

QUEEN'S ISLAND INSURANCE COMPANY, LTD.

Audited Condensed General Purpose Financial Statements

For the year ended December 31, 2022



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INDEPENDENT AUDITOR'S REPORT

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

Our opinion

In our opinion, the condensed financial statements of Queen's Island Insurance Company Ltd. (the "Company") are prepared, in all material respects, 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").

What we have audited

The Company's condensed financial statements comprise:

- the condensed balance sheet as at December 31, 2022
- the condensed statement of income for the year then ended
- the condensed statement of capital and surplus as at December 31, 2022, and
- the notes to the condensed financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the condensed financial statements in Bermuda and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Emphasis of matter – basis of accounting

Without modifying our opinion, we note that the condensed financial statements have been prepared in accordance with the financial reporting provisions of the Legislation. The accounting policies used and the disclosures made are not intended to, and do not, comply with all of the requirements of U.S. generally accepted accounting principles.

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

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



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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these condensed financial statements.

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

- Identify and assess the risks of material misstatement of the condensed financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the condensed financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 25, 2023

CONDENSED CONSOLIDATED BALANCE SHEET

QUEEN'S ISLAND INSURANCE COMPANY LTD

As at **December 31, 2022**

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

LINE No.		2022	2021
1.	CASH AND CASH EQUIVALENTS	6,236	5,836
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other	265,202	234,165
(b)	Total Bonds and Debentures	265,202	234,165
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other quoted investments		
(f)	Total quoted investments	265,202	234,165
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, 2022**

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

LINE No.		2022	2021
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	996	803
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	22,122	20,582
(b)	Deferred - not yet due		
(c)	Receivables from retrocessional contracts		
(d)	Total accounts and premiums receivable	22,122	20,582
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	27,939	26,653
(g)	Net receivables for investments sold		
(h)	Deferred tax asset	4,487	-
(i)	Other Sundry Assets (Specify)		
(j)	Other Sundry Assets (Specify)		
(k)	Total sundry assets	32,426	26,653
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	326,982	288,039

CONDENSED CONSOLIDATED BALANCE SHEET

QUEEN'S ISLAND INSURANCE COMPANY LTD

As at **December 31, 2022**

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

LINE No.		2022	2021
	TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	82,656	76,800
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates	4,174	4,341
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other insurers		
(c)	Total ceded unearned premium reserve	4,174	4,341
(d)	Net unearned premium reserve	78,482	72,459
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	143,557	111,284
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other reinsurers	5,579	5,502
(c)	Total reinsurance recoverable balance	5,579	5,502
(d)	Net loss and loss expense provisions	137,978	105,782
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES	1,336	1,341
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	217,796	179,582
	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, 2022**expressed in ['000s] **United States Dollars**

LINE No.		2022	2021
	OTHER LIABILITIES		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	9,784	8,626
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE		
30.	LOANS AND NOTES PAYABLE		
31.	(a) INCOME TAXES PAYABLE		
	(b) DEFERRED INCOME TAXES		1,422
32.	AMOUNTS DUE TO AFFILIATES	5,437	2,758
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	771	769
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	15,992	13,575
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	233,788	193,158
	CAPITAL AND SURPLUS		
40.	TOTAL CAPITAL AND SURPLUS	93,194	94,881
41.	TOTAL	326,982	288,039

CONDENSED CONSOLIDATED STATEMENT OF INCOME

QUEEN'S ISLAND INSURANCE COMPANY LTD

As at December 31, 2022

expressed in ['000s] United States Dollars

LINE No.		2022	2021
	GENERAL BUSINESS UNDERWRITING INCOME		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written	6,554	9,462
	(b) Assumed gross premiums written	125,650	116,581
	(c) Total gross premiums written	132,204	126,043
2.	REINSURANCE PREMIUMS CEDED	20,110	18,594
3.	NET PREMIUMS WRITTEN	112,094	107,449
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	(6,600)	(18,723)
5.	NET PREMIUMS EARNED	105,494	88,726
6.	OTHER INSURANCE INCOME	-	-
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	105,494	88,726
	GENERAL BUSINESS UNDERWRITING EXPENSES		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	53,201	42,716
9.	COMMISSIONS AND BROKERAGE	35,162	33,605
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	88,363	76,321
11.	NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS	17,131	12,405
	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	-	-

CONDENSED CONSOLIDATED STATEMENT OF INCOME

QUEEN'S ISLAND INSURANCE COMPANY LTD

As at December 31, 2022
expressed in ['000s] United States Dollars

LINE No.		2022	2021
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	17,131	12,405
	UNDERNOTED ITEMS		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	703	297
	(b) Personnel cost		
	(c) Other		
	(d) Total combined operating expenses	703	297
31.	COMBINED INVESTMENT INCOME - NET	3,218	2,124
32.	COMBINED OTHER INCOME (DEDUCTIONS)	5,819	711
33.	COMBINED INCOME BEFORE TAXES	25,465	14,944
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	5,437	3,994
	(b) Deferred	(111)	(765)
	(c) Total	5,326	3,229
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	20,139	11,714
36.	COMBINED REALIZED GAINS (LOSSES)	(14)	615
37.	COMBINED INTEREST CHARGES	-	
38.	NET INCOME	20,125	12,330

CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

QUEEN'S ISLAND INSURANCE COMPANY LTD

As at December 31, 2022
expressed in ['000s] United States Dollars

LINE No.		2022	2021
1.	CAPITAL:		
(a)	Capital Stock		
	(i) Common Shares	500	500
	authorized 500,000 shares of par		
	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 --		
	2022		
	2021		
	(B) Preferred shares issued by a subsidiary:		
	authorized shares of par		
	value each issued and		
	fully paid shares		
	aggregate liquidation value for --		
	2022		
	2021		
	(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	86,381	78,594
(b)	Add: Income for the year	20,125	12,329
(c)	Less: Dividends paid and payable		
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments	(21,811)	(4,531)
(e)	Add (Deduct) change in any other surplus	(1)	(12)
(f)	Surplus - End of Year	84,694	86,381
3.	MINORITY INTEREST		
4.	TOTAL CAPITAL AND SURPLUS	93,194	94,881

QUEEN'S ISLAND INSURANCE COMPANY, LTD.
NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS
For the year ending December 31, 2022
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; and
 - 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, 2022
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 recoverable via a railroad reinsurance treaty and other reinsurance treaties. Reinsurance recoverable balances are estimated in a manner consistent with the underlying liabilities. Reserves in these condensed statements are shown gross of recoverable. 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, 2022
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, 2022, cash and investments of \$227,678 (2021: \$193,739) 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.

All investments of the Company are measured at fair value. The Company classifies the inputs used to measure fair value 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:

	2022 \$'000	2021 \$'000
Due within one year	19,601	9,688
Due after one year through five years	205,845	190,162
Due after five years through ten years	37,550	33,304
Due after ten years	2,206	1,011
Total	<u>\$265,202</u>	<u>\$234,165</u>

QUEEN'S ISLAND INSURANCE COMPANY, LTD.
NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS
For the year ending December 31, 2022
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 \$11,339 (2021: \$9,498).

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>2022</u>	<u>2021</u>
	\$'000	\$'000
Gross Premium Written	(107,491)	(100,744)
Change in unearned premiums	6,916	17,935
Foreign exchange gains(loss)	(5,790)	(251)
Loss and loss expenses incurred	46,362	38,576
Commissions and brokerage	35,712	34,029
Accounts and premiums receivable	19,310	16,847
Deferred acquisition costs	26,973	25,571
Provision for loss and loss expense	(123,634)	(92,461)
Unearned premium reserve	(68,657)	(62,319)
Other liabilities	(2,496)	(1,893)

16. The Company has evaluated the effects of events subsequent to December 31, 2022, for recognition and disclosure, through to April 25, 2023, which is the date the financial statements were made available to be issued. There were no material events that occurred subsequent to December 31, 2022.

17. N/A

QUEEN'S ISLAND INSURANCE COMPANY, LTD.
NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS
For the year ending December 31, 2022
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 2022 and 2021.

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, 2022 cash and investments of \$227,678 (2021: \$193,739) 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, 2022
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 \$22,122 (2021: \$20,582) 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 \$27,939 at December 31, 2022 (2021: \$26,653).
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, net of reinsurance, as of December 31, 2022 was \$78,482 (2021: \$72,459).

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17. Loss and Loss Expense Provisions

(a)	<u>2022</u>	<u>2021</u>
Gross loss and loss expense provisions at beginning of year	\$111,284	\$71,547
Less: reinsurance recoverable beginning of year	(5,502)	(3,891)
Net loss expense provision at beginning of year	<u>105,782</u>	<u>67,656</u>
Net incurred loss related to:		
Current year	50,841	42,858
Prior years	2,360	(142)
Total net incurred loss and loss expenses	<u>53,201</u>	<u>42,716</u>
Paid or payable related to:		
Current year	(712)	(1,182)
Prior years	(14,268)	(3,577)
Total losses and loss expenses paid or payable	<u>(14,980)</u>	<u>(4,759)</u>
Foreign exchange and others	(6,025)	169
Net loss and loss expense provision at end of year	<u>137,978</u>	<u>105,782</u>
Add: Reinsurance recoverable at end of year	5,579	5,502
Gross loss and loss expense provision at end of year	<u>\$143,557</u>	<u>\$111,284</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, 2022. 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 \$53,201 and \$42,716 for the years ended December 31, 2022 and 2021, respectively. Incurred losses increased due to earned exposure during the current year. Prior accident years experienced stable results as of December 31, 2021 and \$2,360 of adverse development as of December 31, 2022. The adverse development for 2022 was primarily due to one large railroad claim in accident year 2015 partially offset by favorable development in other coverages and accident years.

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17. Loss and Loss Expense Provisions (continued)

Reserves for railroad and vehicular liability were set at \$14,373 (2021: \$13,078), the Quota Share Reinsurance Contract reserve was set at \$128,236 (2021: \$97,295) and Punitive Damages reserve was set at \$948 (2021- \$911).

(c)

(i) \$128,236 (2021: \$97,295)

(ii) \$15,321 (2021: \$13,989)

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 \$9,784 at December 31, 2022 (2021: \$8,626) 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 asset was \$4,487 at December 31, 2022 (2021: Liability \$1,422).

32. Amounts due to affiliates of \$5,437 at December 31, 2022 (2021: \$2,758) 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 \$772 at December 31, 2022 (2021: \$769) 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 \$5,790 (2021: Gain \$251).

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