
NATIONAL BUREAU OF MOTOR INSURERS

Financial Statements

**prepared in accordance with National Accounting Standards of the Republic of Moldova
as at and for the year ended 31 December 2022**

Independent Auditor's Report

To: Members of National Bureau of Motor Insurers

Qualified Opinion

We have audited the accompanying financial statements of the National Bureau of Motor Insurers ("the Entity"), which comprise balance sheet as at 31 December 2022, statement of profit or loss, and statement of changes in financing sources for the year then ended, including a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraphs, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at 31 December 2022, its financial performance and its changes in financing sources for the year then ended in accordance with National Accounting Standards (hereinafter "NAS") and with Methodical Indications relating to accounting particularities of non-commercial entities, approved by Order of Ministry of Finance nr. 188 dated 30 December 2014 ("Methodical Indications").

Basis for qualified opinion

During the financial year 2015, the Entity recognized losses from exchange rate differences and impairment losses on deposits amounting to MDL 9,719,184. The loss of MDL 3,964,017 was allocated to the Street Victims Protection Fund and the remaining loss of MDL 5,755,167 was allocated to the Compensation Fund. According to the interpretation received from the National Commission of the Financial Market of the Republic of Moldova ("NCFM"), the losses mentioned above should have been allocated exclusively to the own-financing fund. During 2017, the Entity recovered MDL 5,595,000 from the above-mentioned losses and allocated MDL 2,415,247 to the Street Victims Protection Fund and the difference of MDL 3,179,753 to the Compensation Fund, respecting the same proportion as at the initial allocation of the loss. Until the current report date, the Entity has not recovered any amount. If the Entity would have complied with the above-mentioned interpretation, long-term special purpose financing and receipts as at 31 December 2021 and 31 December 2022 would have been increased by MDL 4,124,184 and MDL 4,124,184 respectively, and the own-financing fund would have been decreased with the same amount.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibility for the audit of financial statements* section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical

This version of our report is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

requirements that are relevant to our audit of the financial statements in the Republic of Moldova, including the law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter

As presented in Note 2.2, on 19 September 2015, based on the decision of the General Assembly of the Members of the Entity, the amount of USD 500,000 from contributions to the Foreign Financial Guarantee Fund was converted from USD to EUR at a conversion rate determined by the General Assembly of the Members of the Entity, which resulted in a foreign exchange loss of MDL 4,274,865 which reduced the own-financing fund by the same amount. The transaction presented above together with other transactions resulted in negative results of the own-financing fund amounting to MDL 6,808,562 as at 31 December 2015. On January 25, 2017, the General Assembly of the Members of the Entity took the decision to cover the total deficit of the MDL 6,808,562 by contribution of the members in proportion equal to the gross premiums written on compulsory third party civil liability auto external insurance effective as at 31 December 2015, allocating contributions for a period of 3 years (2017, 2018 and 2019). Until the date of approval of these financial statements, the Entity has recovered from its members or fully compensated the claims for contributions for the years 2017, 2018 and 2019. Our opinion is not modified in respect of this matter.

As presented in *Note 10 Litigations* in the financial statements, the Entity is in dispute with one of its Members, Grawe Carat Asigurari SA, who initiated a legal action to recover the prejudice it suffered as a result of the abusive exclusion from the full membership of the National Bureau of Insurers of Motor Vehicles in 2013 and implicitly of the suspension of the right of Grawe Carat Asigurari SA to issue Green Card insurance policies during the period 10th October 2013 – 18th August, 2014. The damage estimated in the form of income losses of Grawe Carat Asigurari SA in that period is of MDL 14,320,826. The litigation may have negative effects on the future cash flows of the Entity, but the value of this litigation is not final and is to be determined following the court case. The trial is at incipient phase and until the date of approval of the present financial statements, the time horizon cannot be estimated for when a final court decision will be issued with an enforceable title. The Entity has not recorded any provision in this respect, but in the financial statements notes was disclosed a contingent liability related this litigation. Our opinion is not modified in respect of this matter.

Key audit matters

The key audit matters are those matters, that based on our professional judgment, were of the utmost importance for the audit of the financial statements for the current period. These matters were addressed in the context of the audit of the financial statements as a whole and in forming our opinion on them and we do not issue a separate opinion on these issues.

For each aspect below, we presented a description of our audit approach, in that context.

We fulfilled our responsibilities described in the Auditor's responsibility for the audit of the financial statements section of our report, including in relation to key audit matters. As a result, our audit included the completed procedures designed to respond to our assessment of the risk of material misstatement in the financial statements. The results of our audit procedures, including other procedures performed to address the matters below, are the basis of our qualified audit opinion on the financial statements.

Key audit matters

Approach in the audit engagement

Claims reserve

We considered this aspect as a key audit matter due to the significance of the claims reserve for the Entity and considering the specifics and the role of the Entity within the insurance market in the Republic of Moldova.

The Entity sets up claims reserve for claims reported but not settled (RBNS) and for claims incurred but not reported (IBNR).

The evaluation of the claims reserve reported but not settled is performed by the responsible claims department related to the two funds managed by the Entity: the Compensation Fund and the Street Victims Protection Fund. The evaluation of the claims reserve incurred but not reported is based on estimations and significant judgments which includes analysis based on historical data.

See section i) of Note 2.6 "Significant accounting policies" and Note 12 of the accompanying financial statements.

We analyzed the methodology for establishing the claims reserves applied by the Entity and evaluated the degree of compliance of the methodology with SNC requirements.

Our procedures included the following among others, in regard to the reserve for claims reported but not settled (RBNS) and claims incurred but not reported (IBNR):

Analysis of how management estimates the value for claims reported but not settled (RBNS). We evaluated and tested, based on a sample, the design and operational efficiency of the internal controls regarding the assessment of claims reported but not settled.

Analysis of a sample of claim files in order to validate the values of the claims reserves input in the operational and accounting system.

Analysis of the claim files in litigation reported by the external lawyers with whom the Entity collaborated during the year, in order to validate their estimates regarding the value of the damages registered in the operational and accounting system and to identify the unrecorded claims as at 31 December 2022.

Analysis of the claims paid by the Entity in the period January – March 2023 according to the bank statements in order to identify unrecorded claims as at 31 December 2022.

Analysis of the results of the run-off tests to ensure that the procedures employed by the Entity for the assessment of the reserve for claims reported but not settled and the reserve for claims incurred but not reported are adequate.

Analysis of the methodology employed by management for establishing the value for claims incurred but not reported (IBNR) and the governance regarding the exercise of the most important professional judgments.

We also analyzed the adequacy of the information presented in the Entity's financial statements regarding the claims reserve.

Other matters

Our audit was conducted to report to the Entity's members those matters that need to be reported in the financial audit report, and not for other purposes. To the fullest extent permitted by applicable law, we do not accept and do not assume liability to anyone other than the Entity's members for our audit, for this report, or for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with NAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Entity.

Auditors' responsibility for the audit of financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude 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 Entity's ability to continue as 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 the Entity to cease to continue as going concern.

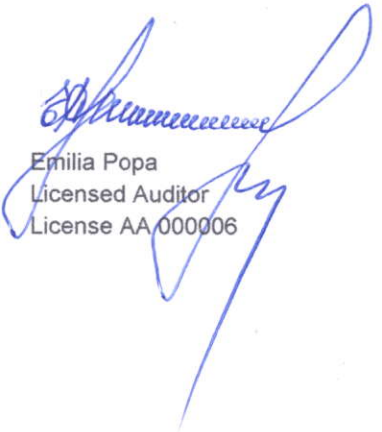
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton

Grant Thornton Audit S.R.L.
Chisinau, Republic of Moldova

May 18, 2023



Emilia Popa
Licensed Auditor
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