

QUEEN'S ISLAND INSURANCE COMPANY LTD.

Audited Condensed General Purpose Financial Statements

For the year ended December 31, 2021



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Queen's Island Insurance Company Ltd.

Opinions

We have audited the accompanying condensed financial statements of Queen's Island Insurance Company 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 to 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 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* section of our report, the accompanying condensed financial statements 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, 2021 and 2020, or the results of its operations for the years then ended.

Basis for 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 *Auditor's 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.

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 accounting principles generally accepted in the United States of America, 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 accounting principles generally accepted in the United States of America, 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.

Auditor's 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 auditor's 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 scepticism 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.

KPMG Audit Limited

Chartered Professional Accountants

Hamilton, Bermuda

April 26, 2022

CONDENSED CONSOLIDATED BALANCE SHEET

QUEEN'S ISLAND INSURANCE COMPANY LTD

As at **December 31, 2021**

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

LINE No.		2021	2020
1.	CASH AND CASH EQUIVALENTS	5,836	11,715
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other	234,165	172,345
(b)	Total Bonds and Debentures	234,165	172,345
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other quoted investments		
(f)	Total quoted investments	234,165	172,345
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	-	-

CONDENSED CONSOLIDATED BALANCE SHEET

QUEEN'S ISLAND INSURANCE COMPANY LTD

As at **December 31, 2021**

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

LINE No.	2021	2020
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	803	702
10. ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a) In course of collection	20,582	16,705
(b) Deferred - not yet due		
(c) Receivables from retrocessional contracts		
(d) Total accounts and premiums receivable	20,582	16,705
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		
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	26,653	19,290
(g) Net receivables for investments sold		
(h) Prepaid Expenses		-
(i) Other Sundry Assets (Specify)		
(j) Other Sundry Assets (Specify)		
(k) Total sundry assets	26,653	19,290
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	288,039	220,757

CONDENSED CONSOLIDATED BALANCE SHEET

QUEEN'S ISLAND INSURANCE COMPANY LTD

As at **December 31, 2021**

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

LINE No.		2021	2020
	TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	76,800	57,936
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates	4,341	4,120
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other insurers		
(c)	Total ceded unearned premium reserve	4,341	4,120
(d)	Net unearned premium reserve	72,459	53,816
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	111,284	71,547
(b)	Less: Reinsurance recoverable balance		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other reinsurers	5,502	3,891
(c)	Total reinsurance recoverable balance	5,502	3,891
(d)	Net loss and loss expense provisions	105,782	67,656
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES	1,341	1,172
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	179,582	122,644
	LONG-TERM BUSINESS INSURANCE RESERVES		
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		
	(iii) Pools and Associations		
	(iv) All Other Insurers		
(c)	Total Reinsurance Recoverable Balance	-	-
(d)	Total Net Long-Term Business Insurance Reserves	-	-

CONDENSED CONSOLIDATED BALANCE SHEET

QUEEN'S ISLAND INSURANCE COMPANY LTD

As at **December 31, 2021**

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

LINE No.		2021	2020
	OTHER LIABILITIES		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	8,626	4,809
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE		
30.	LOANS AND NOTES PAYABLE		
31.	(a) INCOME TAXES PAYABLE		
	(b) DEFERRED INCOME TAXES	1,422	2,187
32.	AMOUNTS DUE TO AFFILIATES	2,758	2,651
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	769	1,372
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	-	-
38.	TOTAL OTHER LIABILITIES	13,575	11,019
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	193,157	133,663
	CAPITAL AND SURPLUS		
40.	TOTAL CAPITAL AND SURPLUS	94,881	87,094
41.	TOTAL	288,039	220,757

CONDENSED CONSOLIDATED STATEMENT OF INCOME

QUEEN'S ISLAND INSURANCE COMPANY LTD

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

LINE No.		2021	2020
	GENERAL BUSINESS UNDERWRITING INCOME		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written	9,462	11,473
	(b) Assumed gross premiums written	116,581	78,832
	(c) Total gross premiums written	126,043	90,305
2.	REINSURANCE PREMIUMS CEDED	18,594	14,562
3.	NET PREMIUMS WRITTEN	107,449	75,743
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	(18,723)	(18,538)
5.	NET PREMIUMS EARNED	88,727	57,204
6.	OTHER INSURANCE INCOME	-	-
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	88,727	57,204
	GENERAL BUSINESS UNDERWRITING EXPENSES		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	42,716	24,167
9.	COMMISSIONS AND BROKERAGE	33,605	20,848
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	76,321	45,014
11.	NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS	12,405	12,190
	LONG-TERM BUSINESS INCOME		
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	-	-
	LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES		
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		
	(c) Accident and health		

CONDENSED CONSOLIDATED STATEMENT OF INCOME

QUEEN'S ISLAND INSURANCE COMPANY LTD

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

LINE No.		2021	2020
	(d) Total increase (decrease) in policy reserves	-	-
27.	TOTAL LONG-TERM BUSINESS EXPENSES	-	-
28.	NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS	-	-
29.	COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS	12,405	12,190
	UNDERNOTED ITEMS		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	297	175
	(b) Personnel cost		
	(c) Other		
	(d) Total combined operating expenses	297	175
31.	COMBINED INVESTMENT INCOME - NET	2,124	2,472
32.	COMBINED OTHER INCOME (DEDUCTIONS)	711	(1,328)
33.	COMBINED INCOME BEFORE TAXES	14,944	13,159
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	3,994	1,594
	(b) Deferred	(765)	1,279
	(c) Total	3,229	2,874
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	11,715	10,286
36.	COMBINED REALIZED GAINS (LOSSES)	615	776
37.	COMBINED INTEREST CHARGES	-	
38.	NET INCOME	12,330	11,062

CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

QUEEN'S ISLAND INSURANCE COMPANY LTD

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

LINE No.		2021	2020
1.	CAPITAL:		
(a)	Capital Stock		
	(i) Common Shares		
	authorized 500,000 shares of par	500	500
	value \$ 1,000 each issued and		
	fully paid 500,000 shares		
	(ii)		
	(A) Preferred shares:		
	authorized shares of par		
	value each issued and		
	fully paid shares		
	aggregate liquidation value for —		
	2021 		
	2020 		
	(B) Preferred shares issued by a subsidiary:		
	authorized shares of par		
	value each issued and		
	fully paid shares		
	aggregate liquidation value for —		
	2021 		
	2020 		
	(iii) Treasury Shares		
	repurchased shares of par		
	value each issued		
(b)	Contributed surplus	8,000	8,000
(c)	Any other fixed capital		
	(i) Hybrid capital instruments		
	(ii) Guarantees and others		
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	8,500	8,500
2.	SURPLUS:		
(a)	Surplus - Beginning of Year	78,594	63,651
(b)	Add: Income for the year	12,330	11,062
(c)	Less: Dividends paid and payable		
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments	(4,531)	3,893
(e)	Add (Deduct) change in any other surplus	(12)	(12)
(f)	Surplus - End of Year	86,381	78,594
3.	MINORITY INTEREST		
4.	TOTAL CAPITAL AND SURPLUS	94,881	87,094

QUEEN'S ISLAND INSURANCE COMPANY, LTD.
NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS
For the year ending December 31, 2021
Expressed in ('000s) United States Dollars

Part 1: General Notes

1. Queen's Island Insurance Company, Ltd. (the "Company") is a wholly owned subsidiary of W. R. Berkley Corporation ("WRBC"), a company incorporated in the State of Delaware in the United States of America. There were no changes to ownership of the Company during the current year.
2. The Company writes excess of loss railroad liability policies provided to class 1, regional and short-line railroads, commuter rails and transit systems, as well as punitive wrap policies.

Effective January 1, 2017 the Company entered into a quota share reinsurance contract with the Canadian branch of Berkley Insurance Company ("BICC"), an affiliated company, in which the Company accepts 80% quota share percentage of certain lines of business underwritten by or through and on behalf of BICC (the "Quota Share Reinsurance Contract").

3. These accounts are prepared in accordance with rule 17A (2) of the Insurance Act 1978 and the Insurance Accounts Regulations 2016 (the "Legislation"). The recognition and measurement principles applied are in line with accounting principles generally accepted in the United States of America ("US GAAP"). The Legislation differs from this framework in a number of material manners, namely:
 - The format of the statements is prescribed by schedules IX and X of the Legislation
 - The Company does not prepare a Statement of Cash Flows or equivalent
 - Certain disclosures required by US GAAP are not made

US GAAP requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. The significant accounting policies are as follows:
 - a) Reinsurance Premiums
Premiums written are recorded as earned generally on a pro-rata basis over the contracted period with the unearned portion deferred in the balance sheet.
 - b) Outward reinsurance premium
Outward Reinsurance premiums are expensed on pro-rata basis over the contracted period.

QUEEN'S ISLAND INSURANCE COMPANY, LTD.
NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS
For the year ending December 31, 2021
Expressed in ('000s) United States Dollars

c) Reserves for Losses and Loss Expenses

Reserves for losses and loss expenses are an accumulation of amounts determined based on estimates received from other companies for reinsurance assumed and estimates for losses incurred but not reported (based on Company and industry experience). These estimates are continuously reviewed and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments are reflected in results of operations in the period in which they are determined and are actuarially determined by an independent actuary.

The Company has reinsurance recoverables via a railroad reinsurance treaty and other reinsurance treaties. Reserves in these condensed statements are shown gross of recoverables. The ceded companies have an S&P credit rating of AA- or higher.

d) Cash and time deposits

Cash and time deposits are amounts held in bank and time deposits having maturities within three months of date of purchase by the Company.

e) Taxation

The Company has made an election under Section 953(d) of the U.S. Internal Revenue Code of 1986, as amended, to be treated as a domestic insurance company for United States federal income tax purposes. As a result of the "domestic election", the Company is subject to US taxation on its worldwide income as if it were a U.S. corporation.

Deferred taxes reflect the impact of temporary differences between amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax purposes, measured by applying currently enacted tax laws.

The Company will reimburse WRBC for income taxes based on its current taxable income as if it had filed on a separate return basis.

Under current Bermuda law the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event of such taxes being imposed, the Company will be exempted from taxation until the year 2035.

f) Investments

Investments are classified as available-for-sale and are carried at fair value. Investments are valued at the last quoted sales price on the principal securities exchange on which the investment is traded on the last day of the year. Realized gains or losses arising on disposition of securities are determined on the specific identification basis and are included in the condensed statement of statutory income. Unrealized gains and losses are included as a separate component of statutory surplus.

QUEEN'S ISLAND INSURANCE COMPANY, LTD.
NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS
For the year ending December 31, 2021
Expressed in ('000s) United States Dollars

f) Investments (continued)

In accordance with Canadian law, the Company and BICC are required to maintain assets in Canada with respect to the Quota Share Reinsurance Contract. To comply with the Canadian requirements, the Company, BICC and RBC Investor Services Trust entered in a reinsurance security agreement (the "RSA") in which certain assets of the Company are held in a custodial account as security for the benefit of BICC. As at December 31, 2021, cash and investments of \$193,739 (2020: \$116,345) are held pursuant to the RSA.

5. The basis of recognition of:

- a) Premium – see Note 4 (a) above
- b) Investment income – Investment income is accrued to the balance sheet date
- c) Commission Income – N/A

6. The Company's financial statements are presented in United States Dollars, which is also the functional currency of the Company. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the income statement.

7– 12 N/A

13. All investments are considered Level 2 investments.

Fair value amounts for all quoted and unquoted investment lines. Full value hierarchy of investments 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.

14. Maturity profile of the Company's investment portfolio:

	2021 \$'000	2020 \$'000
Due within one year	9,688	12,408
Due after one year through five years	190,162	134,787
Due after five years through ten years	33,304	23,220
Due after ten years	1,011	1,930
Total	<u>\$234,165</u>	<u>\$172,345</u>

QUEEN'S ISLAND INSURANCE COMPANY, LTD.
NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS
For the year ending December 31, 2021
Expressed in ('000s) United States Dollars

15. Berkley Insurance Company ("BIC"), an affiliated company, and the Company are parties to a stop loss reinsurance agreement (the "Stop Loss Agreement"), whereby BIC limits losses of the Company to a 105% combined ratio. The cost of this protection for the current year was \$9,498 (2020: \$6,064).

Effective January 1, 2017, punitive damage exposures written from that date onward are excluded from the Stop Loss Agreement.

Effective January 1, 2017, the Company entered into a Quota Share Reinsurance Contract in which the following transactions and balances are included in the financial statements:

	<u>2021</u>	<u>2020</u>
	\$'000	\$'000
Gross Premium Written	(100,744)	(67,005)
Change in unearned premiums	17,935	15,644
Foreign exchange gains(loss)	(251)	978
Loss and loss expenses incurred	38,576	21,101
Commissions and brokerage	34,029	21,119
Accounts and premiums receivable	16,847	13,963
Deferred acquisition costs	25,571	18,331
Provision for loss and loss expense	(92,461)	(58,672)
Unearned premium reserve	(62,319)	(44,463)
Other liabilities	(1,893)	(1,115)

16. The Company has evaluated the effects of events subsequent to December 31, 2021, for recognition and disclosure, through to April 26, 2022, which is the date the financial statements were made available to be issued. There were no material events that occurred subsequent to December 31, 2021.

At the time of this report, the Company continues to monitor the impact of COVID-19 pandemic and assess the potential future impact. At this time, known impacts have been incorporated into the results of operations and the financial position. To date the impacts have not been considered material to the Company's financial position.

17. N/A

QUEEN'S ISLAND INSURANCE COMPANY, LTD.
NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS
For the year ending December 31, 2021
Expressed in ('000s) United States Dollars

Part 2: Consolidated Statement of Capital and Surplus – (Expressed in United States Dollars)

1(a) Share Capital

Authorized

500,000 common shares with a par value of \$1.00 each

Issued

500,000 common shares \$500

1(b) Contributed surplus represents amounts contributed by WRBC in cash in addition to their subscription to issued share capital.

1(c) No dividends were declared or paid in 2021 and 2020.

Part 3: Consolidated Balance Sheet

1. As stated in Part 1, Note 2 and Part 1, Note 15, the Company entered into the Quota Share Reinsurance Contract, and the RSA which requires certain assets to be held in a custodial account as security for the benefit of BICC. As at December 31, 2021 cash and investments of \$193,739 (2020: \$116,345) were held pursuant to the RSA to support the Quota Share Reinsurance Contract.
2. Investments are classified as available-for-sale and are carried at fair value. Investments are valued at the last quoted sales price on the principal securities exchange on which the investment is traded on the last day of the year.
3. N/A
4. N/A
5. N/A
6. N/A
7. N/A
8. N/A

QUEEN'S ISLAND INSURANCE COMPANY, LTD.
NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS
For the year ending December 31, 2021
Expressed in ('000s) United States Dollars

9. Investment income due and accrued, represent interest due on investments held by the Company that have been earned but not yet received.
10. Accounts and Premium Receivable balance of \$20,582 (2020: \$16,705) are current balances originating in the normal business activity of the Company. Refer to Part 1, Note 15 for balances due from affiliates.
11. N/A
12. N/A
13. Deferred Acquisition Costs relate to amounts to be expensed on policies that have expiration dates subsequent to the year end. These expenses will be recognized in the period to which they relate. The Deferred Acquisition Costs were \$26,653 at December 31, 2021 (2020: \$19,290).
14. N/A
16. The Unearned Premium Reserve is recognized as the unexpired portion on insurance premiums written and are recognized on a pro-rata basis over the contracted period. The balance on unearned premium reserve as of December 31, 2021 was \$72,459 (2020: \$53,816).

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17. Loss and Loss Expense Provisions

(a)	<u>2021</u>	<u>2020</u>
Gross loss and loss expense provisions at beginning of year	\$71,547	\$48,262
Less: reinsurance recoverable beginning of year	(3,891)	(2,823)
Net loss expense provision at beginning of year	<u>67,656</u>	<u>45,439</u>
Net incurred loss related to:		
Current year	42,858	30,122
Prior year's	(142)	(5,956)
Total net incurred loss and loss expenses	<u>42,716</u>	<u>24,166</u>
Paid or payable related to:		
Current year	(1,182)	(1,269)
Prior year	(3,577)	(2,103)
Total losses and loss expenses paid or payable	<u>(4,759)</u>	<u>(3,372)</u>
Foreign exchange and others	169	1,423
Net loss and loss expense provision at end of year	<u>105,782</u>	<u>67,656</u>
Add: Reinsurance recoverable at end of year	5,502	3,891
Gross loss and loss expense provision at end of year	<u>\$111,284</u>	<u>\$71,547</u>

(b) Management believes that the assumptions used to establish loss and loss expense provisions are realistic and are an appropriate basis for estimating those reserves as of December 31, 2021. However, these assumptions are subject to changes and the Company continuously reviews and adjusts these estimates after consideration of all currently known information and updated assumptions related to unknown information.

While management believes it has made a reasonable estimate of loss expenses occurring up to the balance sheet date, the ultimate cost of claims incurred could exceed the Company's reserves and could materially impact on future results of operation and financial condition.

Net incurred losses and loss expenses increased by \$42,716 and \$24,166 for the years ended December 31, 2021 and 2020, respectively. Incurred losses increased due to earned exposure during the current year. Prior accident years experienced favorable reserve development as of December 31, 2020, and stable results as of December 31, 2021.

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17. Loss and Loss Expense Provisions (continued)

Reserves for railroad and vehicular liability were set at \$13,078 (2020 - \$8,583), the Quota Share Reinsurance Contract reserve was set at \$97,295 (2020 - \$62,323) and Punitive Damages reserve was set at \$911 (2020 - \$641).

(c)

(i) \$97,295 (2020 - 62,323)

(ii) \$13,989 (2020 - \$9,224)

20. N/A

21. N/A

22. N/A

23. N/A

24. N/A

25. N/A

26. N/A

27. N/A

28. Insurance and reinsurance balances payable of \$8,626 at December 31, 2021 (2020: \$4,809) are balances in the normal course of business for the Company and are due to the Company's reinsurers.

29. N/A

30. N/A

31. (a) N/A

(b) Deferred taxes reflect the impact of temporary differences between amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax purposes, measured by applying currently enacted tax laws. The deferred tax liability was \$1,422 at December 31, 2021 (2020: \$2,187).

32. Amounts due to affiliates of \$2,758 at December 31, 2021 (2020: \$2,651) represent income tax paid on behalf of the Company by its parent. Amounts due to affiliates are interest free and repayable on demand.

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33. Accounts payable and accrued liabilities of \$769 at December 31, 2021 (2020: \$1,372) represent amounts incurred in the normal course of business not yet settled.

34. – 37. N/A

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Part 4: Consolidated Statement of Income

6. N/A

15. N/A

32. The Company's financial statements are presented in United States Dollars, which is also the functional currency of the Company. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the income statement. The total amount of foreign exchange gain for the current year was \$251 (2020: Loss \$978).

36. Realized gains represent capital gains and losses on the sale of fixed income securities.