

QUEEN'S ISLAND INSURANCE COMPANY LTD.

Audited Condensed General Purpose Financial Statements

For the year ended December 31, 2020



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INDEPENDENT AUDITOR'S REPORT

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

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, 2020 and 2019, and the related condensed statements of income for the years then ended, and the related notes to the condensed financial statements.

Management's responsibility 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 Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial statements (the "Legislation"). Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of condensed financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the condensed financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the condensed financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the condensed financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the condensed financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the condensed financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for adverse opinion on U.S. generally accepted accounting principles

As described in Note 3 of 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.

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.



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” paragraph, the condensed financial statements referred to above 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, 2020 and 2019, or the results of its operations or its cash flows for the years then ended.

Opinion on regulatory basis of accounting

In our opinion, the condensed financial statements referred to above present fairly, in all material respects, the financial position of Queen’s Island Insurance Company Ltd. as of December 31, 2020 and 2019, and the results of its operations for the years then ended in accordance with the financial reporting provisions of the Legislation described in Note 3.

KPMG Audit Limited

Chartered Professional Accountants

Hamilton, Bermuda

April 29, 2021

CONDENSED CONSOLIDATED BALANCE SHEET

QUEEN'S ISLAND INSURANCE COMPANY LTD

As at December 31, 2020

expressed in ['000s] United States Dollars

LINE No.		2020	2019
1.	CASH AND CASH EQUIVALENTS	11,715	4,335
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other	172,345	133,916
(b)	Total Bonds and Debentures	172,345	133,916
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other quoted investments		
(f)	Total quoted investments	172,345	133,916
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, 2020

expressed in ['000s] United States Dollars

LINE No.		2020	2019
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	702	609
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	16,705	10,532
(b)	Deferred - not yet due		
(c)	Receivables from retrocessional contracts		
(d)	Total accounts and premiums receivable	16,705	10,532
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	19,290	12,631
(g)	Net receivables for investments sold		
(h)	Prepaid Expenses		-
(i)	Other Sundry Assets (Specify)		
(j)	Other Sundry Assets (Specify)		
(k)	Total sundry assets	19,290	12,631
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	220,757	162,023

CONDENSED CONSOLIDATED BALANCE SHEET

QUEEN'S ISLAND INSURANCE COMPANY LTD

As at December 31, 2020

expressed in ['000s] United States Dollars

LINE No.		2020	2019
	TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	57,936	38,094
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates	4,120	2,620
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other insurers		
(c)	Total ceded unearned premium reserve	4,120	2,620
(d)	Net unearned premium reserve	53,816	35,474
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	71,547	48,262
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates	3,891	2,823
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other reinsurers		
(c)	Total reinsurance recoverable balance	3,891	2,823
(d)	Net loss and loss expense provisions	67,656	45,439
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES	1,172	723
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	122,644	81,636
	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, 2020

expressed in ['000s] United States Dollars

LINE No.		2020	2019
	OTHER LIABILITIES		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	4,809	4,263
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE		
30.	LOANS AND NOTES PAYABLE		
31.	(a) INCOME TAXES PAYABLE		
	(b) DEFERRED INCOME TAXES	2,187	908
32.	AMOUNTS DUE TO AFFILIATES	2,651	1,721
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	1,372	1,344
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	11,019	8,236
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	133,663	89,873
	CAPITAL AND SURPLUS		
40.	TOTAL CAPITAL AND SURPLUS	87,094	72,151
41.	TOTAL	220,757	162,023

CONDENSED CONSOLIDATED STATEMENT OF INCOME

QUEEN'S ISLAND INSURANCE COMPANY LTD
 As at December 31, 2020
 expressed in ['000s] United States Dollars

LINE No.		2020	2019
	GENERAL BUSINESS UNDERWRITING INCOME		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written	11,473	15,771
	(b) Assumed gross premiums written	78,832	48,117
	(c) Total gross premiums written	90,305	63,888
2.	REINSURANCE PREMIUMS CEDED	14,562	11,262
3.	NET PREMIUMS WRITTEN	75,743	52,626
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	(18,538)	(8,831)
5.	NET PREMIUMS EARNED	57,204	43,795
6.	OTHER INSURANCE INCOME	-	-
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	57,204	43,795
	GENERAL BUSINESS UNDERWRITING EXPENSES		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	24,167	18,546
9.	COMMISSIONS AND BROKERAGE	20,848	16,167
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	45,014	34,713
11.	NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS	12,190	9,082
	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		
	(d) Total increase (decrease) in policy reserves	-	-

CONDENSED CONSOLIDATED STATEMENT OF INCOME

QUEEN'S ISLAND INSURANCE COMPANY LTD
 As at December 31, 2020
 expressed in ['000s] United States Dollars

LINE No.		2020	2019
27.	TOTAL LONG-TERM BUSINESS EXPENSES	-	-
28.	NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS	-	-
29.	COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS	12,190	9,082
	UNDERNOTED ITEMS		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	175	110
	(b) Personnel cost		
	(c) Other		
	(d) Total combined operating expenses	175	110
31.	COMBINED INVESTMENT INCOME - NET	2,472	1,979
32.	COMBINED OTHER INCOME (DEDUCTIONS)	(1,328)	(943)
33.	COMBINED INCOME BEFORE TAXES	13,159	10,008
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	1,594	1,721
	(b) Deferred	1,279	238
	(c) Total	2,874	1,959
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	10,286	8,049
36.	COMBINED REALIZED GAINS (LOSSES)	776	-
37.	COMBINED INTEREST CHARGES	-	-
38.	NET INCOME	11,062	8,049

CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

QUEEN'S ISLAND INSURANCE COMPANY LTD

As at December 31, 2020
expressed in ['000s] United States Dollars

LINE No.		2020	2019
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 –		
	2020 _____		
	2019 _____		
	(B) Preferred shares issued by a subsidiary:		
	authorized _____ shares of par		
	value _____ each issued and		
	fully paid _____ shares		
	aggregate liquidation value for –		
	2020 _____		
	2019 _____		
	(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	63,651	51,616
(b)	Add: Income for the year	11,062	8,049
(c)	Less: Dividends paid and payable		
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments	3,893	4,012
(e)	Add (Deduct) change in any other surplus	(12)	(26)
(f)	Surplus - End of Year	78,594	63,651
3.	MINORITY INTEREST		
4.	TOTAL CAPITAL AND SURPLUS	87,094	72,151

QUEEN'S ISLAND INSURANCE COMPANY, LTD.
NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS
For the year ending December 31, 2020
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 for affiliated companies.

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, 2020
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 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 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, 2020
Expressed in ('000s) United States Dollars

As stated in Part 1, Note 2 above, the Company entered into Quota Share Reinsurance Contract with BICC, which under certain circumstances required the Company and BICC to enter into a security arrangement in which assets are maintained in Canada. 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, 2020 cash and investments of \$116,345 (2019: \$67,049) held pursuant to the RSA.

5. The basis of recognition of:
 - a) Premium – see 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:

	2020	2019
	\$'000	\$'000
Due within one year	12,408	14,445
Due after one year through five years	134,787	98,183
Due after five years through ten years	23,220	15,894
Due after ten years	1,930	5,393
Total	<u>172,345</u>	<u>133,915</u>

QUEEN'S ISLAND INSURANCE COMPANY, LTD.
NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS
For the year ending December 31, 2020
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 \$6,064 (2019: \$4,518).

Effective January 1, 2017, punitive damage exposures written from that date onward are excluded from this 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:

	2020	2019
Gross Premium Written	(67,005)	(44,957)
Change in unearned premiums	15,644	7,232
Foreign exchange gains(loss)	978	1,036
Loss and loss expenses incurred	21,101	19,505
Commissions and brokerage	21,119	15,182
Accounts and premiums receivable	13,963	8,675
Deferred acquisition costs	18,331	11,295
Provision for loss and loss expense	(58,672)	(38,507)
Unearned premium reserve	(44,463)	(28,694)
Other liabilities	(1,115)	(972)

16. The Company has evaluated the effects of events subsequent to December 31, 2020, for recognition and disclosure, through to April 29, 2021, which is the date the financial statements were made available to be issued. There were no material events that occurred subsequent to December 31, 2020.

At the time of this report, the Company continues to monitor the emergence of the COVID-19 pandemic and assess the potential future exposure. 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, 2020
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 2020 and 2019.

Part 3: Consolidated Balance Sheet

1. As stated in Part 1, Note 2 and Part 1, Note 15, the Company entered into 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, 2020 cash and investments of \$116,345 (2019: \$67,049) 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, 2020
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 \$16,705 (2019: \$10,532) 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 \$19,290 at December 31, 2020 (2019: \$12,631).
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, 2020 was \$53,816 (2019: \$35,474).

QUEEN'S ISLAND INSURANCE COMPANY, LTD.
NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS
For the year ending December 31, 2020
Expressed in ('000s) United States Dollars

17. Loss and Loss Expense Provisions

(a)	<u>2020</u>	<u>2019</u>
Gross loss and loss expense provisions at beginning of year	\$48,262	\$33,208
Less: reinsurance recoverable beginning of year	(2,823)	(3,045)
Net loss expense provision at beginning of year	<u>45,439</u>	<u>30,163</u>
Net incurred loss related to:		
Current year	30,122	26,833
Prior year's	(5,956)	(8,287)
Total net incurred loss and loss expenses	<u>24,166</u>	<u>18,546</u>
Paid or payable related to:		
Current year	(1,269)	(1,452)
Prior year	(2,103)	(3,037)
Total losses and loss expenses paid or payable	<u>(3,372)</u>	<u>(4,489)</u>
Foreign exchange and others	1,423	1,219
Net loss and loss expense provision at end of year	<u>67,656</u>	<u>45,439</u>
Add: Reinsurance recoverable at end of year	3,891	2,823
Gross loss and loss expense provision at end of year	<u>\$71,547</u>	<u>\$48,262</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, 2020. 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.

Reserves for railroad and vehicular liability were set at \$8,583 (2019 - \$8,858), the Quota Share Reinsurance Contract reserve was set at \$62,323 (2019 - \$38,507) and Punitive Damages reserve was set at \$641 (2019 - \$897).

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(c)

(i) \$62,323 (2019 – 38,507)

(ii) \$9,224 (2019 - \$9,755)

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 \$4,809 at December 31, 2020 (2019: \$4,263) 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 \$2,187 at December 31, 2020 (2019: \$908).

32. Amounts due to affiliates of \$2,651 at December 31, 2020 (2019: \$1,721) represent income tax paid on behalf of the Company by its parent. Amounts due to affiliates are interest free and repayable on demand.

33. Accounts payable and accrued liabilities of \$1,372 at December 31, 2020 (2019: \$1,344) 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 loss for the current year was \$978 (2019: Loss \$943).

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