

Bernina Re Ltd.

A Segregated Account Company

Condensed General Purpose Financial Statements For The Year Ended December 31, 2021



KPMG Audit Limited
Crown House
4 Par-la-Ville Road
Hamilton
HM 08
Bermuda

Telephone +1 441 295 5063
Fax +1 441 295 9132
Internet www.kpmg.bm

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Bernina Re Ltd.

Opinions

We have audited the accompanying condensed financial statements of Bernina Re 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 27, 2022

CONDENSED CONSOLIDATED BALANCE SHEET

Bernina Re Ltd.

As at

December 31, 2021

expressed in ['000s]

United States Dollars

| LINE No. | | 2021 | 2020 |
|----------|--|--------|-------|
| 1. | CASH AND CASH EQUIVALENTS | 11,071 | 3,953 |
| 2. | QUOTED 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 quoted investments | | |
| (f) | Total quoted investments | - | - |
| 3. | UNQUOTED INVESTMENTS: | | |
| (a) | Bonds and Debentures | | |
| | i. Held to maturity | | |
| | ii. Other | | |
| (b) | Total Bonds and Debentures | - | - |
| (c) | Equities | | |
| | i. Common stocks | | |
| | ii. Preferred stocks | | |
| | iii. Mutual funds | | |
| (d) | Total equities | - | - |
| (e) | Other unquoted investments | | |
| (f) | Total unquoted investments | - | - |
| 4. | INVESTMENTS IN AND ADVANCES TO AFFILIATES | | |
| (a) | Unregulated entities that conduct ancillary services | | |
| (b) | Unregulated non-financial operating entities | | |
| (c) | Unregulated financial operating entities | | |
| (d) | Regulated non-insurance financial operating entities | | |
| (e) | Regulated insurance financial operating entities | | |
| (f) | Total investments in affiliates | - | - |
| (g) | Advances to affiliates | | |
| (h) | Total investments in and advances to affiliates | - | - |
| 5. | INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE: | | |
| (a) | First liens | | |
| (b) | Other than first liens | | |
| (c) | Total investments in mortgage loans on real estate | - | - |
| 6. | POLICY LOANS | | |
| 7. | REAL ESTATE: | | |
| (a) | Occupied by the company (less encumbrances) | | |
| (b) | Other properties (less encumbrances) | | |
| (c) | Total real estate | - | - |
| 8. | COLLATERAL LOANS | | |
| 9. | INVESTMENT INCOME DUE AND ACCRUED | | |
| 10. | ACCOUNTS AND PREMIUMS RECEIVABLE: | | |
| (a) | In course of collection | | 3,839 |
| (b) | Deferred - not yet due | | |
| (c) | Receivables from retrocessional contracts | | |
| (d) | Total accounts and premiums receivable | - | 3,839 |
| 11. | REINSURANCE BALANCES RECEIVABLE: | | |
| (a) | Foreign affiliates | | |
| (b) | Domestic affiliates | | |
| (c) | Pools & associations | | |
| (d) | All other insurers | | |
| (e) | Total reinsurance balance receivable | - | - |

CONDENSED CONSOLIDATED BALANCE SHEET

Bernina Re Ltd.

As at

December 31, 2021

expressed in ['000s]

United States Dollars

| LINE No. | | 2021 | 2020 |
|--|---|---------|-----------|
| 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 | 817,922 | 1,222,860 |
| (e) | Deposit assets | | |
| (f) | Deferred acquisition costs | | |
| (g) | Net receivables for investments sold | | |
| (h) | Program Fee Receivable From Segregated Accounts | - | - |
| (i) | Other Assets | 91 | 173 |
| (j) | Other Sundry Assets (Specify) - Prepaid expenses | 563 | 663 |
| (k) | Total sundry assets | 818,576 | 1,223,696 |
| 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 | 829,647 | 1,231,489 |
| TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS | | | |
| 16. | UNEARNED PREMIUM RESERVE | | |
| (a) | Gross unearned premium reserves | | |
| (b) | Less: Ceded unearned premium reserve | | |
| | i. Foreign affiliates | | |
| | ii. Domestic affiliates | | |
| | iii. Pools & associations | | |
| | iv. All other insurers | | |
| (c) | Total ceded unearned premium reserve | - | - |
| (d) | Net unearned premium reserve | - | - |
| 17. | LOSS AND LOSS EXPENSE PROVISIONS: | | |
| (a) | Gross loss and loss expense provisions | | |
| (b) | Less : Reinsurance recoverable balance | | |
| | i. Foreign affiliates | | |
| | ii. Domestic affiliates | | |
| | iii. Pools & associations | | |
| | iv. All other reinsurers | | |
| (c) | Total reinsurance recoverable balance | - | - |
| (d) | Net loss and loss expense provisions | - | - |
| 18. | OTHER GENERAL BUSINESS INSURANCE RESERVES | | |
| 19. | TOTAL GENERAL BUSINESS INSURANCE RESERVES | - | - |
| 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 | | |

CONDENSED CONSOLIDATED BALANCE SHEET

Bernina Re Ltd.

As at

December 31, 2021

expressed in ['000s]

United States Dollars

| LINE No. | | 2021 | 2020 |
|----------|---|---------|-----------|
| 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 | - | - |
| | OTHER LIABILITIES | | |
| 28. | INSURANCE AND REINSURANCE BALANCES PAYABLE | | |
| 29. | COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE | | |
| 30. | LOANS AND NOTES PAYABLE | | |
| 31. | (a) INCOME TAXES PAYABLE | 100 | 61 |
| | (b) DEFERRED INCOME TAXES | | |
| 32. | AMOUNTS DUE TO AFFILIATES | | |
| 33. | ACCOUNTS PAYABLE AND ACCRUED LIABILITIES | 9,444 | 6,374 |
| 34. | FUNDS HELD UNDER REINSURANCE CONTRACTS: | | |
| 35. | DIVIDENDS PAYABLE | | |
| 36. | SUNDRY LIABILITIES: | | |
| (a) | Derivative instruments | | |
| (b) | Segregated accounts companies | 817,922 | 1,222,860 |
| (c) | Deposit liabilities | | |
| (d) | Net payable for investments purchased | | |
| (e) | Other liabilities | - | - |
| (f) | Due to segregated account | - | - |
| (g) | Other sundry liabilities (specify) - other payable | - | - |
| (h) | Total sundry liabilities | 817,922 | 1,222,860 |
| 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 | 827,466 | 1,229,295 |
| 39. | TOTAL INSURANCE RESERVES AND OTHER LIABILITIES | 827,466 | 1,229,295 |
| | CAPITAL AND SURPLUS | | |
| 40. | TOTAL CAPITAL AND SURPLUS | 2,181 | 2,193 |
| 41. | TOTAL | 829,647 | 1,231,489 |
| | | TRUE | TRUE |

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Bernina Re 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 | | |
| | (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 | - | - |
| | GENERAL BUSINESS UNDERWRITING EXPENSES | | |
| 8. | NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED | | |
| 9. | COMMISSIONS AND BROKERAGE | | |
| 10. | TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES | - | - |
| 11. | NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS | - | - |
| | 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 | - | - |

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Bernina Re Ltd.

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

| LINE No. | | 2021 | 2020 |
|----------|--|--------|--------|
| | 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 | | |
| | (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 | - | - |
| | UNDERNOTED ITEMS | | |
| 30. | COMBINED OPERATING EXPENSE | | |
| | (a) General and administration | 6,116 | 7,233 |
| | (b) Personnel cost | 7,888 | 12,906 |
| | (c) Other | | |
| | (d) Total combined operating expenses | 14,004 | 20,138 |
| 31. | COMBINED INVESTMENT INCOME - NET | | |
| 32. | COMBINED OTHER INCOME (DEDUCTIONS) | 14,259 | 20,860 |
| 33. | COMBINED INCOME BEFORE TAXES | 255 | 721 |
| 34. | COMBINED INCOME TAXES (IF APPLICABLE): | | |
| | (a) Current | 39 | 61 |
| | (b) Deferred | | |
| | (c) Total | 39 | 61 |
| 35. | COMBINED INCOME BEFORE REALIZED GAINS (LOSSES) | 216 | 660 |
| 36. | COMBINED REALIZED GAINS (LOSSES) | | |
| 37. | COMBINED INTEREST CHARGES | | |
| 38. | NET INCOME | 216 | 660 |

CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

Bernina Re 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 120,000 shares of par | 120 | 120 |
| | value \$ 0.001 each issued and | | |
| | fully paid 120,000 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 | 880 | 880 |
| (c) | Any other fixed capital | | |
| | (i) Hybrid capital instruments | | |
| | (ii) Guarantees and others | | |
| | (iii) Total any other fixed capital | - | - |
| (d) | Total Capital | 1,000 | 1,000 |
| 2. | SURPLUS: | | |
| (a) | Surplus - Beginning of Year | 1,193 | 563 |
| (b) | Add: Income for the year | 216 | 660 |
| (c) | Less: Dividends paid and payable | (229) | (30) |
| (d) | Add (Deduct) change in unrealized appreciation (depreciation) of investments | | |
| (e) | Add (Deduct) change in any other surplus | | |
| (f) | Surplus - End of Year | 1,181 | 1,193 |
| 3. | MINORITY INTEREST | | |
| 4. | TOTAL CAPITAL AND SURPLUS | 2,181 | 2,193 |

BERNINA RE LTD.

NOTES TO THE CONDENSED GENERAL-PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in thousands of United States Dollars (“US\$000”, “US\$ thousand”))

Matters to be set forth in a General Note to the Financial Statements

1. Bernina Re Ltd. (the "Company") is a Bermuda exempted company limited by shares incorporated in Bermuda on August 11, 2017, licensed as a Class 3A insurer effective November 8, 2017 under the Bermuda Insurance Act 1978 and Related Regulations, as amended (the "Insurance Act") and licensed as a Segregated Accounts Company effective September 21, 2017 under the Segregated Accounts Companies Act 2000 (the "SAC Act"). The Company is a wholly-owned direct subsidiary of Bernina Re Holding Ltd., a Bermuda exempted holding company limited by shares incorporated on August 11, 2017 ("Bernina Holding") which in turn is directly and wholly owned by Bernina Re Purpose Trust, a Bermuda purpose trust formed on August 7, 2017.
2. The Company, through its segregated accounts, writes reinsurance contracts predominantly in the property catastrophe reinsurance line of business, which provide cover for unpredictable events such as hurricanes, windstorms, earthquakes, fires, floods and other man-made or natural disasters. The Company's cedants are predominately located in North America, Europe, Bermuda, Japan and Australia.

Each reinsurance contract written by the Company is separately structured and funded via a trust account or letter of credit pursuant to cooperation and indemnification agreements between the Company and the respective segregated account participants.

The Company earns fee income for the administration of the segregated accounts. The fee income for each segregated account is calculated based on the overall expenses of the Company and is allocated based on the proportion of collateral linked to a particular segregated account as a proportion of the total amount of collateral linked to all segregated accounts of the Company.

3. These condensed consolidated general-purpose financial statements are prepared in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Accounts Rules 2016 with respect to condensed general-purpose financial statements (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 presentation of these financial statements in accordance with the guidance prescribed under the legislation differs from US GAAP in certain respects as follows:
 - a. The format of the financial statements is prescribed by schedules IX and X of the Insurance Accounts Rules 2016;
 - b. A Statement of Cash Flows or equivalent is not included;
 - c. Certain disclosures required by US GAAP are not included; and
 - d. The presentation of segregated accounts differs from US GAAP.
4. The significant accounting policies of the Company are as set out below:

Functional and presentation currency

The condensed general-purpose financial statements are presented in United States dollars ("US\$"), which is the Company's functional and presentation currency. All financial information has been rounded to the nearest thousand ("US\$000", "US\$ thousand"), except where otherwise indicated.

Uses of estimates and judgments

The preparation of the condensed general-purpose financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and amounts reported in the condensed consolidated general-purpose balance sheet, condensed

BERNINA RE LTD.

NOTES TO THE CONDENSED GENERAL-PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in thousands of United States Dollars (“US\$000”, “US\$ thousand”))

consolidated general-purpose income statement and related notes. Actual results may differ from these estimates.

Specifically, the amount of segregated accounts liabilities includes claims reserve estimates arising from the COVID-19 pandemic. There is substantial uncertainty regarding the ultimate losses that may arise from these actual or potential claims, driven by both the slow development pattern of the event(s), as well as significant uncertainty over contract coverage.

Financial assets and financial liabilities – recognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments. Financial assets are derecognized when the Company no longer has rights to cash flows, the risks and rewards of ownership or control of the assets. Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or it expires.

Cash and cash equivalents

Cash and cash equivalents include amounts held in banks and funds having short term liquidity and other short-term investments with a maturity of three months or less at the date of purchase. Cash and cash equivalents are measured at historical cost, with interest income recorded in the income statement as received.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. After initial recognition, these are subsequently measured at amortized cost less any impairment losses. Amounts due to the Company from the segregated accounts participants are recorded within this category of financial instruments.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are recognized when due and are measured on initial recognition at the fair value of the consideration received less any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost. Amounts due to the Company's segregated accounts participants are recorded within this category of financial instruments.

Revenue recognition

Fee income is recognized when the company satisfies its performance obligations under the terms of its contract.

Segregated account assets and liabilities

The Company operates segregated accounts for the benefit of segregated account participants. Losses incurred by each segregated account are limited to the assets available within that segregated account. The segregated accounts do not transfer insurance risk to the Company. The Company has aggregated the assets held within its segregated accounts and presented these amounts as Segregated Account assets on line 13(d) of the condensed consolidated general-purpose balance sheet. Similarly, all liabilities within the Company's segregated accounts have been aggregated and recorded as Segregated Account Liabilities in line 36(b) of the condensed consolidated general-purpose balance sheet.

The results of the segregated accounts are not included within these financial statements, as the Company does not have a controlling financial interest in the net income, assets or liabilities of the segregated accounts.

BERNINA RE LTD.

NOTES TO THE CONDENSED GENERAL-PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in thousands of United States Dollars (“US\$000”, “US\$ thousand”))

Translation of foreign currencies

The Company’s functional currency is the United States Dollar.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the end of the reporting period. The resulting translation gains or losses are recorded as foreign exchange gains or losses in the statement of income. Non-monetary assets and liabilities carried at fair value are translated at the exchange rates prevailing when fair value was determined. The resulting translation gains or losses are recorded as a component of the change in fair value of the asset or liability. Non-monetary assets and liabilities carried at historical cost are translated at historical exchange rates. Revenue and expense transactions are translated using the closing exchange rate on the date of the transaction.

Income taxes

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 event of any such taxes being imposed the Company will be exempted from taxation until the year 2035.

The Company’s branch in Zürich, Switzerland, is subject to taxation in the canton of Zürich.

The significant accounting policies of the segregated accounts aggregated on line 13(d) and line 36(b) of the condensed consolidated general-purpose balance sheet, in respect of the insurance contracts written and reinsurance contracts purchased, are as follows:

Gross written and earned premium

Written premiums are first recognized in the period in which the contract incepts or in the period in which the contract is bound, if later.

The Company’s segregated accounts write both proportional and non-proportional reinsurance contracts. For non-proportional contracts, gross written premium is recorded based on the deposit or flat premium (gross of taxes) as defined in the contract. Subsequent adjustments to the premium are recognized in the period in which they are determined.

For proportional contracts, written premium is recognized based on estimates of ultimate premiums provided by the reinsured, adjusted by the Company where considered appropriate. Initial estimates of written premium are recognized in the period in which the contract incepts, or in the period in which the contract is bound, if later. Subsequent adjustments, based on reports of actual premium by the reinsured, or revisions in estimates, are recognized in the period in which they are determined.

The proportion of gross written premium attributable to periods after the reporting date is deferred as unearned premium. The change in this reserve is recognized in income in future periods in order that premium is recognized over the period of risk coverage. The unearned premium reserve includes, where necessary, a reserve for unexpired risks where, at the reporting date, the estimated costs of future claims and related deferred acquisition costs are expected to exceed the unearned premium reserve.

BERNINA RE LTD.

NOTES TO THE CONDENSED GENERAL-PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in thousands of United States Dollars (“US\$000”, “US\$ thousand”))

Premium is earned proportionally over the policy contract period, except where the period of risk differs significantly from the contract period. In these circumstances, premium is earned over the period of risk in proportion to the amount of reinsurance protection provided.

Where contract terms require the reinstatement of coverage after a reinsured’s loss, the estimated reinstatement premiums are recorded as written premiums.

Outwards reinsurance premium

Outwards reinsurance premiums are recognized in the period in which the contract incepts or the period in which the contract is bound, if later.

The Company purchases non-proportional reinsurance contracts. For such contracts, outwards reinsurance premium is recorded based on the deposit or flat premium as defined in the contract or, where applicable and greater, the Company’s estimate of the adjusted premium under the contract. Subsequent adjustments to the premium are recognized in the period in which they are determined.

The proportion of outwards reinsurance premium attributable to periods after the reporting date is deferred as unearned outwards reinsurance premium. The change in this asset is recognized as an expense in future periods in order that premium is recognized over the period of risk protection. Outwards reinsurance premium is earned proportionally over the policy contract period, except where the period of risk differs significantly from the contract period. In these circumstances, premium is amortized over the period of risk in proportion to the amount of reinsurance protection received.

Where contract terms require the reinstatement of coverage after a loss, the estimated outwards reinstatement premiums are recorded as outwards reinsurance premiums.

Acquisition costs and deferred acquisition costs

Acquisition costs represent commissions, brokerage and other variable costs that relate directly to the successful sale of new contracts and the renewal of existing contracts. Acquisition costs are deferred and amortized in the period(s) over which the related premiums are earned. Deferred acquisition costs are reviewed at the reporting date and impaired where they are no longer considered to be recoverable out of future margins from the related revenues.

Insurance claims expenses and claims liabilities

Insurance claims expenses comprise claims and loss adjustment expenses incurred in the period based on the estimated compensation owed to cedants on the contracts written by the Company, whether or not reported to the Company by the reporting date.

Claims paid are defined as those claim transactions settled by the reporting date.

Claims liabilities represent the total estimated claims and loss adjustment expenses incurred on the contracts written by the Company that have not been settled as at the reporting date and comprise the following:

- Claims payable represent liabilities to pay claims that have been invoiced by cedants but not settled by the Company at the reporting date.

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NOTES TO THE CONDENSED GENERAL-PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in thousands of United States Dollars (“US\$000”, “US\$ thousand”))

- Outstanding loss reserves are made for known or anticipated liabilities under contracts written that have been notified to the Company.
- Incurred but not reported (IBNR) reserves are established to provide for claims expenses on insured events that have occurred but for which loss notifications have not been received by the Company prior and up to the reporting date. These liabilities are determined by the Company based on recognized actuarial methods and assumptions. These methods and assumptions are regularly reviewed through the use of catastrophe models, own loss experience, historical industry loss experience, underwriting and originator experience, estimates of pricing adequacy trends and the directors' and management's professional judgement.

Certain contracts written by the Company require the Company to fund cedants' estimates of their claims recoverable from the Company in full, regardless of whether the cedant has settled their own underlying claims liabilities, by way of claims advances. Where claims advances made are in excess of claims paid or claims payable, they are recorded as claims prepayments.

Changes in estimates of insurance claims liabilities are recognized as items of income or expense in the period in which the estimate changes.

Insurance receivables

Insurance receivables comprise amounts due from agents, brokers and insurance contract holders in respect of the premiums written by the Company and are recognized commensurate with the recognition of premiums written.

Insurance and reinsurance payables

Insurance and reinsurance payables comprise amounts due to agents, brokers and reinsurance providers in respect of the outwards reinsurance purchased by the Company as well as reinsurance commissions due to agents, brokers and insurance contract holders. Such amounts are recognized commensurate with the recognition of premiums written and ceded.

5. The basis of recognition for investment income is set out in note 4 above. The Company does not record either premium or commission income.
6. The method used to translate amounts determined in currencies other than the currency of the financial statements is set out in note 4 above.
7. There were no foreign exchange control restrictions affecting the assets of the Company during the reporting period.
8. There were no material contingencies or commitments at the reporting date.
9. The Company did not issue any securities or enter any credit agreements during the reporting period.
10. The Company has not issued any preferred cumulative shares.
11. There were no loans made by the Company to any director or officer of the Company during the reporting period.
12. There were no obligations in respect of retirement benefits arising from service prior to the end of the reporting period remaining to be charged against operations at the end of the reporting period.

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13. The Company has no quoted or unquoted investments.

14. The Company has no fixed maturity or short-term investments.

15. **Related party transactions**

The Company’s parent company Bernina Re Holding Ltd. received capital contributions from four entities that are also participants in separate segregated accounts of the Company. These four participants participate in the underwriting and investment results of their respective segregated accounts pursuant to separate cooperation and indemnification agreements. Under the terms of these agreements, each participant, on behalf of the segregated account, agrees to provide collateral to secure the segregated account’s obligations to cedants under the terms of the applicable reinsurance agreements entered into by the segregated account.

As at December 31, 2021 the net amounts due to these four participants was US\$171,259 thousand (2020: US\$247,687 thousand)

During the year ended December 31, 2021, the Company recorded US\$5,023 thousand (2020: US\$7,096 thousand) in fee income from these four participants in respect of the administration of their segregated accounts. At December 31, 2021, an amount of US\$3,173 thousand was payable to these four participants (2020: US\$757 thousand receivable).

Mr. Hilti, a Director of the Company, is a director of Kelvin Re Limited and was a director of Humboldt Re Limited during the prior reporting period.

During the year ended December 31, 2020, several of the Company’s segregated accounts entered into reinsurance contracts with Humboldt Re Limited as the fronting company. At 31 December 2021, assets of US\$10,949 thousand (2020: US\$35,516 thousand) and liabilities of US\$8,784 thousand (2020: US\$2,593 thousand) were recorded within segregated accounts assets and liabilities in lines 13(d) and 36(b) respectively of the condensed consolidated general-purpose balance sheet.

During the year ended December 31, 2020, several of the Company’s segregated accounts entered into an obligatory quota share reinsurance contract with Kelvin Re Limited as the reinsurer. At 31 December 2021, assets of US\$10,195 thousand (2020: US\$9,729 thousand) and liabilities of US\$10,483 thousand (2020: US\$10,168 thousand) were recorded within segregated accounts assets and liabilities in lines 13(d) and 36(b) respectively of the condensed consolidated general-purpose balance sheet.

16. **Subsequent events**

There are no events occurring between the end of the reporting period and the date on which these financial statements were available for issue that require adjustment of, or disclosure in, these financial statements.

17. There is no other information which in the opinion of the Board of Directors is required to be disclosed.

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NOTES TO THE CONDENSED GENERAL-PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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Matters to be set forth in Notes to the Consolidated Statement of Capital and Surplus

- 1(a). Authorized, issued and fully paid 120,000 common shares at par value US\$1 each.
- 1(b). There was no change in contributed surplus during the year.
- 2(c). During 2021, the company declared a dividend of US\$229 thousand (2020: \$30 thousand).

Matters to be set forth in Notes to the Consolidated Balance Sheet

- 1-12. Not applicable.
- 13. Other assets as at December 31, 2021 of US\$91 thousand (2020: US\$173 thousand) were due within one year.
- 14-30. Not applicable.
- 31. Income tax payable of US\$100 thousand (2020: US\$61 thousand) pertains to estimates of corporation tax payable in relation to the company's Swiss branch.
- 32. Not applicable.
- 33. Accounts payable and accrued liabilities amounting to US\$9,444 thousand (2020: US\$6,374 thousand) arose from fee income reimbursements due to participants and other payments due to third parties.
- 34-35. Not applicable.
- 36. Sundry liabilities to segregated accounts companies of US\$817,922 thousand (2020: US\$1,222,860 thousand) represent the total gross liabilities of the Company's segregated accounts.
- 37. Not applicable.

Matters to be set forth in Notes to the Consolidated Statement of Income

- 6. Not applicable.
- 15. Not applicable.
- 32. Other income relates to the program fee income from segregated accounts.
- 36. Not applicable.