

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

**Starr Insurance & Reinsurance Limited and
Subsidiaries**

December 31, 2023 and 2022

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GRANT THORNTON LLP

757 Third Ave., 9th Floor
New York, NY 10017-2013

D +1 212 599 0100

F +1 212 370 4520

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Starr Insurance & Reinsurance Limited and Subsidiaries

Opinion

We have audited the consolidated financial statements of Starr Insurance & Reinsurance Limited (a Bermuda corporation) and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023, and 2022, and the related consolidated statements of operations and comprehensive income (loss), changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required supplementary information

Accounting principles generally accepted in the United States of America require that the information about incurred and paid claims and loss adjustment expense development for the years prior to December 31, 2014 and years ended December 31, 2014 through 2022, and the average annual percentage payout of incurred losses by age as set forth in Note 4 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a required part of the basic consolidated financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with US GAAS. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Grant Thornton LLP

New York, New York
April 29, 2024

Starr Insurance & Reinsurance Limited and Subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31,

(Expressed in thousands of U.S. dollars, except for number of shares and par value data)

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 409,581	\$ 502,765
Investments at fair value:		
Fixed maturity securities, available-for-sale	3,696,930	2,761,308
Equity securities	7,422	6,434
Other investments	469,915	507,893
Real estate investment	98,233	98,233
Equity method investments	68,943	74,119
Accrued investment income	32,198	25,055
Insurance and reinsurance balances receivable	1,151,405	1,056,054
Funds withheld	172,264	215,763
Reinsurance balances recoverable	1,882,377	1,448,710
Prepaid reinsurance premiums	1,091,050	919,520
Deferred acquisition costs	151,110	141,466
Net deferred tax asset	14,212	-
Other assets	32,382	44,080
	<u>\$ 9,278,022</u>	<u>\$ 7,801,400</u>
Total assets		
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities		
Loss and loss adjustment expense reserves	\$ 3,836,510	\$ 3,154,173
Insurance and reinsurance balances payable	946,229	745,253
Unearned premiums	1,759,381	1,520,001
Accounts payable and accrued liabilities	44,038	39,534
Unearned commissions	112,321	94,682
Net deferred tax liability	-	7,729
Due to related parties, net	18,760	7,730
Income taxes payable	24,595	11,111
	<u>6,741,834</u>	<u>5,580,213</u>
Total liabilities		
Shareholder's equity		
Share capital, par value \$1.00 authorized and issued		
1,000,000 shares in 2023 and 2022	1,000	1,000
Contributed capital	1,852,720	1,852,720
Retained earnings	787,796	581,293
Accumulated other comprehensive loss	(107,191)	(213,826)
	<u>2,534,325</u>	<u>2,221,187</u>
Total controlling interest equity		
Noncontrolling interests	1,863	-
	<u>\$ 9,278,022</u>	<u>\$ 7,801,400</u>
Total liabilities and shareholder's equity		

The accompanying notes are an integral part of these consolidated financial statements.

Starr Insurance & Reinsurance Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME (LOSS)

**Years ended December 31,
(Expressed in thousands of U.S. dollars)**

	2023	2022
Underwriting income		
Net premiums written	\$ 1,172,606	\$ 1,202,638
Change in unearned premiums	(219,111)	(230,712)
Change in prepaid reinsurance premiums	155,821	143,347
	<u>1,109,316</u>	<u>1,115,273</u>
Net premiums earned		
Underwriting expenses		
Losses and loss adjustment expenses	945,083	1,003,386
Commissions and brokerage	116,691	90,004
Change in deferred acquisition costs and unearned commission	(8,076)	(15,910)
Commission income	(88,559)	(64,572)
	<u>965,139</u>	<u>1,012,908</u>
Total underwriting expenses		
Net underwriting income	144,177	102,365
Net investment income (loss)	176,666	(22,610)
General and administrative expenses	<u>50,913</u>	<u>41,762</u>
Income before tax expense	269,930	37,993
Tax expense	<u>27,777</u>	<u>28,900</u>
Net income	242,153	9,093
Less: net income attributable to noncontrolling interests, (net of income tax expense 2023 \$0)	<u>469</u>	<u>-</u>
Net income attributable to controlling interest	<u>241,684</u>	<u>9,093</u>
Other comprehensive income (loss)		
Other comprehensive loss from equity method investees	(568)	(5,889)
Unrealized gains (losses) on fixed maturity securities, available-for-sale	104,929	(224,041)
Reclassification adjustment for realized gains (losses) on fixed maturity securities, available-for-sale included in net investment income	2,274	(66,380)
	<u>106,635</u>	<u>(296,310)</u>
Other comprehensive income (loss)		
OTHER COMPREHENSIVE INCOME (LOSS)	<u>\$ 348,319</u>	<u>\$ (287,217)</u>

The accompanying notes are an integral part of these consolidated financial statements.

Starr Insurance & Reinsurance Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

Years ended December 31, 2023 and 2022
(Expressed in thousands of U.S. dollars)

	Share Capital	Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Equity Loss	Total Controlling Interests	Noncontrolling Interests	Total Shareholder's Equity
Balance, December 31, 2021	\$ 1,000	\$ 1,852,720	\$ 607,200	\$ 82,484	\$ 2,543,404	\$ -	\$ 2,543,404
Net income	-	-	9,093	-	9,093	-	9,093
Dividends	-	-	(35,000)	-	(35,000)	-	(35,000)
Other comprehensive loss, net	-	-	-	(296,310)	(296,310)	-	(296,310)
Balance, December 31, 2022	1,000	1,852,720	581,293	(213,826)	2,221,187	-	2,221,187
Cumulative effect of adoption of accounting standards	-	-	(5,181)	-	(5,181)	-	(5,181)
Balance, January 1, 2023, as adjusted	1,000	1,852,720	576,112	(213,826)	2,216,006	-	2,216,006
Net income	-	-	241,684	-	241,684	469	242,153
Dividends	-	-	(30,000)	-	(30,000)	-	(30,000)
Contributions by noncontrolling interests	-	-	-	-	-	1,394	1,394
Other comprehensive income, net	-	-	-	106,635	106,635	-	106,635
Balance, December 31, 2023	<u>\$ 1,000</u>	<u>\$ 1,852,720</u>	<u>\$ 787,796</u>	<u>\$ (107,191)</u>	<u>\$ 2,534,325</u>	<u>\$ 1,863</u>	<u>\$ 2,536,188</u>

The accompanying notes are an integral part of these consolidated financial statements.

Starr Insurance & Reinsurance Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,
(Expressed in thousands of U.S. dollars)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Net income attributable to controlling interest	\$ 241,684	\$ 9,093
Net income attributable to non-controlling interests	469	-
	<hr/>	<hr/>
Net income	242,153	9,093
Adjustment to reconcile net income to net cash and cash equivalents provided by operating activities:		
Net realized loss (gains) on investments	2,274	(66,380)
Net realized losses on disposal of property and equipment	70	-
Net unrealized (gain) loss on investments	(26,106)	184,774
Income from equity method investments	(888)	(45)
Depreciation of fixed assets	402	1,363
Amortization of intangible assets	45	-
Deferred taxes	(21,880)	9,301
Net amortization of premiums on fixed maturity investments	(11,322)	2,049
Foreign exchange gain in income	1,642	3,496
Change in:		
Accrued investment income	(7,143)	(7,004)
Insurance and reinsurance balances receivable	(95,351)	(192,391)
Funds withheld	43,499	(205,596)
Reinsurance balances recoverable	(433,667)	(333,686)
Prepaid reinsurance premiums	(171,530)	(119,905)
Deferred acquisition costs	(9,644)	(17,707)
Due to (from) related parties, net	11,030	(14,586)
Other assets	11,698	(2,498)
Loss and loss adjustment expense reserves	682,337	779,189
Insurance and reinsurance balances payable	200,976	75,664
Unearned premiums	239,380	201,765
Accounts payable and accrued liabilities	4,504	9,210
Unearned commissions	17,639	13,879
Income taxes payable	13,484	3,096
	<hr/>	<hr/>
Net cash provided by operating activities	693,602	333,081
Cash flows from investing activities:		
Fixed maturity securities available-for-sale:		
Purchases	(1,725,921)	(1,023,092)
Sales, maturities and calls	902,124	561,937
Other investments:		
Purchases and contributions	(21,248)	(31,690)
Sales and distributions	94,323	165,984
Distributions from investment in real estate	-	530
	<hr/>	<hr/>
Net cash used in investing activities	(750,722)	(326,331)
Cash flows from financing activities:		
Dividends paid	(30,000)	(35,000)
Net contributions from non-controlling interests	1,394	-
	<hr/>	<hr/>
Net cash used in financing activities	(28,606)	(35,000)
Effect of foreign exchange rate changes on cash	<hr/>	<hr/>
	(7,458)	18,136
NET DECREASE IN CASH AND CASH EQUIVALENTS	<hr/>	<hr/>
	(93,184)	(10,114)
Cash and cash equivalents, beginning	<hr/>	<hr/>
	502,765	512,879
Cash and cash equivalents, ending	<hr/>	<hr/>
	\$ 409,581	\$ 502,765
Supplemental disclosure of cash flow information:		
Taxes paid	<hr/>	<hr/>
	\$ 36,173	\$ 17,984

The accompanying notes are an integral part of these consolidated financial statements.

Starr Insurance & Reinsurance Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022
(Expressed in thousands of U.S. dollars)

NOTE 1 - THE COMPANY AND ITS ACTIVITIES

Starr Insurance & Reinsurance Limited was incorporated under the laws of Bermuda on April 12, 2007. Starr Insurance & Reinsurance Limited and its Subsidiaries (the Company) is a wholly owned subsidiary of Starr Global Holdings, AG (Starr Global) a Switzerland registered company which in turn is wholly owned by Starr International Company, Inc. (SICO), a Swiss company incorporated in 1943. The registered office of the Company is 19 Par-la-Ville Road, Hamilton, Bermuda.

The Company reinsures affiliated and unaffiliated insurance companies, under quota share, excess of loss and aggregate stop loss reinsurance agreements. The Company assumes business from affiliates, including Starr Indemnity & Liability Company (SILC), Starr Surplus Lines Insurance Company (SSLIC), Starr Syndicate Limited and Starr Europe International Limited (SEIL). The business reinsured from unaffiliated insurance companies is generally produced by the divisions of SILC (the Starr Agencies), a related party. The Company writes, through its subsidiaries Starr International (Europe) Limited, Starr International Insurance (Singapore) Pte., Ltd., Starr International Insurance (Asia) Limited, Starr International Seguros Generales S.A., and Starr International Insurance (Thailand) Public Company Limited and reinsures the following lines of business - aviation, energy, excess casualty, property, accident and health, professional liability, marine, residential construction, contractors' pollution and political financial risk. The Company uses quota share and excess of loss retrocessional and reinsurance agreements to limit its exposure on direct business written and on reinsurance assumed.

One of the Company's wholly owned subsidiaries (Starr International Cayman Inc.) is a Cayman-domiciled investment holding company that invests primarily in limited partnerships, real estate investments and private equity funds.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Estimates

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. While management believes that the amounts included in the consolidated financial statements reflect the Company's best estimates and assumptions, actual results could differ from these estimates. Significant estimates made by the Company include fair value of investments, other-than-temporary impairment of investments, reinsurance balances recoverable and loss and loss adjustment expense reserves.

Principles of Consolidation

The consolidated financial statements include all accounts, after significant intercompany eliminations, between the Company and its subsidiaries.

Foreign Currency

The functional currency of the Company is the United States (U.S.) Dollar, while the accounts of foreign-based subsidiaries and branches are measured, in most instances, using the local currency of the subsidiary as the functional currency. Revenues and expenses of these businesses are generally translated into U.S. Dollars at the average exchange rate for the period. Assets and liabilities are translated at the exchange rate as of the end of the reporting period.

Starr Insurance & Reinsurance Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022
(Expressed in thousands of U.S. dollars)

Gains or losses from translating the financial statements of foreign-based operations are included in equity as a component of accumulated other comprehensive income (AOCI). Gains and losses arising from transactions denominated in a currency other than the functional currency of the Company or the applicable subsidiary of the Company are included in the consolidated statements of operations and comprehensive income (loss).

Other Comprehensive Income (Loss)

Certain changes in assets and liabilities, such as other comprehensive income (OCI) from equity method investments and unrealized gains or losses on fixed maturity available-for-sale investments, are reported as a separate component in the equity section of the consolidated balance sheets. Such items, along with net income, are components of other comprehensive income and are reflected in the consolidated statements of operations and comprehensive income (loss).

Premiums

Gross premiums written are recognized as revenue on a pro rata basis over the term of the insurance and reinsurance contracts to which they relate. The portion of premiums that will be earned in the future are deferred and reported as unearned premiums. Premiums written for which the ceding company's reports are not available until after the balance sheet date are estimated.

Insurance and Reinsurance Balances Receivable and Payable

Insurance and reinsurance balances receivable and payable are comprised of premium amounts due from ceding insurers and due to reinsurers net of acquisition costs, funds withheld and losses paid. Insurance balances receivable also includes amounts due from policyholders on direct written business. All amounts are due within one year of the balance sheet date.

Premiums receivable are periodically evaluated for collectability based on guidance included in ASU 2016-13 Measurement of Credit Losses on Financial Instruments, which was adopted as at January 1, 2023. This requires an allowance for credit losses based on the expectation of lifetime credit losses related to such financial assets (see Recently Issued Accounting Pronouncements).

Reinsurance Ceded

Reinsurance premiums ceded are recognized over the policy term in the same manner as the related premiums are earned on the underlying insurance contracts. The portion of premiums that will be recognized in the future are deferred and reported as prepaid reinsurance in the accompanying consolidated balance sheets.

The Company uses quota share and excess of loss reinsurance arrangements to mitigate risk and to reduce the risk of catastrophic loss from direct insurance written and reinsurance assumed. The ceding of risks to reinsurers does not relieve the Company of its obligations to its policyholders. The Company remains primarily liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance arrangement. It is the opinion of management that the financial strength of the Company's reinsurers is such that any potential exposure to the Company for nonpayment is minimal. As at January 1, 2023, the Company adopted ASU 2016-13 Measurement of Credit Losses on Financial Instruments. This requires an allowance for credit losses based on the expectation of lifetime credit losses related to such financial assets (see Recently Issued Accounting Pronouncements).

Amounts recoverable from reinsurers are estimated in a manner consistent with the reserving methodology adopted in the estimation of the unpaid losses and loss adjustment expenses and the related reinsurance arrangements.

Starr Insurance & Reinsurance Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022
(Expressed in thousands of U.S. dollars)

Investment Income

Investment income includes interest income and distributions from investments which are recognized as revenue in the period earned. Dividend income from equity securities is recognized on the ex-dividend rate. For equity securities owned by foreign subsidiaries, income is recorded net of withholding taxes.

Deferred Acquisition Costs

Acquisition costs represent commissions and other costs of successfully acquiring new insurance and reinsurance contracts and the renewal of existing contracts. Acquisition costs are deferred and amortized over the term of the contracts to which they relate. Proceeds from retrocessional reinsurance transactions that represent recovery of acquisition costs reduce applicable unamortized acquisition costs in such a manner that net acquisition costs are capitalized and charged to expense in proportion to net premium earned.

The Company conducts a premium deficiency analysis whereby deferred acquisition costs are reviewed to determine if they are recoverable from future income. If such costs are estimated to be unrecoverable they are written off. The Company considers investment income in its determination of premium deficiency. The Company determined no such premium deficiency existed as of December 31, 2023 and 2022.

Losses and Loss Adjustment Expenses

Losses and loss adjustment expenses (LAE) include amounts paid and recovered, net of reinsurance, in the period and changes in the outstanding loss reserves, incurred but not reported (IBNR) reserves, reinsurance balances recoverable and accretion of loss reserve discount. LAE are charged to income as they are incurred and consist mainly of external costs relating to the negotiation and settlement of claims.

Loss and LAE Reserves and Reinsurance Balances Recoverable

The Company's loss and LAE reserves are comprised of outstanding loss and LAE reserves and IBNR loss and LAE reserves. The outstanding loss reserves comprise estimated losses based on reports provided by the ceding companies and direct loss notifications received from insureds. The IBNR reserves are based upon management's best estimate of the ultimate cost of settlement of losses that may be incurred by the Company, in accordance with the recommendations of an actuary.

Outstanding loss and LAE reserves and IBNR loss and LAE reserves reflect management's best estimate of future amounts needed to pay claims and related settlement costs with respect to insured events which have occurred, including events that have not been reported to the Company. In many cases, significant periods of time, ranging up to several years or more, may elapse between the occurrence of an insured loss, the reporting of the loss to the Company and the Company's payment of that loss. As part of the process in determining the Company's outstanding loss and LAE reserves and IBNR loss and LAE reserves, actuarial models are used that analyze industry data and consider the impact of current developments and trends, such as trends in claims severity and frequency and claims settlement trends. Also considered are legal developments, regulatory trends, legislative developments and changes in social attitudes and economic conditions. Management believes that its outstanding loss reserves and IBNR loss and LAE reserves are fairly stated as of December 31, 2023 and 2022. However, estimating the ultimate claims liability is necessarily a complex and judgmental process inasmuch as the amounts are based on management's informed estimates, assumptions and judgments using data currently available. As additional experience and data becomes available regarding claims payment and reporting patterns, legal and legislative developments, judicial theories of liability, the impact of regulatory trends, changes in social attitudes and economic conditions, the estimates are revised accordingly. If the Company's ultimate losses prove to differ substantially

Starr Insurance & Reinsurance Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022
(Expressed in thousands of U.S. dollars)

from the amounts recorded at December 31, 2023 and 2022, the related adjustments could have a material adverse effect on the Company's financial condition, results of operations and liquidity.

Reinsurance balances recoverable are estimated in a manner consistent with the reserving methodology adopted in the estimation of the outstanding loss reserves and the IBNR reserves and the related reinsurance arrangements.

Future adjustments to the amounts recorded resulting from the continual review process, as well as differences between estimates and ultimate settlements, will be recorded in the consolidated statements of operations and comprehensive income (loss) when such adjustments become known and are estimable.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with maturities of three months or less at the date of acquisition.

Fixed Maturity Securities

Fixed maturity securities have been classified as available-for-sale and are reported at fair value, with unrealized holding gains and losses reported in AOCI, net of income taxes. Realized gains and losses are determined using the specific identification basis and are recognized in the consolidated statements of operations and comprehensive income (loss). See Note 9 for further information regarding determination of fair value.

The Company reviews fixed maturity securities in its investment portfolio on a periodic basis to specifically identify individual securities that have incurred a decline in fair value below cost or amortized cost. This review encompasses, among other things, recent issuer activities, such as defaults, quarterly earnings announcements and other pertinent financial news for the issuer, recent developments and economic outlooks for particular industries, and rating agencies actions. When management's review identifies investments meeting this criteria, it compares its projected discounted cash flows to the amortized cost in order to determine the credit related portion of the impairment, which is recognized in the consolidated statements of operations and comprehensive (loss). The noncredit portion relative to all other factors is recorded as change to comprehensive income (loss) a component of AOCI in the consolidated balance sheets. In addition, management also considers whether it has the intent to sell a particular security or whether it is more-likely-than-not the Company has the ability to hold the security to recovery.

Equity Securities and Other Investments

All equity securities and other investments, which include hedge, private equity, private debt and real estate funds, are carried at fair value with net unrealized holding gains or losses reported in net income. Starr Private Equity Partners, LLC (SPEP) funds are investments held in funds established and managed by SPEP, a wholly owned subsidiary of C.V. Starr & Co., Inc. (C.V. Starr), a related party of the Company. See Note 3 for further details. Realized gains and losses on other investments are determined on a specific identification basis and are recognized in the consolidated statements of operations and comprehensive income (loss). See Note 9 for further information regarding determination of fair value.

The various funds included within other investments record their underlying investments at fair value policies established by management of the underlying fund, typically the fund's Net Asset Value (NAV). Fair value policies at the underlying fund generally require the fund to utilize pricing/valuation information, including independent appraisals, from third party sources, however, in some instances current valuation information, for illiquid securities or securities in markets that are not active, may not be available from any third-party source or fund management may conclude that the valuations that are available from third party

Starr Insurance & Reinsurance Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022
(Expressed in thousands of U.S. dollars)

sources are not reliable. In these instances fund management may perform model-based analytical valuations that may be used to value these investments.

The Company uses NAV per share (or its equivalent), as a practical expedient to estimate the fair value of certain alternative investments including hedge, real estate and private equity funds, if NAV is calculated consistent with GAAP and sale of the investment at an amount different than NAV is not probable. The Company considers the nature, risk and probability for the sale of the investment (at amounts different from NAV). The Company's considerations include (but are not limited to):

- Unfunded commitments (for additional investment)
- Redemption eligibility and frequency
- Required redemption notice

Based upon these considerations, the Company concluded that NAV for the alternative investments is calculated consistent with U.S. GAAP.

The Company uses cost as a basis for the fair value of its investments in various private investments during the early stages of the investment. This basis is then updated as the investments mature and other financial information becomes available.

Real Estate Investment

The Company's investment in real estate is considered to be a joint venture. The Company owns 70 percent of Avalange Commercial Corp. an entity incorporated in Bermuda. Joint ventures are entities whereby the Company and other parties undertake an economic activity which is subject to joint control. The Company records its investment in the real estate joint venture at cost, adjusted for other-than-temporary impairments, in a manner consistent with SICO and its subsidiaries' accounting policy for those investments in real estate in which SICO and its subsidiaries have a controlling interest. The carrying amount of the Company's investment in the real estate joint venture is \$98,233 and \$98,233 as of December 31, 2023 and 2022, respectively, and is included in real estate investment in the consolidated balance sheets.

Investments in real estate are evaluated for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable or the assets meet the criteria of held for sale. Upon the occurrence of a triggering event, the asset is reviewed to assess whether the estimated undiscounted cash flows expected from the use of the asset plus residual value from the ultimate disposal, or appraised value, exceeds the carrying value of the asset. If the carrying value exceeds the estimated recoverable amounts, the asset is reduced to the estimated discounted present value of the expected future cash flows from using the asset, or appraised value.

Equity Method Investments

The Company utilizes the equity method of accounting with respect to investments where it possesses the ability to exercise significant influence, but not control, over the operating and financial policies of the investee. The ability to exercise significant influence is presumed when an investor possesses more than 20 percent but less than 50 percent of the voting interests of the investee. This presumption may be overcome based on specific facts and circumstances that demonstrate the ability to exercise significant influence is restricted.

In applying the equity method, the Company records its investment at cost in the consolidated balance sheets as equity method investments. Any increase or decrease in the carrying amount subsequent to

Starr Insurance & Reinsurance Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022
(Expressed in thousands of U.S. dollars)

acquisition is the result of the Company's share of the net income or losses and comprehensive income of the investee as well as distributions received from or contributions to the investee net of insurance transactions between the Company and the investee. The Company's share of earnings or loss and comprehensive income are recorded in the Company's consolidated statements of operations and comprehensive income (loss).

The Company reviews its equity method investments for possible impairment taking into account events and circumstances that may have occurred since the prior review, and any impairment is recorded in the Company's consolidated statements of operations and comprehensive income (loss). No impairment was recorded for the years ended December 31, 2023 and 2022.

Funds Withheld

Funds withheld comprise amounts held by a ceding insurer pursuant to the terms of a quota share reinsurance agreement.

Concentration of Risks

Financial instruments that potentially subject the Company to concentrations of risk consist principally of investments, cash and cash equivalents.

The Company holds investments with a fair value of \$94,677 and \$114,870 as of December 31, 2023 and 2022, respectively, in funds established and managed by SPEP.

Certain subsidiaries of the Company, from time to time, maintain cash balances which exceed the federal depository insurance coverage limit. Management performs periodic reviews of the relative credit rating of its banks to lower its risk. In addition, at various times throughout the year, the Company's balances in a number of its accounts at financial institutions exceeded the \$250 limit which is insured by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Interest Rate Risk

Fluctuations in interest rates will have a direct impact of the interest earned on the Company's cash and cash equivalents.

Variable Interest Entities

The Company consolidates variable interest entities (VIE) where it is the primary beneficiary. The primary beneficiary is the entity that has both (1) the power to direct the activities of the VIE that most significantly affect the entity's economic performance and (2) the obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. See Note 13 for further details.

Recently Issued Accounting Pronouncements

Accounting Standards Updates Adopted by the Company

During June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. During November 2018, April 2019, May 2019,

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November 2019 and March 2020, respectively, the FASB also issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*; ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*; ASU No. 2019-05 *Targeted Transition Relief*; ASU No. 2019-11, *Codification Improvements to Financial Instruments - Credit Losses*; and ASU No. 2020-03 *Codification Improvements to Financial Instruments*. ASU No. 2018-19 clarifies the effective date for nonpublic entities and clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20, ASU Nos. 2019-11 and 2020-03 amend ASU 2016-13 to clarify, correct errors in, or improve the guidance. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. Early adoption was permitted for annual and interim periods beginning after December 15, 2018. Effective January 1, 2023, the Company adopted ASU 2016-13 (as amended) which resulted in the adjustment of \$5,181 within the opening retained earning related to premium and insurance receivables and reinsurance recoverables, are included within the consolidated statements of changes in shareholder's equity.

NOTE 3 - INVESTMENTS

Fixed Maturity Securities

The gross unrealized gains or losses, amortized cost or cost and fair value of the Company's fixed maturity securities at December 31 were as follows:

	2023			
	Amortized Cost/Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturity securities:				
U.S. Treasury securities and obligations of U.S. government agencies	\$ 331,678	\$ 1,509	\$ (75)	\$ 333,112
States, political subdivisions and foreign government securities	307,034	2,712	(11,686)	298,060
Corporate debt securities	2,327,147	22,222	(82,275)	2,267,094
Asset-backed securities	359,608	2,456	(6,316)	355,748
Other	475,462	3,608	(36,154)	442,916
Total fixed maturity securities	<u>\$ 3,800,929</u>	<u>\$ 32,507</u>	<u>\$ (136,506)</u>	<u>\$ 3,696,930</u>

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	2022			
	Amortized Cost/Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturity securities:				
U.S. Treasury securities and obligations of U.S. government agencies	\$ 27,582	\$ 57	\$ (124)	\$ 27,515
States, political subdivisions and foreign government securities	231,387	392	(21,385)	210,394
Corporate debt securities	2,002,901	2,106	(134,846)	1,870,161
Asset-backed securities	358,494	215	(17,472)	341,237
Other	356,667	80	(44,746)	312,001
Total fixed maturity securities	<u>\$ 2,977,031</u>	<u>\$ 2,850</u>	<u>\$ (218,573)</u>	<u>\$ 2,761,308</u>

Certain fixed maturity securities available-for-sale with an aggregate fair value of \$1,363,724 and \$1,277,301 as of December 31, 2023 and 2022, respectively, have been placed in trust accounts to secure the Company's obligations to ceding companies. Interest earned on the securities placed in the trust accounts amounted to \$48,879 and \$38,660 as of December 31, 2023 and 2022, respectively, and is included in net investment income in the consolidated statements of operations and comprehensive income (loss). The Company may not reduce, close, terminate or draw from the trust accounts without the express permission of the respective ceding companies.

The following table presents gross unrealized losses and fair value of investments with unrealized loss positions that are not deemed to be impaired, aggregated by length of time that individual securities have been in a continuous unrealized loss position at December 31, 2023 and 2022:

	2023					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturity securities:						
U.S. Treasury securities and obligations of U.S. government agencies	\$ 5,116	\$ 53	\$ 177	\$ 22	\$ 5,293	\$ 75
States, political subdivisions and foreign government securities	107,332	1,885	120,848	9,801	228,180	11,686
Corporate debt securities	340,246	12,494	1,196,471	69,780	1,536,717	82,274
Asset-backed securities	37,269	260	203,172	6,057	240,441	6,317
Other	63,399	979	233,184	35,175	296,583	36,154
Total fixed maturity securities	<u>\$ 553,362</u>	<u>\$ 15,671</u>	<u>\$ 1,753,852</u>	<u>\$ 120,835</u>	<u>\$ 2,307,214</u>	<u>\$ 136,506</u>

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	2022					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturity securities:						
U.S. Treasury securities and obligations of U.S. government agencies	\$ 12,791	\$ 95	\$ 170	\$ 29	\$ 12,961	\$ 124
States, political subdivisions and foreign government securities	162,810	13,091	44,810	4,947	207,620	21,385
Corporate debt securities	1,594,469	108,855	166,850	27,774	1,761,319	134,846
Asset-backed securities	188,518	11,897	81,930	7,140	270,448	17,472
Other	198,999	18,354	104,060	26,391	303,059	44,746
Total fixed maturity securities	\$ 2,157,587	\$ 152,292	\$ 397,820	\$ 66,281	\$ 2,555,407	\$ 218,573

The Company's investments are managed in accordance with its investment guidelines established by its Executive Committee and approved by its Board of Directors. The Company's investments potentially expose it to credit risk. The Company's portfolio comprises a diversified holding of fixed maturity securities and therefore does not contain significant holdings with any one single issuer. All fixed maturity securities are in accordance with the investment guidelines. Management has received Board approval to hold below investment grade securities and will continue to monitor these investments for potential impairment. Market risk exists in that the recorded fair value will fluctuate with changes in fair value. Management has considered the nature of investments in an unrealized loss position, the cause of their impairment, the severity and duration of their impairment and other relevant information available and believes that impairments are temporary in nature. In the opinion of management, the risk of exposure due to market risk is low due to the diversified portfolio.

The amortized cost or cost and fair value of securities with fixed maturities at December 31, 2023 are summarized below by contractual maturity dates. Actual maturities will differ from contractual maturities because the issuers may have the right to call or prepay certain obligations.

	Amortized Cost/Cost	Fair Value
Due in one year or less	\$ 387,726	\$ 385,998
Due after one year through five years	1,478,479	1,441,176
Due after 5 years through ten years	1,103,473	1,073,322
Due after ten years	471,643	440,686
Asset-backed securities	359,608	355,748
	\$ 3,800,929	\$ 3,696,930

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Equity Securities

The cost, gross unrealized gains and losses and the fair value of the Company's equity securities at December 31 are as follows:

	2023	2022
Cost	\$ 13,597	\$ 13,590
Gross unrealized (loss)	<u>(6,175)</u>	<u>(7,156)</u>
Fair value	<u>\$ 7,422</u>	<u>\$ 6,434</u>

Other Investments

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Hedge funds	\$ 882	\$ 10,684	\$ 4,839	\$ 15,254
Private equity funds	61,001	36,462	77,314	53,858
SPEP funds	151,346	94,677	189,303	114,870
Real estate funds	8,571	4,066	8,692	4,097
Private debt funds	184,287	200,722	188,988	207,766
Other direct investments	-	123,304	-	112,048
Total	<u>\$ 406,087</u>	<u>\$ 469,915</u>	<u>\$ 469,190</u>	<u>\$ 507,893</u>

The hedge, private equity, real estate and private debt funds and other investments of the Company are managed under an investment management agreement with SPEP, a wholly owned subsidiary of C.V. Starr & Co, which is a registered investment advisor.

In previous years, the Company transferred a number of investments into funds managed by SPEP, and it continues to make further investments into those managed funds. The investment funds are accounted for as limited partnerships by the Company and are carried at fair value with unrealized gains and losses recorded in the statements of operations and comprehensive income (loss).

Net Realized (Losses) Gains

Net realized (losses) gains on available-for-sale securities included in net investment income are summarized below for the years ended December 31:

	2023	2022
Fixed maturity securities:		
Gross gains from sales and other disposals	\$ 647	\$ 994
Gross losses from sales and other disposals	(14,487)	(2,745)
Other investments:		
Gross gains from sales and other disposals	35,980	68,197
Gross losses from sales	<u>(24,414)</u>	<u>(66)</u>
Net realized (losses) gains	<u>\$ (2,274)</u>	<u>\$ 66,380</u>

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Valuation Allowance for Impairment

The Company performs quarterly reviews of its investment in order to determine where any decline in any fair value below the cost or amortized led to any allowance adjustment. The Company recorded no allowance on its investments during 2022 and 2023.

NOTE 4 - LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The reserving process for the unpaid losses and LAE provides for the Company's best estimate at a particular point in time of the ultimate unpaid cost of all losses and LAE incurred, including settlement and administration of losses, and is based on facts and circumstances known and includes losses that have been incurred but not yet reported. The process includes using actuarial methodologies to assist in establishing these estimates, judgments relative to estimates of future ultimate loss expectancy, the length of time before losses will develop to their ultimate level and the possible changes in the law and other external factors that are often beyond the Company's control. The methods used to select the estimated loss reserves include the initial expected loss ratio projection, incurred loss projection and the Bornhuetter-Ferguson (B-F) method. The process produces indicated reserve estimates and an acceptable range. The indicated reserve estimate is the result of numerous best estimates made by line of business, accident year and broken out between losses and LAE. The amount of loss and LAE reserves for reported losses is based primarily upon a case-by-case evaluation of coverage, liability, injury severity and any other information considered pertinent to estimating the exposure presented by the loss. The amounts of loss and LAE reserves for unreported losses are determined using historical information by line of business as adjusted to current conditions.

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Due to the inherent uncertainty associated with the reserving process, the ultimate liability may differ, perhaps substantially, from the original estimate. Such estimates are regularly reviewed and updated, and any resulting adjustments are included in the current year's results. These liabilities are closely monitored and are recomputed periodically using the most recent information on reported losses and a variety of statistical techniques. Specifically, on at least a quarterly basis, the Company reviews, by line of business, existing revenues, new losses, changes to existing case reserves and paid losses with respect to the current and prior years.

	<u>2023</u>	<u>2022</u>
Gross balance as of January 1	\$ 3,154,173	\$ 2,374,984
Less: reinsurance balance recoverable	<u>1,448,710</u>	<u>1,115,024</u>
Net balance as of January 1	<u>1,705,463</u>	<u>1,259,960</u>
Incurred related to:		
Current year	965,462	985,758
Prior years	<u>(20,379)</u>	<u>17,628</u>
Total incurred losses and LAE	<u>945,083</u>	<u>1,003,386</u>
Paid related to:		
Current year	167,619	162,438
Prior years	<u>536,433</u>	<u>400,142</u>
Total paid losses and LAE	<u>704,052</u>	<u>562,580</u>
Foreign exchange translation	<u>4,557</u>	<u>4,697</u>
Net reserves on acquisition of Thailand/Subsidiary	3,082	-
Net balance as of December 31	<u>1,954,133</u>	<u>1,705,463</u>
Plus reinsurance balance recoverable	<u>1,882,377</u>	<u>1,448,710</u>
Gross balance as of December 31	<u>\$ 3,836,510</u>	<u>\$ 3,154,173</u>

For the years ended December 31, 2023 and 2022, losses and LAE incurred included (favorable) adverse development of \$(20,379) and \$17,628, respectively, due to lower than anticipated losses in 2023 on policies issued in prior years and higher than anticipated loss in 2022 on policies issued in prior years.

The following information about incurred and paid loss development is as of December 31, 2023, net of reinsurance and the total of IBNR liabilities, plus expected development on reported losses included within the net incurred loss amounts. These tables include unaudited information about incurred and paid losses development for years preceding 2023, which is presented as required supplemental information.

The following factors are relevant to the loss development information included in the tables below: 1) Table Organization - The tables are organized by Accident Year. The majority of the casualty lines and property lines are written on an occurrence basis. 2) Groupings - The Company believes our two groupings have homogenous risk characteristics with similar development patterns and would generally be subject to similar trends. 3) Reinsurance - Our reinsurance program varies by exposure type and may change year

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to year, which may affect the comparability of the data presented in our tables. 4) IBNR - We include development from past reported losses in IBNR. 5) Data excluded from tables - Information with respect to accident years older than ten years is excluded from the development tables. Unallocated LAE are also excluded. 6) Loss Counts - Reported losses for the Company are not shown as a significant amount is assumed business and loss counts are not available.

Property

*Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance
As of December 31, 2023 (Unaudited, before 2014 and 2014 to 2022)*

Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	As of
											December 31, 2023
											Total of Incurred-but-Not-Reported Liabilities Plus Expected Development on Reported Losses
2014	\$ 184,253	\$ 175,579	\$ 183,323	\$ 176,800	\$ 10,764	\$ 171,346	\$ 174,539	\$ 170,717	\$ 168,699	\$ 167,310	\$ 1,353
2015		157,158	124,099	128,167	121,908	-	127,968	124,443	140,835	138,891	1,401
2016			144,277	104,364	119,316	116,873	121,063	126,313	157,212	153,857	2,878
2017				185,643	142,940	143,911	147,229	149,944	196,840	192,351	5,536
2018					221,523	203,091	194,224	201,484	190,954	187,570	6,342
2019						212,508	200,194	196,616	163,684	159,387	9,274
2020							243,944	181,576	155,559	155,424	10,435
2021								372,618	154,393	156,212	15,034
2022									488,634	466,657	166,590
2023										529,300	310,355
											<u>\$ 2,306,959</u>

*Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance
As of December 31, 2023 (Unaudited, before 2014 and 2014 to 2022)*

Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023		
2014	\$ 41,060	\$ 94,940	\$ 124,809	\$ 143,822	\$ -	\$ 155,169	\$ 167,108	\$ 162,747	\$ 163,747	\$ 165,613		
2015		24,599	56,847	100,524	102,586	104,823	119,685	115,546	130,205	135,629		
2016			30,262	64,454	86,129	92,658	100,609	112,647	141,532	146,828		
2017				34,140	77,618	111,362	124,029	134,277	167,467	175,421		
2018					63,469	120,310	147,429	159,693	154,217	165,206		
2019						83,917	118,571	137,836	115,770	134,557		
2020							59,799	88,924	90,676	116,516		
2021								78,085	54,536	78,382		
2022									110,001	194,794		
2023										93,696		
											Total	<u>\$ 1,406,642</u>
											All outstanding liabilities for 2014 and subsequent years, net of reinsurance	<u>\$ 900,317</u>
											All outstanding liabilities before 2014, net of reinsurance	<u>\$ 7,299</u>
											Liabilities for claims and claim adjustment expenses, net of reinsurance	<u>\$ 907,616</u>

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Casualty

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance
As of December 31, 2023 (Unaudited, before 2014 and 2014 to 2022)

Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	As of
											December 31, 2023
											Total of Incurred-but-Not-Reported Liabilities Plus Expected Development on Reported Claims
2014	\$ 227,678	\$ 212,718	\$ 204,399	\$ 208,988	\$ -	\$ 229,781	\$ 239,868	\$ 241,663	\$ 252,651	\$ 254,667	\$ 2,827
2015		180,905	195,814	207,410	217,705	230,374	256,548	279,921	309,364	311,082	1,793
2016			205,145	218,946	213,189	212,929	205,621	224,242	255,867	268,893	4,397
2017				297,798	296,737	294,923	316,352	344,742	361,259	361,259	6,289
2018					237,848	224,597	206,896	213,364	297,293	331,045	13,261
2019						231,618	201,806	183,504	196,372	203,826	32,052
2020							302,449	284,422	272,425	284,823	28,136
2021								238,037	254,903	276,741	53,412
2022									496,957	420,629	127,898
2023										428,937	301,775
											<u>\$ 3,141,902</u>

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance
As of December 31, 2023 (Unaudited, before 2014 and 2014 to 2022)

Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
2014	\$ 21,157	\$ 57,398	\$ 81,891	\$ 116,086	\$ 144,957	\$ 169,325	\$ 197,634	\$ 208,221	\$ 220,762	\$ 232,422	
2015		20,399	77,656	108,838	142,824	167,940	186,477	220,210	268,675	284,012	
2016			35,920	100,738	134,679	158,420	154,170	173,044	214,324	233,970	
2017				49,448	143,091	192,900	221,634	244,326	281,439	319,153	
2018					47,046	109,330	129,058	153,093	222,814	267,213	
2019						62,849	105,455	110,549	136,323	146,196	
2020							100,394	179,423	212,624	236,549	
2021								67,100	135,122	183,138	
2022									52,348	171,374	
2023										70,419	
											<u>\$ 2,144,446</u>
											<u>\$ 997,457</u>
											<u>\$ 49,883</u>
											<u>\$ 1,047,339</u>

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The reconciliation of the net incurred and paid loss development tables to loss and LAE reserves in the consolidated balance sheets is as follows as of December 31, 2023:

Net outstanding liabilities:	
Property	\$ 906,794
Casualty	<u>1,047,339</u>
Loss and LAE reserves, net of reinsurance	<u>1,954,133</u>
Reinsurance recoverable on unpaid claims:	
All segments	<u>1,882,377</u>
Total reinsurance recoverable on unpaid losses	<u>1,882,377</u>
Total gross loss and LAE reserves	<u>\$ 3,836,510</u>

Four predominant methods were used to project the portion of liabilities which is incurred but not reported as of December 31, 2023 for each line. The first is Expected Loss Ratio Method. All expected loss ratio methods calculate ultimate loss, and the IBNR component of that loss, using the same formula. Ultimate loss equals earned premium multiplied by the expected loss ratio. IBNR is the difference of the ultimate and reported losses. The second is the Bornhuetter-Ferguson (BF) method. The BF approach involves two assumptions: an expected loss ratio and an expected reporting pattern used to determine the percent of liabilities unreported as of the valuation date. The ultimate loss is determined by calculating an IBNR and adding it to the reported loss. IBNR loss equals the earned premium multiplied by the unreported percentile multiplied by the expected loss ratio. The third method is the IBNR to Earned Premium method. The IBNR to Earned Premium method assumes that IBNR reserves are only required to provide for claims in the process of adjustment. This amount of IBNR reserve depends on the earned premium. IBNR is earned premium multiplied by the IBNR to Earned Premium factor. The final method is the Loss Development Factor Method. Loss development factors are applied to reported losses to calculate ultimate loss indications.

The following is supplementary information about average historical losses duration as of December 31, 2023:

Average Annual Percentage Payout of Incurred Losses by Age, Net of Reinsurance, (Unaudited years 2-10)

Year	1	2	3	4	5	6	7	8	9	10
Property	29.6%	19.3%	15.5%	4.7%	-10.8%	26.9%	6.8%	3.8%	2.3%	1.1%
Casualty	17.5%	22.6%	10.4%	9.9%	-1.2%	20.6%	11.9%	9.0%	4.9%	4.6%

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NOTE 5 - REINSURANCE

The components of net premiums written and earned, and losses and LAE incurred were as follows for the years ended December 31:

	2023	2022
Premiums written		
Direct	\$ 1,320,680	\$ 1,149,307
Assumed	1,753,349	1,671,756
Ceded	(1,901,423)	(1,618,425)
Net	1,172,606	1,202,638
Premiums earned		
Direct	1,206,710	1,040,192
Assumed	1,819,865	1,709,125
Ceded	(1,917,259)	(1,634,044)
Net	1,109,316	1,115,273
Losses and LAE		
Direct	453,574	586,715
Assumed	1,332,873	1,374,468
Ceded	(841,364)	(957,797)
Net	\$ 945,083	\$ 1,003,386

The Company did not have any reinsurance balances recoverable greater than 3 percent of shareholder's equity as of December 31, 2023 or 2022.

NOTE 6 - RELATED-PARTY TRANSACTIONS AND BALANCES

During 2019, the Company entered an investment management agreement with SPEP, who manages certain of the Company's investments. SPEP charges fees directly to the Company, a limited partner. The expenses paid in 2023 and 2022 were \$3,185 and \$3,434, respectively.

The Company has entered into various contracts of reinsurance ceded by affiliated companies. The total gross written premium assumed from affiliated companies during the years ended 2023 and 2022 was \$684,113 and \$709,979, respectively. The Company also cedes to various affiliated companies. The gross premium ceded was \$126,322 and \$105,951 for 2023 and 2022, respectively. The Company recorded in insurance and reinsurance balances receivable, net reinsurance receivables from affiliated companies of \$83,860 and \$103,729, respectively, as of December 31, 2023 and 2022. Included in loss and LAE reserves are affiliated balances in the amount of \$1,011,897 and \$1,002,515, as of December 31, 2023 and 2022, respectively.

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(Expressed in thousands of U.S. dollars)

NOTE 7 - INCOME TAXES

On December 27, 2023, the Government of Bermuda enacted the Corporate Income Tax Act of 2023 (“CIT” or the “Act”). The Act will apply a 15% corporate income tax to Bermuda entities for years beginning after December 31, 2024. The Act in Part 6, Section 33 includes an elective provision called the Economic Transition Adjustment (“ETA”), which is legislatively intended to provide an equitable transition into Bermuda’s new corporate tax regime. Pursuant to the Act’s ETA provision, the Company recorded a net deferred tax asset (“DTA”) of \$24,021 in the 4th quarter of 2023. The Company expects to utilize this DTA against its CIT obligation over a 10-year period, beginning with the 2025 year. The Company also expects to incur increased taxes in Bermuda starting with the 2025 year as a result of the Act.

NOTE 8 - DIVIDEND RESTRICTIONS AND STATUTORY FINANCIAL INFORMATION

Dividend Restrictions

Under Bermuda law, the Company is prohibited from declaring or making payment of a dividend if it fails to meet its minimum solvency margin or minimum liquidity ratio. Prior approval of the Bermuda Monetary Authority is required if the Company's dividend payments would reduce its prior year-end total statutory capital and surplus by 25 percent or more.

Statutory Financial Information

The Company prepares its statutory financial statements in conformity with accounting principles set forth in Bermuda in The Insurance Act 1978, amendments thereto and related regulations. The statutory capital and surplus of the Company was \$2,715,042 and \$2,406,536 at December 31, 2023 and 2022, respectively. The statutory net income of the Company was \$217,355 and \$9,093 for the years ended December 31, 2023 and 2022, respectively.

Capital Restrictions

The Company is subject to the Bermuda Solvency Capital Requirement (BSCR) administered by the Bermuda Monetary Authority (BMA). No regulatory action is taken if an insurer's capital and surplus is equal to or in excess of their enhanced capital requirement determined by the BSCR model. In addition, the BMA has established a target capital level for each insurer, which is 120 percent of the enhanced capital requirement. The regulatory targeted capital and the actual statutory capital for the Company was as follows as of December 31:

	<u>2023</u>	<u>2022</u>
Regulatory targeted capital	\$ 1,025,126	\$ 1,109,859
Actual capital	\$ 2,715,042	\$ 2,406,536

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NOTE 9 - FAIR VALUE MEASUREMENTS

The Company considers fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e. the exit price) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. U.S GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 - Fair value measures are based on unadjusted quoted market prices in active markets for identical securities. The fair value of securities included in this category was based on quoted prices that are readily and regularly available in an active market. Level 1 assets include equities and certain fixed maturity securities.
- Level 2 - Fair value measures are based on observable inputs, such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly. Assets which generally are included in this category may include states, municipalities and political subdivisions fixed maturities, corporate bonds and redeemable preferred stocks, mortgage-backed securities and asset backed securities and other.
- Level 3 - Fair value measures are based on inputs that are unobservable and significant to the overall fair value measurement and may involve management judgment. Assets included in this category generally include private equity placements. Fair value is based upon independent appraisals, from third party sources, however, in some instances current valuation information, for illiquid securities or securities in markets that are not active, may not be available from any third-party source or fund management may conclude that the valuations that are available from third party sources are not reliable. In these instances fund management may perform model-based analytical valuations that may be used to value these investments. Based upon the fact that the investments carried at NAV may be adjusted based upon management's assumptions, these investments are classified as level 3 investments.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

The Company's policy is to record transfers of assets among levels at their fair values at the end of each reporting period consistent with the date of the determination of fair value. Transfers from Level 1 are recorded when the investment is no longer transacted with sufficient frequency or volume in an active market, and vice-versa. Investments are transferred into Level 3 when a significant input cannot be corroborated with observable market data or when market activity has dramatically decreased and underlying inputs cannot be observed, current prices are not available or substantial differences exist between quotes from market participants.

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The following table provides the fair value measurements of applicable Company financial assets by level within the fair value hierarchy as of December 31, 2023 and 2022. These financial assets are measured on a recurring basis:

	2023			
	Level 1	Level 2	Level 3	Total
Fixed maturity securities:				
U.S. Treasury securities and obligations of U.S. government agencies	\$ 333,112	\$ -	\$ -	\$ 333,112
States, political subdivisions and foreign government securities	-	298,060	-	298,060
Corporate debt securities	-	2,267,094	-	2,267,094
Asset-backed securities	-	355,748	-	355,748
Other	-	442,916	-	442,916
Total fixed maturity securities	333,112	3,363,818	-	3,696,930
Equity securities	7,422	-	-	7,422
Other direct investments	-	123,304	-	123,304
Total assets measured at fair value	<u>\$ 340,534</u>	<u>\$ 3,487,122</u>	<u>\$ -</u>	<u>\$ 3,827,656</u>
	2022			
	Level 1	Level 2	Level 3	Total
Fixed maturity securities:				
U.S. Treasury securities and obligations of U.S. government agencies	\$ 27,515	\$ -	\$ -	\$ 27,515
States, political subdivisions and foreign government securities	-	210,394	-	210,394
Corporate debt securities	-	1,870,161	-	1,870,161
Asset-backed securities	-	341,237	-	341,237
Other	-	312,001	-	312,001
Total fixed maturity securities	27,515	2,733,793	-	2,761,308
Equity securities	6,434	-	-	6,434
Other direct investments	-	112,048	-	112,048
Total assets measured at fair value	<u>\$ 33,949</u>	<u>\$ 2,845,841</u>	<u>\$ -</u>	<u>\$ 2,879,790</u>

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The following table includes information related to the Company's investments in certain other invested assets, including private equity funds, hedge funds and other alternative investments that calculate net asset value per share (or its equivalent). For these investments, which are measured at fair value on a recurring or nonrecurring basis at December 31, 2023, the Company uses the net asset value per share as a practical expedient for fair value.

	2023	
	Fair Value Using Net Asset Value	Unfunded Commitments
Investment category includes:		
Hedge funds	\$ 10,684	\$ 632
Private equity funds	36,462	4,746
SPEP funds	94,677	23,052
Real estate funds	4,066	1,250
Private debt funds	200,722	121,236
	<u>\$ 346,611</u>	<u>\$ 150,916</u>

Private equity and SPEP fund investments included above are not redeemable during the lives of the funds and have expected remaining lives that extend in some cases to ten years. Expected lives are based upon legal maturity, which can be extended at the general manager's discretion, typically in one-year increments.

In general, the hedge fund investments included above are redeemable, quarterly, with redemption notices ranging from 1 day to 180 days.

NOTE 10 - FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, investments at fair value and accrued investment income.

Fair Values

The carrying value of cash and cash equivalents, accrued investment income, funds withheld, accounts payable and accrued liabilities and due to related party approximate fair value due to their short-term nature. Insurance assets and liabilities are excluded from the fair value disclosures.

NOTE 11 - EQUITY METHOD INVESTMENTS

On May 31, 2011, the Company purchased a 20 percent equity interest in Starr Property & Casualty Insurance (China) Company, Limited (Starr China). As a result, the Company acquired Board representation and participation in the policy making process of Starr China.

On May 31, 2022, the Company purchased a 25% equity interest in Starr International Insurance (Thailand) Public Company Limited (Starr Thailand), formerly known as FPG Insurance (Thailand) Public Company Limited. The Company purchased an additional 24% on August 31, 2022. During 2023, the Company acquired an additional 38% interest in Starr Thailand through an indirect investment. Starr Thailand is included in the consolidated financial statements beginning in 2023 including the effects of noncontrolling interest.

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The investments are considered equity method investments by the Company and are recorded under the equity method. Details of the investments at the date of acquisition are as follows:

	<u>Starr China</u>	<u>Starr Thailand</u>
Cash including acquisition expenses and capital expenditures	\$ 62,448	\$ 8,771
Net equity at date of acquisition	<u>27,092</u>	<u>5,002</u>
 Goodwill	 <u>\$ 35,356</u>	 <u>\$ 3,769</u>

The following is the aggregated summary financial information of Starr China as of and for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Balance sheet information:		
Total assets	\$ 870,632	\$ 899,568
Total liabilities	<u>702,638</u>	<u>733,234</u>
 Net equity	 <u>\$ 167,994</u>	 <u>\$ 166,334</u>
Statements of operations information:		
Total revenue	\$ 81,816	\$ 100,004
Total expenses	<u>77,374</u>	<u>101,055</u>
 Net income (loss)	 <u>\$ 4,442</u>	 <u>\$ (1,051)</u>

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The Company may be involved in various legal proceedings and claims which arise in the ordinary course of its business. While any litigation contains an element of uncertainty, management and counsel believe that the outcome of such litigation will not have a material adverse effect on the Company's financial position or results of operations.

The Company's direct wholly-owned subsidiary, Starr International Insurance (Asia) Limited, a non-life insurance company organized under the laws of Hong Kong (Starr International Insurance Asia), participated in certain treaty reinsurance agreements during 2021 and 2022 in regard to certain insurance policies issued by Fubon Insurance Co., Ltd. (Fubon) that offered coverage for certain certifiable infectious disease and/or vaccination protection insurance related risks (CID and Vaccination Treaties). Fubon is seeking reimbursement under the CID and Vaccination Treaties for claims that Fubon advised it has paid ostensibly pursuant to the underlying insurance policies (CID and Vaccination Claims). Starr International Insurance Asia has taken the position that it is not liable to reimburse Fubon as demanded, under applicable law and/or underlying insurance and reinsurance terms and conditions. A dispute has arisen over Starr International Insurance Asia's liability under the CID and Vaccination Treaties with respect to the CID and Vaccination Claims. After unsuccessful mediation efforts between the parties, in January 2024, Fubon sent a Notice of Arbitration to Starr International Insurance Asia, commencing arbitration proceedings. Any liability ultimately incurred by Starr International Insurance Asia under the CID and Vaccination Treaties with respect to the CID and Vaccination Claims has been or will be retroceded by Starr International Insurance Asia to the Company pursuant to an existing reinsurance agreement between Starr International Insurance Asia and the Company.

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NOTE 13 - VARIABLE INTEREST ENTITIES

A VIE is a legal entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support or is structured such that equity investors lack the ability to make significant decisions relating to the entity's operations through voting rights or do not substantively participate in the gains and losses of the entity.

The primary beneficiary of a VIE is required to consolidate the entity. The primary beneficiary is the entity that has both (1) the power to direct the activities of the VIE that most significantly affect the entity's economic performance and (2) the obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE.

The Company's exposure to VIE's primarily relates to ownership of limited partner interests in investment partnerships. Many investment partnerships are VIE's under ASU No. 2015-02, *Consolidation (Topic 810)* because the limited partners as a group lack kick-out or participating rights. The Company is not involved in the design or establishment of the investment partnerships, nor does it hold the general partner interest in the investment partnerships or otherwise actively participate in the management of the partnerships, and therefore does not direct investment activities of the VIE's. Therefore, the Company lacks power over the relevant activities of the vehicles and consequently does not qualify as the primary beneficiary. The Company is exposed to losses when the values of the investments held by the investment partnerships decrease. The Company's maximum exposure to loss equals the Company's share of the investment partnerships.

As of December 31, 2023 and 2022, the Company's total VIE assets and maximum exposure to loss from investment partnerships is \$346,611 and \$395,845, respectively.

The Company is also a passive investor in commercial mortgage-backed securities (CMBS), collateralized loan obligations (CLO) and other asset-backed securities (ABS). By design, CMBS, CLO and ABS securitization entities are not adequately capitalized and therefore considered VIE's. The Company's investments in these securities are passive in nature and do not obligate the Company to provide any financial or other support to the issuer entities. Based on passive involvement in these types of securities, management has determined that the Company is not the primary beneficiary of these entities. These investments have been accounted for as available-for-sale securities which are disclosed in Note 3 and are not included in the total VIE assets or maximum exposure to loss figures presented above.

NOTE 14 - SUBSEQUENT EVENTS

The Company evaluated subsequent events for recognition or disclosure through April 29, 2024, the date the consolidated financial statements were available to be issued.