Nationale Borg Reinsurance N.V.

Annual Report 2021

Table of contents

Total number of pages in the annual reporting: 27

2021 Financial statements

of

Nationale Borg Reinsurance N.V.

Balance sheet as at December 31, 2021
(after appropriation of profit)

A s s e t s

(in thousands of euros)	**2021**		2020	
Non-current assets				
Intangible assets (1)	5		28	
Property, plant and equipment (2)	1		3	
Financial assets (3)	20,887		21,550	
Total of non-current assets		20,893		21,581
Current assets				
Receivables (4)	21,813		8,924	
Cash at bank and in hand (5)	5,077		15,021	
Total of current assets		26,890		23,945
Total assets		**47,783**		**45,526**

Equity and liabilities

(in thousands of euros)	**2021**		2020	
Equity (6)				
Share capital	2,000		2,000	
Share premium	2,000		2,000	
Revaluation reserves	462		670	
Other reserves	21,359		19,665	
Total of equity		25,821		24,335
Provisions (7)		16,664		15,657
Current liabilities (8)		5,298		5,534
Total of equity and liabilities		**47,783**		**45,526**

Income statement for the year ended December 31, 2021

(in thousands of euros)	2021		2020	
Gross operating result (9)		3,262		(510)
wages and salaries (10)	(500)		(817)	
social security charges (11)	(11)		151	
amortization of intangible assets and depreciation of property, plant and equipment (12)	(25)		(35)	
other operating expenses (13)	(1,076)		(1,862)	
Total operating expenses		(1,612)		(2,563)
Operating result		1,650		(3,073)
financial income and expenses (14)		109		(916)
Result before tax		1,759		(3,989)
income tax expense (15)		(65)		(0)
Net result after tax		**1,694**		**(3,989)**

Accounting policies used in preparing the company financial statements

General

The registered office according to the Articles of Association of Nationale Borg Reinsurance N.V. is located at Kaya W.F.G. (Jombi) Mensing 18, Curacao.

The company financial statements for the period ended on December 31, 2021 have been prepared in accordance with Book 2 of the Curaçao Civil Code and accounting guidelines for the preparation of the financial statements for small-sized legal entities of the Dutch Accounting Standards Board to the extent that these are not conflicting with local applicable laws and regulations. The financial statements, with the euro as reporting currency, were prepared on June 14, 2022.

Ultimate parent company

Liberty Mutual Holding Company, Inc. is the ultimate parent company Nationale Borg Reinsurance N.V and includes the financial information of Nationale Borg Reinsurance N.V in its consolidated financial statements.

Activities of the company

Nationale Borg Reinsurance is a specialized reinsurance carrier within the Liberty Mutual Group. Nationale Borg Reinsurance has been operating for more than seven decades as a specialized reinsurer of worldwide surety, credit insurance and political risk insurance. Since January 1, 2020 Nationale Borg Reinsurance is in run-off and only managing its back-book.

Impact of retrocession

Following the portfolio transfer on 1 April 2020 (from AmTrust International Underwriters DAC) Liberty Mutual Insurance Europe SE has retroceded its reinsurance portfolio for all underwriting years to Nationale Borg Reinsurance. The treatment of this retrocession at Nationale Borg Reinsurance does not differ from the treatment of business assumed from other third parties. For 2021 the net premium earned retroceded to Nationale Borg Reinsurance amounted to € 3.1 million (2020: € 7.5 million).
At 31 December 2021 the technical provisions retroceded to Nationale Borg Reinsurance amount to € 13.0 million (2020: € 14.2 million).

Services provided by Liberty Mutual Surety Europe

Liberty Mutual Surety Europe, based in Amsterdam, The Netherlands, provides various services to Nationale Borg Reinsurance through a service level agreement. These services are: processing and accounting of reinsurance contracts, financial accounting, actuarial and IT.

Change in accounting policies

Nationale Borg Reinsurance chose to prepare the financial statements in accordance with Book 2 of the Curaçao Civil Code and accounting guidelines for the preparation of the financial statements for small-sized legal entities of the Dutch Accounting Standards Board to the extent that these are not conflicting with local applicable laws and regulations.. As Nationale Borg Reinsurance is in run-off and only managing its back-book, the company believes that preparing the financial statements in accordance with Dutch GAAP provides a true and fair view to users of the financial statements and is more aligned with the run-off character of the company. This change in accounting policy has been recognized retrospectively, with only having an effect on the presentation and disclosures in the financial statements.

Comparative figures

Certain reclassifications have been made to the comparative figures to enhance comparability with the current year's presentation.

Judgments, estimates, assumptions and uncertainties

The management of the company makes various judgments and estimates when applying the accounting policies and rules for preparing the financial statements. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the company financial statements in future periods.

Judgment

In the process of applying the company accounting policies, management has made the following judgments, which have the most significant effect on the financial statements:

Estimates and assumptions

The Company based its assumptions and estimates on circumstances and information available when the financial statements were prepared. Estimates are based on historical experience and other factors (e.g. expectation of future events), that are believed to be reasonable under the circumstances. Assumptions about future developments (or future developments that do not occur, may change due to market changes or circumstances arising that are beyond the control of the Company. These changes in estimates will be accounted for prospectively. The key estimates and assumptions are described below.

Ultimate Loss Reserves

Reserves are set up on the basis of the most recent outstanding loss information supplied by the ceding company, individual policy loss information, market developments and account experience. Otherwise the company uses the historical loss ratio for various markets. It should be mentioned that during the underwriting year a large proportion of the premium is set aside as a loss reserve, as claims relating to the underwriting year usually are incurred with a significant time lag. Time lags vary per ceding company, treaty and country. The ultimate loss reserve includes an assessment of future recoveries on reported or paid losses.

Variable Reinsurance Commission and future Profit Commission

For inwards reinsurance treaties which contain a variable reinsurance commission clause or for which profit commission is first calculated after at least 24 months, a special reserve has been set up. This reserve is based on the expected final reinsurance commission and profit commission to be paid, using the ULR (Ultimate Loss Ratio) methodology.

Provision for Unearned Premium

The unearned premium and commission reserves for assumed reinsurance are calculated on the basis of the assumptions that cedants book all premium at the mid-point of the reporting quarter and that on average bond premium cover a 15 month risk period and credit insurance premium cover a 7.5 month risk period. We calculate the premium reserve on the basis of the remaining risk period as per the reporting date.

Impairments

At each balance sheet date, the company assesses whether an active asset or a group of assets is impaired or has an impairment trigger. If there is an impairment trigger, an impairment test will be performed whereby the recoverable amount is based on the cash-generating unit's value in use at December 31, 2021. This value in use is determined using cash flow projections. Cash flows beyond the projected period are extrapolated using a growth rate and the future cash flows are discounted.

The cash flow projections contain assumptions and estimates of future expectations. The value in use amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Uncertainties

Provision for doubtful debts

The company has outstanding trade receivables outstanding for over a year. The assessment of the collection of this receivable requires an estimate of subjective aspects. Based on conversations, written confirmations, historical data and analysis of financial reporting, a provision for bad debtors is being accounted for.

Foreign currency

Functional currency

The company financial statements are prepared and presented in euros, which is also the functional currency of the company.

Foreign currency translation

Transactions denominated in foreign currencies are initially recorded at the functional currency exchange rates at the date of transaction. Monetary balance sheet items denominated in foreign currencies are translated at the functional currency exchange rates at the balance sheet date. Non-monetary balance sheet items that are measured at historical cost in a foreign currency are translated at the functional exchange rates ruling at the date of transaction. Non-monetary balance sheet items that are measured at current value are translated at the functional exchange rates ruling at the date of valuation. Exchange differences arising on the translation of non-monetary assets and liabilities denominated in foreign currencies that are carried at current value are recognized directly in the revaluation reserves in equity, provided the changes in value of the non-monetary items are likewise recognized directly in equity.

Foreign currency exchange rates results arising on the settlement or translation of monetary items denominated in foreign currencies are recognized in the income statement.

Offsetting

Assets and liabilities are only offset in the financial statements if and to the extent that:
- An enforceable legal right exists to offset the assets and liabilities and settle them simultaneously and
- The firm intention is to settle the assets and liabilities on a net basis or simultaneously

Financial instruments

Financial instruments include both primary financial instruments, such as receivables, securities and payables, and derivative financial instruments.

For the accounting policies applicable to primary financial instruments, please refer to the treatment of individual balance sheet items. The company does not have any derivative financial instruments.

Intangible assets

General

An intangible asset is recognized in the balance sheet if:
- It is probable that the future economic benefits that are attributable to the asset will accrue to the company; and
- The cost of the asset can be reliably measured

Costs relating to intangible assets not meeting the criteria for capitalization (for example, cost of research, internal developed brands, logos, trademark rights and client databases) are recognized directly to the income statement.

Intangible assets are carried at cost of acquisition net of accumulated amortization and accumulated impairment losses where applicable.

Intangible assets are amortized (reported in the income statement as ‘amortization of intangible assets and depreciation of property, plant and equipment’) on a straight-line basis over their expected useful economic lives, subject to a maximum of 20 years. The useful economic life and the amortization method are reviewed at each financial year-end. If the estimated useful economic life exceeds 20 years, an impairments test is carried out at each financial year-end following the date of recognition.

The estimated useful economic lives for the intangible assets are as follows:
- Software: 5 years

Property, plant and equipment

Property, plant and equipment for own use

Property, plant and equipment for own use are carried at the cost of acquisition or production (less any investment grants) net of accumulated depreciation and, where applicable, accumulated impairment losses. Property, plant and equipment carried at cost do not include capitalized interest charges.

Property, plant and equipment are depreciated (reported in the income statement as ‘amortization of intangible assets and depreciation of property, plant and equipment’) on a straight-line basis over their estimated useful economic lives, taking into account the residual value, as follows:
– Computer hardware: 1 to 5 years
– Fixtures and fittings: 5 to 10 years

If the expected depreciation method, useful economic life and/or residual value are subject to changes over time, they are treated as a change in accounting estimate.

The carrying amount includes capitalized major maintenance costs when incurred and if the recognition criteria are met. The carrying amount of the components to be replaced will be regarded as a disposal and recognized directly in the income statement. All other repair and maintenance costs are recognized directly in the income statement.

If a property, plant and equipment involves costs of obligations for dismantling and removing the asset and restoring the site on which an asset is located that are incurred as a consequence of having built the asset, the costs of restoring are recognized as part of the carrying amount of the asset, with a provision being recognized for an equal amount at the same time.

Property, plant and equipment is derecognized upon sale or when no further economic benefits are expected from its continued use or sale. The gain or loss arising on the disposal is recognized in the income statement.

Financial assets

Other financial assets

Non-current other securities

Non-current other securities included under financial assets are initially recognized at fair value plus directly attributable transaction costs.

After initial measurement, other listed securities (bonds) not held to maturity are carried at fair value. Gains and losses arising from fair value changes are recognized directly in equity (revaluation reserve).

Receivables

Loans granted and other receivables under the current assets not being part of the trading portfolio are initially measured at fair value plus transaction costs and subsequently carried at amortized cost less a provision for doubtful debts when necessary.

Cash at bank and in hand

Cash at bank and in hand includes cash in hand, bank balances, notes and cheques and are carried at face value. It also includes deposits if these are effectively at the company’s free disposal, even if interest income may be lost.

Impairment of non-financial assets

The company assesses, at each reporting date, whether a non-financial asset or group of non-financial assets is impaired. The company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. If it is not possible to determine the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

An impairment occurs when the carrying amount of an asset is higher than the recoverable amount; the recoverable amount is the higher of the net realizable value and the value in use. An impairment loss is directly recognized in the income statement while the carrying amount of the asset concerned is concurrently reduced.

The net realizable value is initially based on a binding sale agreement; if there is no such agreement, net realizable value is determined based on the active market, whereby usually the prevailing bid price is taken as market price. In cases where there is no active market, the net realizable value is derived from generally accepted valuation models. These models are confirmed by an earnings multiple, quoted share prices of listed entities and other fair value indicators available. The costs deducted in determining the net realizable value are based on the estimated costs that are directly attributable to the sale and are necessary to realize the sale. For the determination of the value in use, an estimate is made of the future net cash flows in the event of continued use of the asset or the cash-generating unit; these cash flows are discounted, based on a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The discount rate does not reflect risks already taken into account in future cash flows.

Please, refer to the notes to property, plant and equipment for the other assumptions used.

The company assesses at each reporting date, whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the company estimates the assets or cash-generating unit recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset. An impairment of cost of goodwill from third parties cannot be reversed.

Impairment of financial assets

The company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, the amount of the impairment loss is determined and recognized in the income statement for all categories of financial assets carried at amortized cost.

The amount of impairment losses on financial assets carried at amortized cost is calculated as the difference between the carrying amount of the asset and the best possible estimate of the future cash flows, discounted at the effective rate of interest of the financial instrument determined on the initial recognition of the instrument. If the decrease in impairment relates to an objective event occurring after the impairment was recognized, a previously recognized impairment loss is reversed to a maximum of the amount required to carry the asset at amortized cost at the time of the reversal if no impairment had taken place. The impairment loss reversal should be recognized in the income statement. The carrying amount of the receivables is reduced through the use of an allowance account.

The amount of impairment losses on shares carried at cost is calculated as the difference between the carrying amount of the financial asset and the best possible estimate of the future cash flows, discounted at the current cost of capital for a similar asset. A previously recognized impairment loss is reversed if the removal of the indication of impairment is shown objectively.

Classification of equity and liabilities

A financial instrument or its separate components are classified in the financial statements as liability or as equity, in accordance with the substance of the contractual agreement underlying the financial instrument. In the financial statements, a financial instrument is classified in accordance with the legal reality. Interest, dividends, gains and losses relating to a financial instrument, or part of a financial instrument, are included in the financial statements in accordance with the classification of the financial instrument as liability or equity.

Equity

Share capital

Costs relating to the incorporation and issuance of shares are charged directly to equity, less relevant income tax effects.

Provisions

A provision is recognized if the company has a legal or constructive obligation as at the balance sheet date and if it is probable that an outflow of resources will be required to settle the obligation and the amount of the liability can be reliably estimated. The amount of the provision is determined based on a best estimate of the amounts required to settle the liabilities and losses concerned as at the balance sheet date. Provisions are carried at present value, unless stated otherwise.

Insurance contracts

The Company issues contracts that transfer insurance risk. Insurance contracts are contracts that transfer significant insurance risk, which is defined as the possibility of having to pay benefits on the occurrence of an event that are at least 10% more than the benefits payable if the insured event did not occur.

Reinsurance contracts

Reinsurance premium, commissions and claim settlements, as well as the reinsurance element of technical provisions are accounted for in the same way as the original contracts for which the reinsurance was concluded. In the case and to the extent that the assuming reinsurers are unable to meet their obligations, the company remains liable to its policyholders for the portion reinsured. Consequently, provisions will be made, if necessary, for receivables on reinsurance contracts which are deemed uncollectible.

Provision for unearned premium

The unearned premium and commission reserves for assumed reinsurance are calculated on the basis of the assumptions that cedants book all premium at the mid-point of the reporting quarter and that on average guarantee premium cover a 15 month risk period and credit insurance premium cover a 7.5 month risk period. We calculate the premium reserve on the basis of the remaining risk period as per the reporting date.

Provision for outstanding claims

Claims and loss adjustment expenses are charged to the income as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from the risks the company has taken up to balance sheet date. Nationale Borg Reinsurance applies the Ultimate Loss Reserve (ULR) method. The reserve for a specific inwards reinsurance treaty is based on the expected ultimate loss ratio for that treaty. ULR's are set for all underwriting years for all treaties. Reserving is performed on a ground up basis. For every cedant and underwriting year, an expected ultimate loss ratio is applied to the earned premium based on information received from cedants. Alternatively, a market / country loss ratio is applied based on 20 years of actual loss ratio statistics.
The company does not discount its liabilities given the cycle of the company's business.

Liability adequacy test

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities (provisions). Both for the provision for unearned premium as the provision for outstanding claims the adequacy is tested by calculating a Best Estimate reserve, which is based on future cash flows taking into account the time value of money (i.e. discounting). This Best Estimate reserve is compared with the reserves at balance sheet date. Any deficiency is immediately charged to the profit and loss account, initially by writing off the intangible assets (deferred acquisition costs) related to insurance portfolios and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Based on the liability adequacy test, the provisions at year end are prudently determined based on over 15 years of experience and considered adequate based on the positive run-off results.

Current liabilities

On initial recognition, current liabilities are carried at fair value. In case the liabilities are not carried at fair value through the income statement after initial recognition, the fair value on initial recognition must be reduced by the directly attributable transaction costs.

Financial liabilities form part of the trading portfolio if they have been acquired or entered into for the purpose of selling them in the near term. Following initial measurement, they are carried at fair value without any deduction of transaction costs on disposal. Gains or losses arising from changes in the fair value are recognized in the income statement.

After initial measurement, other current liabilities are carried at amortized cost using the effective interest method. Gains or losses are recognized in the income statement when the liabilities are derecognized, as well as through the amortization process.

Amortized cost

Amortized cost is the amount at which a financial asset or liability is measured at initial recognition less repayments of the principal, plus or less the cumulative amortization using the effective interest method for any difference between this initial amount and the maturity amount, and less any reductions (effected directly or through a provision being recognized) for impairment and doubtful debts.

Derecognition of financial assets and liabilities

A financial instrument is derecognized if a transaction results in the transfer, to a third party, of all or nearly all rights to economic benefits and of all or nearly all the risks attached to the position.

Pension plans

Contributions payable to the pension plan administrator are recognized as an expense in the income statement. Contributions payable or prepaid contributions as at year-end are recognized under accruals and deferred income, and prepayments and accrued income, respectively.

Income

General

Gross operating income represents net revenue, other operating income and costs of outsourced work and other external charges. Net revenue represents the proceeds from the supply of services, net of taxes levied on turnover and discounts.

Net premium earned

Written premium is defined as all premium assumed, excluding tax. Accruals for premium refunds are charged against premium written.
Premium earned include an adjustment for the unearned share of premium. The unearned premium and commission reserves for assumed reinsurance are calculated on the basis of the assumptions that cedants book all premium at the mid-point of the reporting quarter and that on average guarantee premium cover a 15 month risk period and credit insurance premium cover a 7.5 month risk period. We calculate the premium reserve on the basis of the remaining risk period as per the reporting date.

Services

If the result of a transaction relating to a service can be reliably estimated and the income is probable to be received, the income relating to that service is recognized in proportion to the service delivered.

Revenue is recognised for the amounts received by the company on its own account. Amounts received by the company on behalf of third parties are not recognised as revenue. When the company acts in a transaction in the capacity of an agent rather than of a principal, the revenue recognised in the profit and loss account is the net amount of commission received by the company in respect of the transaction.

Interest

Interest income is recognized pro rata in the income statement. The effective interest rate for the asset concerned is taken into account, provided the income can be measured and the income is probable to be received.

Expenses

General

Expenses are determined with due observance of the aforementioned accounting policies and allocated to the financial year to which they relate. Foreseeable and other obligations as well as potential losses arising before the financial year-end are recognized if they are known before the financial statements are prepared and provided all other conditions for forming provisions are met.

Personnel

Wages, salaries and social security charges are recognized in the income statement according to the terms of employment to the extent they are due to either employees or the tax authorities.

The company recognizes an obligation if it has demonstrably committed paying a termination benefit or transition payment. If the termination is part of a reorganization, the company includes the costs of a termination benefit or transition payment in a provision for reorganization costs.

Interest

Interest is allocated to successive financial reporting periods in proportion to the outstanding principal. Premiums and discounts are treated as annual interest charges so that the effective interest rate, together with the interest payable on the loan, is recognized in the income statement, with the amortized (net) cost of the liabilities being recognized in the balance sheet. Period interest expense and related expenses are recognized in the year in which they fall due.

Income tax expenses

Current taxes

Taxes are calculated on the result as disclosed in the income statement based on current tax rates, allowing for tax-exempt items and cost items which are non-deductible, either in whole or in part.

Tax assets and liabilities are netted if the general conditions for offsetting are met.

Notes to the balance sheet as at December 31, 2021

Intangible assets (1)

Movements in these items were as follows:

(in thousands of euros)	**Software**
Balance as at 1 January 2021	28
Additions/(disposals)	–
Amortisation	(23)
Balance as at 31 December 2021	**5**

Property, plant and equipment (2)

Movements in these items were as follows:

(in thousands of euros)	IT-equipment	**Total**
Balance as at 1 January 2021	3	**3**
Depreciation	(2)	**(2)**
Balance as at 31 December 2021	1	**1**

Financial assets (3)

Financial assets can be broken down as follows:

	2021	2020
Bonds and other fixed income securities	20,887	21,550
	20,887	**21,550**

Movements in bonds and other fixed income securities were as follows:

	2021	2020
Book value at 1 January	21,550	22,057
Additions	–	3,906
Disposals	(450)	(4,454)
Revaluations	(213)	41
Book value at 31 December	**20,887**	**21,550**

In 2021 the bond portfolio was continued

Receivables (4)

(in thousands of euros)	**2021**	2020
Trade receivables	2,217	1,128
Current receivables from other affiliated companies	1,617	1,749
Current receivables from other legal entities and companies with a participating interest in the legal entity or from participating interests of the legal entity	11,111	1,054
Current other receivables	103	105
Prepayments and accrued income	6,765	4,888
Total	**21,813**	**8,924**

All current receivables are due within one year.

The trade receivables include a provision for doubtful debts for an amount of € 110 (2020: €129).
Prepayments and accrued income fully relates to accrued income.

Cash at bank and in hand (5)

(in thousands of euros)	**2021**	2020
Cash at bank	5,077	15,021
Total	**5,077**	**15,021**

Cash at bank is at the entity's free disposal.

Equity (6)

Movements in the equity were as follows:

(in thousands of euros)

	Ordinary shares	Share premium account	Revaluation reserves	Other reserves	Undistributed profit	Total equity
Balance at January 1, 2021	2,000	2,000	670	19,665	–	**24,335**
Result after tax for the year 2021	–	–	–	–	1,694	**1,694**
Change in revalutation reserve	–	–	(208)	–	–	**(208)**
Additions to other reserves due to profit appropriation for 2021	–	–	–	1,694	(1,694)	**–**
	2,000	**2,000**	**462**	**21,359**	**–**	**25,821**

Share capital

The total issued share capital equals the share capital paid for an amount of € 2,000.- (2020: € 2,000.-) and consists of a number of issued shares of 1,000 (2020: 1,000)

Proposed appropriation of profit for 2021

It will be proposed to the General Meeting to add the undistributed profit to the other reserves.

The proposed adjustments for the reserves required to be held by law and under the Articles of Association have already been included in the financial statements with corresponding entries in the undistributed profit.

Provisions (7)

Technical provisions

	2021	2020
Provision for claims	88,964	90,048
Provision for unearned premium	4,585	10,835
Reinsurance Contracts	(76,885)	(85,226)
Total underwriting provisions at 31 December	**16,664**	**15,657**

The movement schedule of technical provisions:

	2021	2020
Opening provision for claims	90,048	79,407
Change in provision	(2,910)	13,908
Effects of changes in foreign exchange	1,826	(3,267)
Ending provision for claims	**88,964**	**90,048**
Provision for unearned premium	10,835	22,391
Change in provision	(6,250)	(11,556)
Ending provision for unearned premium	**4,585**	**10,835**

The change in provision for claims includes a € 11.3 million reserve increase for the adverse development of the participation (through AmTrust Europe Limited) in several French housing bond portfolios.

Reinsurance contracts can be broken down as follows:

	2021	2020
Deposits with cedants	(6,724)	(9,564)
Reinsurers' share of insurance liabilities:		
• Provisions for unearned premium	(3,438)	(8,126)
• Claims and loss adjustment expenses	(66,723)	(67,536)
Balance as at 31 December	**(76,885)**	**(85,226)**

The reinsurers' share of insurance liabilities relates to the 75% Quota Share reinsurance agreement between Nationale Borg Reinsurance and Liberty Mutual Insurance Company.

Current liabilities (8)

(in thousands of euros)	**2021**	2020
Current trade payables	17	13
Current payables to other affiliated companies	1,292	434
Current payables to other legal entities and companies with a participating interest in the legal entity or to participating interests of the legal entity	–	185
Payables relating to income tax	–	69
Current payables relating to taxes and social security contributions	151	38
Current other payables	2,963	4,175
Current accruals and deferred income	875	620
Total	**5,298**	**5,534**

Current other payables mainly consist of debtors with credit balances for an amount of € 3.0 million (2020: € 4.2 million)

Current accruals and deferred income can be broken down as follows:

(in thousands of euros)	**2021**	2020
Bonuses payable	26	267
Other personnel related payables	60	–
Other costs payable	789	353
Total	**875**	**620**

Arrangements and commitments not shown in the balance sheet

Rent Office

The Company has contractual commitments with regard to the rent of the Curacao office. The yearly fee for the rent of the office amounts to € 14 (2020: € 37). The rental commitment for the Curacao office is automatically renewed every year, except in case one of the parties intends to cancel the contract, in which case that party has to notify the other party at least 3 months in advance by registered letter/mail.

There are no other contingencies or litigation issues that could have a significant impact on the financial statements.

Notes to the income statement for the year ended 31 December 2021

Gross operating result (9)

Gross operating result includes the following categories:

(in thousands of euros)	**2021**	2020
Gross premium earned	27,048	71,761
Reinsurers' share premium earned	(20.291)	(53,821)
NET PREMIUM EARNED	6,757	17,940
Reinsurance commission received	11,138	18,448
Net income/(loss) from investments	(105)	(898)
TOTAL INCOME	17,790	35,490
Insurance claims and loss adjustment expenses	(21,080)	(47,748)
Insurance claims and loss adjustment expenses recovered from reinsurers	15,810	35,811
NET INSURANCE CLAIMS	(5,270)	(11.937)
Acquisition costs	(9,258)	(24,063)
GROSS OPERATING RESULT	**3,262**	**(510)**

Since 2 October 2019 Nationale Borg Reinsurance operates a quota share reinsurance agreement with Liberty Mutual Insurance Company, whereby the company cedes 75% of any business, after any other reinsurance treaties. The earned premium ceded to Liberty Mutual Insurance Company amounted to € 20,291 (2020: € 53,821).

The amount of reinsurance commission received (€ 11,138) relates to the commission received from Liberty Mutual Insurance Company under the internal reinsurance agreement. Since 1 January 2021 Nationale Borg Reinsurance receives 47%% commission on the ceded earned premium. Until 2021 Nationale Borg Reinsurance received 47.5% commission on the written premium ceded to Liberty Mutual Insurance Company. The reinsurance commission is periodically reviewed to align reinsurance commission received and costs (acquisition costs and operating expenses).

The year 2020 included an impairment of € 3.0 million of the Deferred acquisition costs to avoid a negative net Best Estimate margin. In 2021 an amount of € 1.5 million of this impairment was released.

Wages and salaries (10)

(in thousands of euros)	**2021**	2020
Wages and salaries	499	773
Other staff costs	1	44
	500	**817**

Social security charges (11)

(in thousands of euros)	**2021**	2020
Pension charges	–	6
Other social security charges	11	(157)
	11	**(151)**

Workforce

The number of staff employed can be broken down as follows:	**2021**	2020
Total average number of employees (full-time equivalent)	1.4	2.0
Total year-end number of employees (full-time equivalent)	1.4	1.6
Total year-end number of employees	2	3

Amortization of intangible assets and depreciation of property, plant and equipment (12)

(in thousands of euros)	**2021**	2020
Other intangible assets	23	32
Property, plant and equipment	2	3
Total	**25**	**35**

Other operating expenses (13)

Other operating expenses includes the following items:

(in thousands of euros)	**2021**	2020
Housing expenses	18	34
Travel expenses	–	(2)
IT Cost	80	113
Other office expenses	12	15
Sales expenses	1	–
Other operating expenses	965	1,702
Total	**1,076**	**1,862**

The other operating expenses include an amount of € 742 (2020: € 950) mainly associated with the service level agreement between Nationale Borg Reinsurance and Liberty Mutual Surety Europe, relating to supporting services on financial, administrative, IT and actuarial activities. The service level agreement has been set up at arm's-length conditions.

Financial income and expenses (14)

(in thousands of euros)	**2021**	2020
Foreign currency exchange rate results	(109)	916
Total	**(109)**	**916**

Income tax expense (15)

The tax payable on the result in the company's income statement can be broken down as follows:

(in thousands of euros)	**2021**	2020
Prior-year adjustments	65	–
Total tax payable/receivable	**65**	**–**

Events after the balance sheet date for the financial statements

No events occurred after the balance sheet date that would provide any additional information on the actual situation as at the balance sheet date and no events occurred after balance sheet date with significant financial consequences for the entity.

Signatories to the financial statements

Willemstad, June 14, 2022

Supervisory Board:
A.P. van der Woude
J.M.R.S. van Eps
I.M. Nijenhuis

Executive Board:
J.J.R. van der Vlugt
F.J.M. Hoeben

Other information

Articles of Association provisions governing profit appropriation

The profit is appropriated according to Article 12 of the articles of Association of Nationale Borg Reinsurance the relevant stipulations of which state:
“The profit as included in the statement of profit & loss is available for distribution at the discretion of the shareholders. As far as the profit of the company allows it, an interim dividend may be paid by the Executive Board upon approval of the Supervisory Board. If a loss is made that cannot be covered by the reserves or other methods, dividend will not be paid in the following years until the negative balance has been recovered.”

Ernst & Young Dutch Caribbean
Zeelandia Office Park
P.O. Box 3626
Curaçao

Tel: +599 9 430 5000
ey.com

INDEPENDENT AUDITOR'S REPORT

To: the shareholders and management of Nationale Borg Reinsurance N.V.

Report on the audit of the financial statements 2021 included in the annual report

Our opinion

We have audited the financial statements 2021 of Nationale Borg Reinsurance N.V. (the 'Company'), based in Curaçao.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Nationale Borg Reinsurance N.V. as at 31 December 2021, and of its result for 2021 in accordance with Book 2 of the Curaçao Civil Code and accounting guidelines for the preparation of the financial statements and the annual report for small-sized legal entities of the Dutch Accounting Standards Board to the extent that these are not conflicting with local applicable laws and regulations.

The financial statements comprise:

- The balance sheet as of 31 December 2021.
- The income statement for the year ended December 31, 2021.
- The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Nationale Borg Reinsurance N.V. in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Description of responsibilities for the financial statements

Responsibilities of management and those charged with governance for the financial statements
Management is responsible for the preparation and fair presentation of the financial position 2021 in accordance with Book 2 of the Curaçao Civil Code and accounting guidelines for the preparation of the financial statements and the annual report for small-sized legal entities of the Dutch Accounting Standards Board to the extent that these are not conflicting with local applicable laws and regulations. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with International Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Curaçao, 14 June 2022
12043982 120/23947

Ernst & Young Accountants

Signed by
C. Smorenburg RA AA