020 and 2019 are realized foreign exchange gains of \$701,423 and \$2,802,818 respectively.

36. Realized gains (losses)

Realized gains occur due to security sales that are concurrent to management electing to intend to sell, or be required to sell, such investments based on a variety of factors including adjustments to investment strategy, portfolio re-balancing to match a target index, market events or specific corporate events which have the effect of changing the outlook of a security.