

# **QUEEN'S ISLAND INSURANCE COMPANY, LTD.**

Audited Condensed General Purpose Financial Statements

For the year ended December 31, 2023



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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Opinion**

We have audited the condensed financial statements of Queen's Island Insurance Company, Ltd. ("the Company"), which comprise the condensed consolidated balance sheet as at December 31, 2023, the condensed consolidated statements of income for the year then ended, capital and surplus, and notes to the condensed financial statements, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying condensed financial statements are prepared, in all material respects, 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").

### **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 are independent of the Company in accordance 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of matter – basis of accounting**

We draw attention to Note 3 to the condensed financial statements, which describes the basis of accounting. The condensed financial statements are prepared to assist the Company to comply with the financial reporting provisions of the Legislation referred to above. 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. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### **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 scepticism 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 26, 2024

## CONDENSED CONSOLIDATED BALANCE SHEET

Queen's Island Insurance Company, Ltd.

As at **December 31, 2023**

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

LINE No.		2023	2022
1.	CASH AND CASH EQUIVALENTS	28,702	6,236
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other	329,459	265,202
(b)	Total Bonds and Debentures	329,459	265,202
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other quoted investments		
(f)	Total quoted investments	329,459	265,202
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, 2023**

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

LINE No.		2023	2022
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	1,240	996
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	20,606	22,122
(b)	Deferred - not yet due		
(c)	Receivables from retrocessional contracts		
(d)	Total accounts and premiums receivable	20,606	22,122
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	27,376	27,939
(g)	Net receivables for investments sold		
(h)	Deferred tax asset	1,641	4,487
(i)	Other Sundry Assets (Specify)		
(j)	Other Sundry Assets (Specify)		
(k)	Total sundry assets	29,017	32,426
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	409,024	326,982

## CONDENSED CONSOLIDATED BALANCE SHEET

Queen's Island Insurance Company, Ltd.

As at **December 31, 2023**

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

LINE No.		2023	2022
	<b>TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS</b>		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	80,423	82,656
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates	3,825	4,174
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other insurers		
(c)	Total ceded unearned premium reserve	3,825	4,174
(d)	Net unearned premium reserve	76,598	78,482
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	214,751	143,557
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other reinsurers	21,287	5,579
(c)	Total reinsurance recoverable balance	21,287	5,579
(d)	Net loss and loss expense provisions	193,464	137,978
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES	1,226	1,336
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	271,288	217,796
	<b>LONG-TERM BUSINESS INSURANCE RESERVES</b>		
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)	<b>Total Net Long-Term Business Insurance Reserves</b>	-	-

## CONDENSED CONSOLIDATED BALANCE SHEET

Queen's Island Insurance Company, Ltd.

As at **December 31, 2023**

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

LINE No.		2023	2022
	<b>OTHER LIABILITIES</b>		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	21,028	9,784
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE		
30.	LOANS AND NOTES PAYABLE		
31.	(a) INCOME TAXES PAYABLE		
	(b) DEFERRED INCOME TAXES		-
32.	AMOUNTS DUE TO AFFILIATES	2,523	5,437
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	622	771
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	24,173	15,992
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	295,461	233,788
	<b>CAPITAL AND SURPLUS</b>		
40.	TOTAL CAPITAL AND SURPLUS	113,563	93,194
41.	TOTAL	409,024	326,982
		TRUE	TRUE

## CONDENSED CONSOLIDATED STATEMENT OF INCOME

Queen's Island Insurance Company, Ltd.

For the period ending **December 31, 2023**  
expressed in ['000s] **United States Dollars**

LINE No.		2023	2022
	<b>GENERAL BUSINESS UNDERWRITING INCOME</b>		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written	5,328	6,554
	(b) Assumed gross premiums written	118,710	125,650
	(c) Total gross premiums written	124,038	132,204
2.	REINSURANCE PREMIUMS CEDED	21,460	20,110
3.	NET PREMIUMS WRITTEN	102,578	112,094
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	2,037	(6,600)
5.	NET PREMIUMS EARNED	104,615	105,494
6.	OTHER INSURANCE INCOME	-	-
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	104,615	105,494
	<b>GENERAL BUSINESS UNDERWRITING EXPENSES</b>		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	61,759	53,201
9.	COMMISSIONS AND BROKERAGE	34,978	35,162
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	96,737	88,363
11.	<b>NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS</b>	7,878	17,131
	<b>LONG-TERM BUSINESS INCOME</b>		
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	-	-
	<b>LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES</b>		
17.	CLAIMS - LIFE		
18.	POLICYHOLDERS' DIVIDENDS		
19.	SURRENDERS		



## CONDENSED CONSOLIDATED STATEMENT OF INCOME

Queen's Island Insurance Company, Ltd.

For the period ending **December 31, 2023**  
expressed in ['000s] **United States Dollars**

LINE No.		2023	2022
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.	<b>NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS</b>	-	-
29.	<b>COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS</b>	7,878	17,131
	<b>UNDERNOTED ITEMS</b>		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	418	703
	(b) Personnel cost		
	(c) Other		
	(d) Total combined operating expenses	418	703
31.	COMBINED INVESTMENT INCOME - NET	6,691	3,218
32.	COMBINED OTHER INCOME (DEDUCTIONS)	(3,439)	5,819
33.	COMBINED INCOME BEFORE TAXES	10,712	25,465
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	2,523	5,437
	(b) Deferred	(321)	(111)
	(c) Total	2,202	5,326
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	8,510	20,139
36.	COMBINED REALIZED GAINS (LOSSES)	(200)	(14)
37.	COMBINED INTEREST CHARGES	-	
38.	<b>NET INCOME</b>	8,310	20,125

## CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

Queen's Island Insurance Company, Ltd.

As at **December 31, 2023**

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

LINE No.		2023	2022
1.	<b>CAPITAL:</b>		
(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 –		
	1905		
	2022		
	(B) Preferred shares issued by a subsidiary:		
	authorized		shares of par
	value		each issued and
	fully paid		shares
	aggregate liquidation value for –		
	1905		
	2022		
	(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.	<b>SURPLUS:</b>		
(a)	Surplus - Beginning of Year	84,694	86,381
(b)	Add: Income for the year	8,310	20,125
(c)	Less: Dividends paid and payable		
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments	11,913	(21,811)
(e)	Add (Deduct) change in any other surplus	146	(1)
(f)	Surplus - End of Year	105,063	84,694
3.	<b>MINORITY INTEREST</b>		
4.	<b>TOTAL CAPITAL AND SURPLUS</b>	113,563	93,194

QUEEN'S ISLAND INSURANCE COMPANY, LTD.  
NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS  
For the year ending December 31, 2023  
Expressed in ('000s) United States Dollars

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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 and excess of loss vehicular liability policies, as well as punitive damages 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 Rules 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, 2023  
Expressed in ('000s) United States Dollars

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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.

On December 27, 2023, with the assent of the Governor, the Government of Bermuda issued the Bermuda Corporate Income Tax Act 2023 ("CITA 2023"), effective in 2025. The Bermuda Corporate income tax (Bermuda CIT) was created with the intent to align to the Organization for Economic Co-operation and Development's (OECD) global anti-base erosion (GloBE) rules to support consistent and predictable tax outcomes. Under the CITA, a 15% corporate income tax (CIT) will be applicable to Bermuda businesses that are part of multinational enterprise (MNE) groups with annual revenue of €750M or more. The Company is in scope of the Bermuda CIT. In this regard, taxes paid in the United States by Queens Island Insurance Company, as a company that has made an election under Section 953(d) of the U.S. Internal Revenue Code of 1986, as amended, will be treated as creditable against the Bermuda CIT.

QUEEN'S ISLAND INSURANCE COMPANY, LTD.  
NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS  
For the year ending December 31, 2023  
Expressed in ('000s) United States Dollars

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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.

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 Canadian legal 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, 2023, cash and investments of \$307,852 (2022: \$227,678) 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.

QUEEN'S ISLAND INSURANCE COMPANY, LTD.  
NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS  
For the year ending December 31, 2023  
Expressed in ('000s) United States Dollars

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

	<u>2023</u>	<u>2022</u>
	\$'000	\$'000
Due within one year	43,529	19,601
Due after one year through five years	232,927	205,845
Due after five years through ten years	51,293	37,550
Due after ten years	1,710	2,206
<b>Total</b>	<u><b>\$329,459</b></u>	<u><b>\$265,202</b></u>

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 \$11,280 (2022: \$11,339).

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>2023</u>	<u>2022</u>
	\$'000	\$'000
Gross Premium Written	(100,778)	(107,491)
Change in unearned premiums	(1,214)	6,916
Foreign exchange gains(loss)	3,101	(5,790)
Loss and loss expenses incurred	44,788	46,362
Commissions and brokerage	35,609	35,712
Accounts and premiums receivable	18,449	19,310
Deferred acquisition costs	26,557	26,973
Provision for loss and loss expense	(162,276)	(123,634)
Unearned premium reserve	(67,597)	(68,657)
Other liabilities	(4,465)	(2,496)

16. The Company has evaluated the effects of events subsequent to December 31, 2023, for recognition and disclosure, through to April 26, 2024, which is the date the financial statements were made available to be issued. There were no material events that occurred subsequent to December 31, 2023.

17. N/A

QUEEN'S ISLAND INSURANCE COMPANY, LTD.  
NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS  
For the year ending December 31, 2023  
Expressed in ('000s) United States Dollars

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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.

2(c) No dividends were declared or paid in 2023 and 2022.

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, 2023, cash and investments of \$307,852 (2022: \$227,678) 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

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9. Investment income due and accrued, represent interest due on investments held by the Company that have been earned but not yet received.
10. Accounts and Premium Receivable balance of \$20,606 (2022: \$22,122) 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 \$27,376 on December 31, 2023 (2022: \$27,939).
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 at December 31, 2023 was \$76,598 (2022: \$78,482).



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17. Loss and Loss Expense Provisions

(a)	<u>2023</u>	<u>2022</u>
Gross loss and loss expense provisions at beginning of year	\$143,557	\$111,284
Less: reinsurance recoverable beginning of year	(5,579)	(5,502)
Net loss expense provision at beginning of year	<u>137,978</u>	<u>105,782</u>
Net incurred loss related to:		
Current year	62,194	50,841
Prior years	(435)	2,360
Total net incurred loss and loss expenses	<u>61,759</u>	<u>53,201</u>
Paid or payable related to:		
Current year	(1,549)	(712)
Prior years	(7,912)	(14,268)
Total losses and loss expenses paid or payable	<u>(9,461)</u>	<u>(14,980)</u>
Foreign exchange and others	3,188	(6,025)
Net loss and loss expense provision at end of year	<u>193,464</u>	<u>137,978</u>
Add: Reinsurance recoverable at end of year	21,287	5,579
Gross loss and loss expense provision at end of year	<u>\$214,751</u>	<u>\$143,557</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 at December 31, 2023. 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.

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17. Loss and Loss Expense Provisions (continued)

Net incurred losses and loss expenses increased by \$61,759 and \$53,201 for the years ended December 31, 2023 and 2022, respectively. Incurred losses increased primarily due to current accident year railroad liability loss. Prior accident years experienced \$2,360 of adverse development as at December 31, 2022 and relatively stable results as at December 31, 2023. 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.

Reserves for railroad and vehicular liability were set at \$48,195 (2022: \$14,373), the Quota Share Reinsurance Contract reserve was set at \$162,282 (2022: \$128,236) and Punitive Damages reserve was set at \$4,274 (2022:\$948).

(c)

(i) Total restricted assets - \$162,282 (2022: \$128,236)

(ii) Unsecured policyholder obligations - \$52,469 (2022: \$15,321)

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 \$21,028 as at December 31, 2023 (2022: \$9,784) 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

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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 \$1,641 as at December 31, 2023 (2022: \$4,487).

32. Amounts due to affiliates of \$2,523 as at December 31, 2023 (2022: \$5,437) 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 \$622 as at December 31, 2023 (2022: \$771) represent amounts incurred in the normal course of business not yet settled.

34. – 37. N/A

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 \$3,101 (2022: Gain \$5,790).

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