

## Report of Independent Auditors

The Board of Directors  
Split Rock Insurance, Ltd.

### Opinions

We have audited the accompanying condensed financial statements of Split Rock Insurance, Ltd. (the “Company”), which comprise the condensed balance sheets and condensed statements of capital and surplus as of December 31, 2021 and 2020, and the related condensed statements of income for the years then ended, including the related notes (collectively referred to as the “condensed financial statements”).

#### *Unmodified Opinion on Regulatory Basis of Accounting*

In our opinion, the accompanying condensed financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations for the years then ended 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”).

#### *Adverse Opinion on International Reporting Standards*

In our opinion, because of the significance of the matter discussed in the *Basis for adverse opinion on International Reporting Standards paragraph*, the accompanying condensed financial statements do not present fairly, in accordance with International Financial Reporting Standards, the financial position of the Company as of December 31, 2021 and 2020, or the results of its operations for the years then ended.

### Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the *Auditors’ responsibilities for the audit of the condensed financial statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

*Reference: Report of Independent Auditors on the Condensed Financial Statements of Split Rock Insurance, Ltd. as at December 31, 2021 and 2020 and for the years then ended.*

## **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

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

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

## **Responsibilities of Management 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 Legislation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the condensed financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the condensed financial statements are available to be issued.

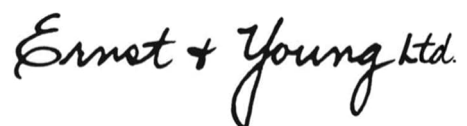
## **Auditors' Responsibilities for the Audit of the Condensed Financial Statements**

Our objectives are to obtain reasonable assurance about whether the condensed financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the condensed financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the condensed financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the condensed financial statements.
- Obtain an understanding of internal controls 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the condensed financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



April 27, 2022

Chartered Professional Accountants

**CONDENSED STATEMENT OF FINANCIAL POSITION**

Split Rock Insurance, Ltd.

As at **December 31, 2021**

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

LINE No.		2021	2020
1.	CASH AND CASH EQUIVALENTS	8,785	3,777
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other	103,906	165,787
(b)	Total Bonds and Debentures	103,906	165,787
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	
(e)	Other quoted investments		
(f)	Total quoted investments	103,906	165,787
3.	UNQUOTED INVESTMENTS:		
(e)	Other unquoted investments	3,485	4,626
(f)	Total unquoted investments	3,485	4,626
9.	INVESTMENT INCOME DUE AND ACCRUED	623	741
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	0	234
(b)	Deferred - not yet due		
(c)	Receivables from retrocessional contracts		
(d)	Total accounts and premiums receivable	-	234
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates		
(b)	Domestic affiliates		
(c)	Pools & associations		
(d)	All other insurers	3,856	
(e)	Total reinsurance balance receivable	3,856	
12.	FUNDS HELD BY CEDING REINSURERS		
13.	SUNDRY ASSETS:		
(a)	Derivative instruments		
(b)	Segregated accounts companies - long-term business - variable annuities		
(c)	Segregated accounts companies - long-term business - other		
(d)	Segregated accounts companies - general business		
(e)	Deposit assets		
(f)	Deferred acquisition costs		
(g)	Net receivables for investments sold		
(h)	Other Sundry Assets (Specify)		
(i)	Other Sundry Assets (Specify)		
(j)	Other Sundry Assets (Specify)		
(k)	Total sundry assets	-	
15.	TOTAL	120,655	175,165
<b>TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS</b>			
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	103,728	161,397
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates		
	ii. Domestic affiliates		-
	iii. Pools & associations		
	iv. All other reinsurers	42,435	55,256
(c)	Total reinsurance recoverable balance	42,435	55,256
(d)	Net loss and loss expense provisions	61,293	106,141
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES		
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	61,293	106,141

**CONDENSED STATEMENT OF FINANCIAL POSITION**

Split Rock Insurance, Ltd.

As at **December 31, 2021**expressed in ['000s] **United States Dollars**

LINE No.		2021	2020
	<b>OTHER LIABILITIES</b>		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	11,673	17,569
32.	AMOUNTS DUE TO AFFILIATES	7	6
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	59	79
38.	TOTAL OTHER LIABILITIES	11,739	17,654
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	73,032	123,795
	<b>CAPITAL AND SURPLUS</b>		
40.	TOTAL CAPITAL AND SURPLUS	47,623	51,370
41.	TOTAL	120,655	175,165

**CONDENSED STATEMENT OF PROFIT OR LOSS**

Split Rock Insurance, Ltd.

As at December 31, 2021

expressed in ['000s] United States Dollars

LINE No.		2021	2020
	<b>GENERAL BUSINESS UNDERWRITING INCOME</b>		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written		
	(b) Assumed gross premiums written		
	(c) Total gross premiums written	-	-
2.	REINSURANCE PREMIUMS CEDED	-	-
3.	NET PREMIUMS WRITTEN	-	-
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS		
5.	NET PREMIUMS EARNED	-	-
6.	OTHER INSURANCE INCOME		
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	-	-
	<b>GENERAL BUSINESS UNDERWRITING EXPENSES</b>		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	4,731	10,330
9.	COMMISSIONS AND BROKERAGE	-	
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	4,731	10,330
11.	<b>NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS</b>	(4,731)	(10,330)
29.	<b>COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS</b>	(4,731)	(10,330)
	<b>UNDERNOTED ITEMS</b>		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	322	389
	(b) Personnel cost	-	
	(c) Other	-	
	(d) Total combined operating expenses	322	389
31.	COMBINED INVESTMENT INCOME - NET	3,605	6,327
32.	COMBINED OTHER INCOME (DEDUCTIONS)	-	
33.	COMBINED INCOME BEFORE TAXES	(1,448)	(4,392)
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	-	
	(b) Deferred	-	
	(c) Total	-	
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	(1,448)	(4,392)
36.	COMBINED REALIZED GAINS (LOSSES)	950	5,839
37.	COMBINED INTEREST CHARGES		
38.	NET INCOME	(498)	1,447

**CONDENSED STATEMENT OF CHANGES IN CAPITAL AND SURPLUS**

Split Rock Insurance, Ltd.

As at **December 31, 2021**

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

LINE No.		2021	2020
1.	<b>CAPITAL:</b>		
(a)	Capital Stock		
	(i) Common Shares		
	authorized	120	120
	value	\$ 1,000	
	fully paid	120	
		shares of par	each issued and
		shares	shares
(b)	Contributed surplus	53,500	53,500
(d)	Total Capital	53,620	53,620
2.	<b>SURPLUS:</b>		
(a)	Surplus - Beginning of Year	-2,250	-3,460
(b)	Add: Income for the year	(498)	1,447
(c)	Less: Dividends paid and payable	-	-
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments	(3,249)	(237)
(e)	Add (Deduct) change in any other surplus	-	-
(f)	Surplus - End of Year	(5,997)	(2,250)
3.	<b>MINORITY INTEREST</b>	-	-
4.	<b>TOTAL CAPITAL AND SURPLUS</b>	47,623	51,370

## NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

Split Rock Insurance, Ltd.  
As at December 31, 2021  
(Expressed in thousands of United States Dollars)

### GENERAL NOTES TO THE FINANCIAL STATEMENTS

1. Split Rock Insurance, Ltd. (the “Company”) was incorporated under the laws of Bermuda on February 5, 2013 and is registered as a Class 3A insurer under the Bermuda Insurance Act 1978, amendments thereto and Related Regulations, (“the Act”). The Company is a wholly owned subsidiary of Intact Ventures Inc. The Company’s ultimate parent is Intact Financial Corporation (“IFC”). IFC is incorporated in Canada and is the largest provider of property and casualty insurance in Canada and a leading provider of specialty insurance in North America.
2. On August 1, 2013, the Company entered into a reinsurance agreement with Atlantic Specialty Insurance Company (“ASIC”), an indirect wholly owned subsidiary of IFC, to assume 20% quota share of ASIC specialty property and casualty net exposures. This agreement was not renewed upon its expiration at July 31, 2014.

Under the January 1, 2015 The Company entered into a new reinsurance agreement with ASIC in which the Company assumes 50% quota share of ASIC business. The 50% quote share agreement was renewed on January 1, 2016 and January 1, 2017. The Company did not renew the ASIC quota share reinsurance agreement on January 1, 2018.

On November 1, 2013, the Company entered into a reinsurance agreement with Star & Shield Insurance Exchange (“SSIE”), a US domiciled property and casualty insurance company, to assume 40% quota share of SSIE automobile liability and physical damage book of business. This agreement was not renewed upon its expiration on November 1, 2014. In June 2019 SSIE novated the reinsurance agreement to Peachtree Casualty Insurance Company.

On September 28, 2017, the Company entered into an adverse development cover (“ADC”) with Swiss Reinsurance America Corporation (“Swiss Re”) which covers net losses incurred in accident year 2016 and prior. The ADC provides protection up to \$200 million above net losses in excess of \$1.2 billion on the combined balance of ASIC and the Company at December 31, 2016.

On December 31, 2019 the Company entered into a retroactive reinsurance agreement effective December 31, 2019 whereby substantially all of the healthcare loss reserves on accident years 2017 and forward were ceded by way of a loss portfolio transfer. On July 1, 2020 the agreement was terminated and commuted.



### 3. **BASIS OF PRESENTATION**

The accompanying condensed 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 accounting principles generally accepted under International Financial Reporting Standards (IFRS) but are in accordance with the reporting requirements of the Legislation, which varies in certain respects from IFRS. The more significant variances are as follows:

- A statement of cash flows is not included;
- A statement of comprehensive income is not included;
- The presentation and classification of financial statement line items is in accordance with Schedules IX and XI of the Insurance Account Rules 2016 may differ from the presentation and classification under IFRS; and
- The notes included in the condensed general purpose financial statements have been prepared in accordance with Schedule X of the Insurance Account Rules 2016 and exclude certain information required under IFRS.

#### Use of Estimates

The presentation of the financial statements in conformity with the financial reporting provisions of the Legislation requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements. The most significant items on the balance sheet that involve accounting estimates and actuarial determinants are reserves for losses and loss expenses and valuation of investments. The recorded amounts of revenues and expenses during the reporting period are based on information currently available, and actual results could differ from these estimates. Management believes the amounts recorded are reasonable.

### 4. **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are summarized as follows:

#### **Cash and cash equivalents**

Cash and cash equivalents include amounts due from banks, money market mutual funds, short-term securities with maturities of less than 90 days and commercial paper held in the ordinary course of business.

#### **Premium Income**

Premiums are earned on a pro rata basis over the terms of the policies. Premiums applicable to future periods, if any, are deferred as unearned premium in the balance sheet. Additional premiums reported by ceding companies are fully earned in the period when they are reported. The Company is assuming written premiums as they are earned.

#### **Commission Income**

Commissions are expensed as incurred.

4. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Losses and loss adjustment expenses**

The liability for losses and loss adjustment expenses represents estimates of the ultimate cost of all losses incurred but not paid through to the statement of financial position date. These estimates are continually reviewed and, as adjustments become necessary, such adjustments are reflected in current operations. Inherent in the estimates of losses are expected trends of frequency, severity and other factors that could vary significantly as claims are settled. Accordingly, ultimate losses could vary from the amounts provided in these financial statements. Any subsequent differences arising are recorded in the period in which they are determined.

**Investment Income**

Quoted investments are fixed maturity investments and are recorded at fair value.

Other unquoted investments are private equity funds and are recorded at fair value. Fair value is determined by receiving valuation statements based on the underlying investments of the funds.

Investment transactions are recorded on the trade date with balances pending settlement reflected in the condensed balance sheet as a component of sundry assets or sundry liabilities. Premiums and discounts on all fixed maturity investments are amortized and accreted to income over the anticipated life of the investment. Changes in unrealized investment gains or losses are recorded as change in unrealized appreciation (depreciation) of investments as a separate component of surplus. Realized investment gains or losses are included in the Condensed Statement of Profit or Loss and are derived using the specific identification method for determining the cost of investments sold. Interest income is recorded on the accrual basis. Dividends are recognized on the ex-dividend date.

**Foreign Currency Translation**

Foreign currency denominated assets and liabilities are translated at exchange rates in effect at the Condensed Statement of Financial Position date. Foreign currency revenues and expenses are translated at the exchange rates in effect at the date of the transaction. Exchange gains or losses are reflected in the Condensed Statement of Profit or Loss.

- 5. Investment Income: See General Note 4.
- 6. Not Applicable
- 7. There are no foreign exchange control restrictions affecting assets of the Company.
- 8-12. Not Applicable

Split Rock Insurance, Ltd.  
NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS  
(Expressed in thousands of United States Dollars)

13. The fair value of the Company's quoted and unquoted investments as at December 31, 2021 and 2020 are presented below by Level.

Fair value is 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 hierarchy of investments is based on the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities that the reporting entity can access at the measurement date
- Level 2: Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly
- Level 3: Unobservable inputs

	As at December 31, 2021			
	Total Fair Value	Level 1	Level 2	Level 3
<b>Quoted Investments</b>				
Bonds and debentures				
Other	103,906	2,749	101,157	-
Cash and short term investments				
Private Money Market Funds	8,785	8,785		-
<b>Quoted Investments</b>	<b>112,691</b>	<b>11,534</b>	<b>101,157</b>	<b>-</b>
Unquoted Investments:				
Other unquoted investments	3,485			3,485
<b>Unquoted Investments</b>	<b>3,485</b>	<b>-</b>	<b>-</b>	<b>3,485</b>
<b>Total</b>	<b>116,176</b>	<b>11,534</b>	<b>101,157</b>	<b>3,485</b>

	As at December 31, 2020			
	Total Fair Value	Level 1	Level 2	Level 3
<b>Quoted Investments</b>				
Bonds and debentures				
Other	165,787	-	165,787	-
Cash and short term investments				
Private Money Market Funds	3,777	3,777	-	-
<b>Quoted Investments</b>	<b>169,564</b>	<b>3,777</b>	<b>165,787</b>	<b>-</b>
Unquoted Investments:				
Other unquoted investments	4,626			4,626
<b>Unquoted Investments</b>	<b>4,626</b>	<b>-</b>	<b>-</b>	<b>4,626</b>
<b>Total</b>	<b>174,190</b>	<b>3,777</b>	<b>165,787</b>	<b>4,626</b>

14. The cost or amortized cost and fair value of the Company's fixed maturity investments as of December 31, 2021 and 2020 is presented below by contractual maturity.

Actual maturities could differ from contractual maturities because borrowers may have the right to call or prepay certain obligations with or without call or prepayment penalties.

<b>As at December 31, 2021</b>		
	<b>Cost or amortized cost</b>	<b>Fair Value</b>
Due within one year	2,657	2,672
Due after one year through five years	14,635	14,811
Due after five years through ten years	11,155	11,280
Due after ten years	74,706	75,143
<b>Total</b>	<b>103,153</b>	<b>103,906</b>

<b>As at December 31, 2020</b>		
	<b>Cost or amortized cost</b>	<b>Fair Value</b>
Due within one year	978	979
Due after one year through five years	31,249	32,014
Due after five years through ten years	9,510	9,829
Due after ten years	119,846	122,965
<b>Total</b>	<b>161,583</b>	<b>165,787</b>

15. Related party transactions

**Intact Services USA LLC**

Effective August 1, 2013, the Company entered into a services agreement with Intact Services USA LLC ("ISU"), an affiliate and wholly owned subsidiary of IFC, pursuant to which ISU provides various operational services for the Company. The Company had \$7 and \$6 payable to OBS at December 31, 2021 and 2020, respectively.

**Atlantic Specialty Insurance Company**

Please see General Note 2 for details of the reinsurance agreements with ASIC. For the year ended December 31, 2021 and 2020, the Company assumed gross written premiums of \$0 and \$0 and losses and loss expenses of \$12,809 and \$10,806 from ASIC and had \$0 and \$0 in premiums receivable from ASIC and \$11,673 and \$17,569 in reinsurance balances payable to ASIC at December 31, 2021 and 2020, respectively.

15. Related party transactions (continued)

***Investment Management Agreement with Intact Investment Management***

Intact Investment Management LLC ("IIM"), a wholly owned subsidiary of Intact Financial Corporation, supervised and directed the fixed income and other investments portion of the Company's investment portfolio in accordance with the Company's investment objectives, policies, and restrictions described in the Company's investment guidelines. IIM had full discretion and authority to make all investment decisions in respect of the fixed income and other investments portion of the Company's investment portfolio and to do anything which IIM deem is required, appropriate or advisable in connection with the foregoing, subject to and in accordance with the Company's Investment Guidelines. The assets of the Company's portfolio are held in one or more separately identifiable accounts in the custody of a bank or similar entity designated by the Company and acceptable to IIM.

The Company incurred fees of \$24 and \$23 related to IIM in the year ended December 31, 2021 and 2020 respectively, and had \$3 and \$4 in fees payable to IIM at December 31, 2021 and 2020, respectively.

16. Not Applicable.

17. Not Applicable.

**NOTES TO THE CONDENSED STATEMENT OF FINANCIAL POSITION**

1. Cash and cash equivalents

At December 31, 2021 and 2020, cash and cash equivalents of \$7,455 and \$1,403 were held in trust as restricted balances for a ceding insurer in order to indemnify against certain losses and loss expenses.

2. Quoted investments

At December 31, 2021 and 2020, quoted investments of \$103,153 and \$160,396 were held in trust as restricted balances in order to indemnify ceding insurers against certain losses and loss expenses. Please see General Note 4 for a description of the valuation method for quoted investments.

3. Unquoted investments

At December 31, 2021 and 2020, none of the unquoted investments were held in trust as restricted balances. Please see General Note 4 for a description of the valuation method for unquoted investments.

4-8. Not Applicable

9. At December 31, 2021 and 2020, the Investment income due and accrued was \$623 and \$741.

10. Not Applicable.

11-12. Not Applicable

13. Not Applicable

Split Rock Insurance, Ltd.  
NOTES TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS  
(Expressed in thousands of United States Dollars)

14. Not Applicable

16. Not Applicable

17(a). Loss and Loss Adjustment Expense Provisions

The reconciliation of unpaid losses and loss expense for the period ended December 31, 2021 and 2020 is as follows:

	Dec 31, 2021	Dec 31, 2020
Gross loss and loss expense provisions at beginning of year	161,397	236,666
Less: Reinsurance recoverable at beginning of year	55,256	63,851
Net loss and loss expense provisions at beginning of year	106,141	172,815
Acquisition / Sale of loss reserves (net):	-	-
Net losses incurred and net loss expenses incurred related to:		
Current year	-	-
Prior years	4,731	10,330
Total net incurred losses & loss expenses	4,731	10,330
Net losses and loss expenses paid or payable related to:		
Current year	-	-
Prior years	(49,579)	(77,004)
Total losses and loss expenses paid or payable	(49,579)	(77,004)
Foreign exchange and other	-	-
Net loss and loss expense provisions at end of year	61,293	106,141
Add: Reinsurance recoverable at end of year	42,435	55,256
Gross loss and loss expense provisions at end of year	<u>103,728</u>	<u>161,397</u>

17(b). Incurred loss and loss expense in 2021 was \$4,731. This consisted of adverse development of \$12,758 on prior accident years partially offset by \$8,027 of favorability in risk margin and discount due to reserves being paid. The adverse development was driven by PL and ENTM in accident year 2015 and by A&E and PE in accident 2017. Adverse development in AY 2016, driven by HC and PE, was partially offset by favorability in ENVR.

17(b). (Continued)

Incurred loss and loss expense in 2020 was \$10,330. This consisted of adverse development of \$10,884 partially offset by \$8,000 of cessions under the adverse development cover. There was an additional adverse impact to risk margin and discount of \$7,446 which is a result of exhausting the ADC limit. A portion of the risk margin was previously being ceded to the ADC, however, because the ADC limit is exhausted, risk margin can no longer be ceded.

The adverse development gross of reinsurance in 2020 was primarily driven by the Architects & Engineers, Healthcare and Government Risks businesses in accident years 2015 and 2016.

17(c). At December 31, 2021 and 2020, total restricted assets held for security or collateral against a liability or contingent liability are \$110,608 and \$161,799.

20-27. Not Applicable

28. At December 31, 2021 and 2020 the reinsurance balance due to affiliates is \$11,673 and \$17,569.

29-31. Not Applicable

32. Amounts due to affiliates.

The amounts due to affiliates represents amounts due from the Company to various group companies. These arise from normal operating activities. At December 31, 2021 and 2020, amounts due to affiliates were \$7 and \$6 respectively; the amounts outstanding were unsecured, interest free and settled quarterly.

33. Accounts Payable and Accrued liabilities.

The accounts payable and accrued liabilities represents' amounts due from the Company for accrued investment expenses and audit fees. These arise from normal operating activities. At December 31, 2021 and 2020, accounts payable was \$59 and \$79 respectively.

34-35. Not Applicable

36. Not Applicable

37. Not Applicable

## NOTES TO THE CONDENSED STATEMENT OF PROFIT OR LOSS

6. Not Applicable

15. Not Applicable

32. Not Applicable

36. Realized gains (losses)

Realized gains (losses) during the period were generated by the sale of equity and fixed income securities and derivatives during the period.

See General Note 4 Investments and Investment Income.

## NOTES TO THE CONDENSED STATEMENT OF CAPITAL AND SURPLUS

1(a). Capital Stock

At December 31, 2021 and 2020, the common stock consists of 120,000 authorized, issued and fully paid common share with a par value of \$1.00 each.

1(b). Contributed Surplus

Contributed surplus represents a contribution to surplus made by the parent company or a return of capital to the parent company. During 2021, the Company returned \$nil of capital to its parent company. During 2020, the Company returned \$9,000 of capital to its parent company.

2(c). Dividends

In 2021 the Company paid a dividend of \$0 to its parent company (\$0 in 2020).