STARSTONE

Part of the Enstar Group

StarStone Insurance Bermuda Limited
Condensed Consolidated General Purpose Financial Statements

For the years ended December 31, 2023 and 2022

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

April 30, 2024

Report of Independent Auditors

To the Board of Directors of StarStone Insurance Bermuda Limited

Opinions

We have audited the accompanying condensed consolidated financial statements of StarStone Insurance Bermuda Limited and its subsidiaries (the "Company"), which comprise the condensed consolidated balance sheets and condensed consolidated statements of capital and surplus as of December 31, 2023 and 2022, and the related condensed consolidated statements of income for the years then ended, including the related notes (collectively referred to as the "condensed consolidated financial statements").

Unmodified opinion on regulatory basis of accounting

In our opinion, the accompanying condensed 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 for the years then ended in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial statements (the "Legislation").

Adverse opinion on U.S. generally accepted accounting principles

In our opinion, because of the significance of the matter discussed in the *Basis for adverse opinion on U.S. generally accepted accounting principles* section of our report, the accompanying condensed consolidated financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2023 and 2022, or the results of its operations for the years then ended.

Basis for Opinions

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

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

As described in Note 3 to the condensed consolidated financial statements, the condensed consolidated financial statements are prepared by the Company on the basis of the financial reporting provisions of the Legislation, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Bermuda Monetary Authority.

The effects on the condensed consolidated financial statements of the variances between the regulatory basis of accounting described in Note 3 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of management for the condensed consolidated financial statements

Management is responsible for the preparation and fair presentation of the condensed consolidated financial statements in accordance with the financial reporting provisions of the Legislation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed 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 condensed consolidated financial statements are available to be issued.

Auditors' responsibilities for the audit of the condensed consolidated financial statements

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

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

- Exercise professional judgement and maintain professional scepticism throughout the audit.
- Identify and assess the risks of material misstatement of the condensed 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 condensed consolidated financial statements.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the condensed consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

STARSTONE INSURANCE BERMUDA LIMITED
CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2023 and 2022

BMA Ref		2023 USD '000	2022 USD '000
1.	**CASH AND CASH EQUIVALENTS**	$ 102,593	$ 117,623
2.	**QUOTED INVESTMENTS:**		
(a)	Bonds and Debentures		
	ii. Other	307,232	307,712
(b)	Total Bonds and Debentures	307,232	307,712
(c)	Equities		
	i. Common stocks	—	22,358
(d)	Total equities	—	22,358
(f)	Total quoted investments	307,232	330,070
4.	**INVESTMENTS IN AND ADVANCES TO AFFILIATES**		
(g)	Advances to affiliates	158,351	173,508
(h)	Total investments in and advances to affiliates	158,351	173,508
9.	**INVESTMENT INCOME DUE AND ACCRUED**	2,204	1,907
10.	**ACCOUNTS AND PREMIUMS RECEIVABLE:**		
(a)	In course of collection	—	45,272
(b)	Deferred - not yet due	4,664	4,000
(d)	Total accounts and premiums receivable	4,664	49,272
11.	**REINSURANCE BALANCES RECEIVABLE:**		
(b)	Domestic affiliates	13,150	—
(d)	All other insurers	27,048	27,094
(e)	Total reinsurance balance receivable	40,198	27,094
12.	**FUNDS HELD BY CEDING REINSURERS**	164,575	214,446
13.	**SUNDRY ASSETS:**		
(f)	Deferred acquisition costs	1,843	2,593
(g)	Net receivables for investments sold	—	167
(h)	Other Sundry Assets (Leasehold and software development assets)	3,816	3,838
(i)	Other Sundry Assets (Deferred Tax Assets)	5,991	—
(j)	Other Sundry Assets (Others – see note 13)	5,207	4,749
(k)	Total sundry assets	16,857	11,347
15.	**TOTAL**	**$ 796,674**	**$ 925,267**

STARSTONE INSURANCE BERMUDA LIMITED
CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2023 and 2022

BMA Ref		2023 USD '000	2022 USD '000
	TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	$ 17,916	$ 33,183
(b)	Less: Ceded unearned premium reserve		
	ii. Domestic affiliates	6,552	12,890
	iv. All other insurers	2,654	5,147
(c)	Total ceded unearned premium reserve	9,206	18,037
(d)	Net unearned premium reserve	8,710	15,146
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	569,906	763,219
(b)	Less: Reinsurance recoverable balance		
	ii. Domestic affiliates	256,676	342,067
	iv. All other reinsurers	118,978	167,500
(c)	Total reinsurance recoverable balance	375,654	509,567
(d)	Net loss and loss expense provisions	194,252	253,652
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	202,962	268,798
	OTHER LIABILITIES		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	75,480	130,043
31.	(a) INCOME TAXES PAYABLE	159	327
32.	AMOUNTS DUE TO AFFILIATES	8,133	11,031
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	623	1,993
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:	164,797	205,909
38.	TOTAL OTHER LIABILITIES	249,191	349,303
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	452,153	618,101
	CAPITAL AND SURPLUS		
40.	TOTAL CAPITAL AND SURPLUS	$ 344,521	$ 307,166
41.	**TOTAL**	**$ 796,674**	**$ 925,267**

STARSTONE INSURANCE BERMUDA LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

BMA Ref		2023 USD '000	2022 USD '000
	GENERAL BUSINESS UNDERWRITING INCOME		
1.	**GROSS PREMIUMS WRITTEN**		
	(a) Direct gross premiums written	$ 1,915	$ 7,599
	(b) Assumed gross premiums written	(1,217)	916
	(c) Total gross premiums written	698	8,515
2.	REINSURANCE PREMIUMS CEDED	4,235	8,932
3.	NET PREMIUMS WRITTEN	(3,537)	(417)
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	6,418	6,782
5.	NET PREMIUMS EARNED	2,881	6,365
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	2,881	6,365
	GENERAL BUSINESS UNDERWRITING EXPENSES		
8.	NET LOSS INCURRED AND NET LOSS EXPENSES INCURRED	(28,791)	(29,442)
9.	COMMISSIONS AND BROKERAGE	2,916	6,583
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	(25,875)	(22,859)
11.	**NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS**	28,756	29,224
29.	**COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS**	28,756	29,224
	UNDERNOTED ITEMS		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	22,299	25,033
	(c) Other	3,481	(7,065)
	(d) Total combined operating expenses	25,780	17,968
31.	COMBINED INVESTMENT INCOME - NET	33,507	17,556
32.	COMBINED OTHER INCOME (DEDUCTIONS)	(2,328)	1,773
33.	COMBINED INCOME BEFORE TAXES	34,155	30,585
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	10	(6)
	(b) Deferred	(5,991)	42
	(c) Total	(5,981)	36
35	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	40,136	30,549
36.	COMBINED REALIZED GAINS (LOSSES)	558	(15,980)
37.	COMBINED INTEREST CHARGES	9,693	2,408
38.	**NET INCOME (LOSS)**	**$ 31,001**	**$ 12,161**

STARSTONE INSURANCE BERMUDA LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF CAPITAL AND SURPLUS
AS AT DECEMBER 31, 2023 and 2022

BMA Ref				2023	2022
				expressed in thousands of USD except share and per share amounts	
1.	**CAPITAL:**				
(a)	Capital Stock				
	(i) Common Shares			1,000	1,000
	authorized	1,000,000	shares of par		
	value	$1	each issued and		
	fully paid	1,000,000	shares		
(b)	Contributed surplus			1,114,631	1,114,631
(d)	Total Capital			1,115,631	1,115,631
2.	**SURPLUS:**				
(a)	Surplus - Beginning of Year			(808,465)	(804,028)
(b)	Add: Income for the year			31,001	12,161
(c)	Less: Dividends paid and payable			—	—
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments			6,354	(16,571)
(e)	Add (Deduct) change in any other surplus			—	(27)
(f)	Surplus - End of Year			(771,110)	(808,465)
4.	**TOTAL CAPITAL AND SURPLUS**			**$ 344,521**	**$ 307,166**

1. GENERAL

StarStone Insurance Bermuda Limited (“SIBL” or the “Company”) was incorporated on November 21, 2007 under the laws of Bermuda. The Company is a wholly owned subsidiary of StarStone Specialty Holdings Limited ("SSHL").

In December 2023, Enstar Group Limited ("Enstar") entered into a Purchase Agreement with Trident V funds ("Trident V") managed by Stone Point Capital LLC ("Stone Point") and Dowling Capital Partners ("Dowling") to purchase their remaining equity interest in SSHL. SSHL is now a wholly-owned subsidiary of Enstar.

As at December 31, 2023, the Company is registered as a Class 3A insurer under the Insurance Act 1978, amendments thereto and related regulations (the “Insurance Act”).

Details of the affiliates consolidated in these financial statements and their country of incorporation is shown in the table below. Affiliates are included in the condensed consolidated financial statements up to the date of disposal or merger.

Name	Country of incorporation	Date of disposal / Merger
StarStone Corporate Capital Limited	Ireland	-
StarStone Corporate Capital 1 Limited ("SCC1")	UK	-
StarStone Insurance SE	Liechtenstein	-
StarStone Insurance Services Limited	UK	-
StarStone Finance Limited	UK	-
StarStone Underwriting Services BV	Netherlands	-
Torus Business Solutions Private Limited	India	-

2. BUSINESS UNDERWRITTEN

The business of the Company and its subsidiaries was written in Bermuda, Liechtenstein, the UK and the US and is largely managed and reported through five lines of business: Marine, Aerospace, Property, Casualty and Workers’ Compensation.

The Company and its subsidiaries (together "Starstone Group") previously operated through four operating platforms in Bermuda (StarStone Insurance Bermuda), the UK (reinsurer to Lloyd’s Syndicate 1301 ("Syndicate 1301")), Liechtenstein (StarStone Insurance SE) and the US (StarStone Specialty Insurance Company and StarStone National Insurance Company).

Starstone Group ceased active underwriting in 2020. Starstone Group continues to service policies and manage claims that remain in force as well as write endorsements to existing policies particularly within Construction business and some business written under binding authorities.

3. BASIS OF PREPARATION

These condensed consolidated general purpose financial statements are prepared in accordance with financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Accounts Rules 2016 with respect to condensed general purpose financial statements (the “Legislation”). The recognition and measurement principles applied are in line with accounting principles generally accepted in the United States of America (“US GAAP”). The presentation of these financial statements in accordance with the guidance prescribed under the legislation differs from US GAAP in certain respects as follows:

- The presentation and classification of financial statement line items is in accordance with Schedules IX and XI of the Insurance Account Rules 2016 differ from the expected presentation and classification under US GAAP.
- Statement of Cash Flows or equivalent is not included.

- Comprehensive income and its components are not presented in the condensed consolidated statements of income.
- The notes included in the condensed general purpose financial statements have been prepared in accordance with Schedule X of the Insurance Account Rules 2016 and exclude certain information required under US GAAP.

The effects of the foregoing variances from US GAAP on the accompanying condensed consolidated general purpose financial statements have not been determined but are presumed to be material.

The condensed consolidated general purpose financial statements include the accounts of the Company and its wholly owned subsidiaries. Subsidiaries are included up to the date of disposal or merger. All intercompany transactions have been eliminated.

Effective January 1, 2017, SCC1 allocated its capacity in Syndicate 1301 to Shelbourne Group Limited No. 1 Ltd. (“SGL 1”), an affiliated corporate member, on the basis of a capacity lease agreement (the “SGL 1 Lease Agreement”). SGL 1 has 100% of the participation in Syndicate 1301 on the years of account from 2017 through 2020 which it reinsures on a quota share and stop loss basis (the "SGL 1 Reinsurance Agreement") to the Company. The combined effect of the SGL 1 Lease Agreement and the SGL 1 Reinsurance Agreement is that the net result of SGL 1's participation in Syndicate 1301 capacity is allocated to the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in accordance with the Legislation requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, 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 materially from our estimates.

The estimation of unpaid claim liabilities at any given point in time is subject to a high degree of uncertainty for a number of reasons. A significant amount of time can lapse between the assumption of risk, the occurrence of a loss event, the reporting of the event to an (re)insurance company and the ultimate payment of the claim on the loss event. Certain estimates for unpaid claim liabilities involve considerable uncertainty due to significant coverage litigation and it can be unclear whether past claim experience will be representative of future claim experience.

We expect that uncertainty and volatility in financial markets relating to macroeconomic and geopolitical conditions will continue to impact the value of our investments. The scope, duration and magnitude of the direct and indirect effects of the macroeconomic and geopolitical conditions are changing rapidly and are difficult to anticipate.

Furthermore, we are subject to economic factors such as interest rates, inflation, foreign exchange rates, adverse reserve developments, regulation, tax policy changes, political risks and other market risks that can impact our strategy, operations, and results.

Significant Accounting Policies

(a) Retroactive Reinsurance

Retroactive reinsurance policies provide indemnification of losses and loss adjustment expenses ("LAE") with respect to past loss events. We do not record any income or expense on recognition of the contracts assets and liabilities. Any subsequent remeasurement of the value of liabilities is recorded to net loss incurred and net loss expenses incurred within the condensed consolidated statements of income.

(b) Short-duration Insurance Contracts

Premiums written

Premiums written related to prospective risk policies are earned on a pro-rata basis over the period of the related coverage. Reinsurance premiums on prospective risks are recorded at the inception of the policy, are based upon contractual terms and, for certain business, are estimated based on underlying contracts or from information provided by insureds and/or brokers.

Changes in reinsurance premium estimates for prospective risks are recorded as premiums written in the period in which they are determined.

Certain contracts are retrospectively rated and provide for a final adjustment to the premium based on the final settlement of all losses. Premiums on such contracts are adjusted based upon contractual terms, and management judgment is involved with respect to the estimate of the amount of losses that we expect to incur. These adjustments to the premium are recognized at the time loss thresholds specified in the contract are exceeded and are earned over the coverage period, or are earned immediately if the period of risk coverage has passed.

Unearned Premium Reserves and Premium Receivable

Unearned premium reserves, included within other liabilities on the condensed consolidated balance sheets, represent the unexpired portion of policy premiums. For retrospectively rated contracts as well as those contracts whose written premium amounts are recorded based on premium estimates at inception, changes to accrued premiums arising from changes to these estimates are reflected as changes in premium balances receivable where appropriate.

Premium balances receivable are reported net of an allowance for expected credit losses as appropriate. The allowance is based upon our ongoing review of amounts outstanding, historical loss data, including delinquencies and write-offs, current and forecasted economic conditions and other relevant factors. However, the credit risk on our premiums receivable balances is substantially reduced where we have the ability to cancel the underlying policy if the policyholder does not pay the related premium.

(c) Acquisition Costs

Acquisition costs, consisting principally of incremental costs including commissions and brokerage expenses and certain premium taxes and fees incurred at the time a contract or policy is issued and which are directly related to the successful efforts of acquiring new insurance contracts or renewing existing insurance contracts, are deferred and amortized over the period in which the related premiums are earned.

Deferred acquisition costs (“DAC”), included within other assets on the condensed consolidated balance sheets, are limited to their estimated realizable value by line of business based on the related unearned premiums, anticipated claims and claim expenses and anticipated investment income.

A premium deficiency occurs if the sum of anticipated losses and LAE exceed unearned premiums, DAC and anticipated investment income. A premium deficiency is initially recognized by charging any DAC to expense to the extent required in order to eliminate the deficiency. If the premium deficiency exceeds the DAC, then a liability is accrued for the excess deficiency.

(d) Loss and LAE

The liability for losses and LAE includes reserves for unpaid reported losses and losses incurred but not reported ("IBNR").

We establish reserves for unpaid reported losses and LAE based on reports from brokers, ceding companies and insureds and these represent the estimated ultimate cost of events or conditions that have been reported to or specifically identified by us.

The reserves for IBNR losses are established by us based on actuarially determined estimates of ultimate losses and LAE. Inherent in the estimate of ultimate losses and LAE are expected trends in claim severity and frequency, historical loss experience, industry statistics and other factors which may vary significantly as claims are settled.

These estimates are reviewed regularly and are subject to the impact of future changes in the factors noted above as well as economic conditions including the impact of inflation, legal and judicial developments, and medical cost trends.

Any subsequent remeasurement of our reserves will be recorded in earnings in the period in which they become known and reflected as part of the net increase or reduction in the estimates of ultimate losses included within net loss incurred and net loss expenses incurred in the condensed consolidated statements of income.

Prior period development arises from changes to loss estimates recognized in the current calendar year that relate to loss reserves established in previous calendar years.

Our estimates, at inception and on an ongoing basis, do not include an estimate for potential future commutations and policy buybacks. Commutations and policy buybacks are often unique and circumstance-based, and each commutation or policy buyback is separately negotiated. Therefore, the successful execution of one commutation or policy buyback does not necessarily impact the likelihood of other commutations or policy buybacks occurring in the future.

Commutations and policy buybacks provide an opportunity for us to exit exposures to certain policies and insureds generally at a discount to our estimate of the ultimate liability and provide us with the ability to eliminate exposure to further losses which can be beneficial to us as they legally extinguish liabilities in full, reducing the potential for future adverse loss development and future claims handling costs.

Commutations of acquired companies' exposures have the effect of accelerating the payout of claims compared to the probability-weighted ranges of actuarially projected cash flows that we applied when estimating the fair values of assets and liabilities at the time of acquisition.

Commutations are only executed directly with (re)insureds and any changes in ultimate losses are recognized upon the execution of a commutation or policy buyback with the (re)insured.

Our (re)insurance subsidiaries also establish provisions for unallocated loss adjustment expenses ("ULAE") for LAE relating to run-off costs for the estimated duration of the run-off, such as internal claim management or associated operational support costs, which are included in the liability for losses and LAE. These provisions are assessed at each reporting date, and provisions relating to future periods are adjusted to reflect any changes in estimates of the periodic run-off costs or the duration of the run-off, including the impact of any acceleration of the run-off period that may be caused by commutations. Provisions relating to the current period together with any adjustment to future run-off provisions are included in net loss incurred and loss expense incurred in the condensed consolidated statements of income.

(e) Reinsurance Balances Recoverable on Paid and Unpaid Losses

Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying liability for losses and LAE. We report our reinsurance balances recoverable on paid and unpaid losses net of an allowance for estimated uncollectible amounts.

Our allowance for estimated uncollectible reinsurance is derived based on various data sources, multiple key inputs and forecast scenarios. These include the duration of the collection period, credit quality, changes in reinsurer credit standing, default rates specific to the individual reinsurer, the geographical location of the reinsurer, contractual disputes with reinsurers over individual contentious claims, contract language or coverage issues, industry analyst reports and consensus economic forecasts.

To determine the allowance for estimated uncollectible reinsurance, we use the probability of default ("PD") and loss given default ("LGD") methodology whereby each reinsurer is allocated an appropriate PD percentage based on the expected payout duration by portfolio. This PD percentage is then multiplied by an appropriate LGD percentage to arrive at an overall credit allowance percentage which is then applied to the reinsurance balance recoverable for each reinsurer, net of any specific bad debt provisions, collateral or other contract related offsets, to arrive at the overall allowance for estimated uncollectible reinsurance by reinsurer.

Amounts deemed to be uncollectible, including amounts due from known insolvent reinsurers, are written off against the allowance.

Changes in the allowance, as well as any subsequent collections of amounts previously written off, are reported as part of the net incurred losses and LAE in our condensed consolidated statements of income.

On an ongoing basis, we also evaluate and monitor the credit risk of our reinsurers, including those under voluntary schemes of arrangement, to minimize our exposure to significant losses from potential insolvencies.

(f) Investments, Cash and Cash Equivalents

Cash and cash equivalents

Cash equivalents includes money market funds, fixed interest deposits and all highly liquid debt instruments purchased with an original maturity of three months or less.

Short-term investments and fixed maturity investments

Short-term investments comprise investments with a maturity greater than three months up to one year from the date of purchase. Fixed maturities comprise investments with a maturity of greater than one year from the date of purchase.

Short-term and fixed maturity investments classified as trading are carried at fair value, with realized and unrealized gains and losses included in net earnings and reported as net unrealized gains and losses.

Short-term and fixed maturity investments classified as available-for-sale ("AFS") are carried at fair value, with unrealized gains and losses excluded from net income and reported as a separate component of surplus. Realized gains and losses on sales of investments classified as AFS are recognized in the condensed consolidated statements of income.

The costs of short-term and fixed maturity investments are adjusted for amortization of premiums and accretion of discounts, recognized using the effective yield method and included in net investment income. For mortgage-backed and asset-backed investments, and any other holdings for which there is a prepayment risk, prepayment assumptions are evaluated and reviewed on a regular basis.

Investment purchases and sales are recorded on a trade-date basis. Realized gains and losses on the sale of investments are based upon specific identification of the cost of investments.

Allowance for Credit Losses

Each reporting period we identify any credit losses on our investment portfolios not measured at fair value through net earnings. Credit losses on our fixed income securities, AFS are recognized through an allowance account which is deducted from the amortized cost basis of the security, with the net carrying value of the security presented on the condensed consolidated balance sheet at the amount expected to be collected.

To calculate the amount of the credit loss, we compare the present value of the expected future cash flows with the amortized cost basis of the fixed income security, AFS with the amount of the credit loss recognized being limited to the excess of the amortized cost basis over the fair value of the fixed income securities, AFS, effectively creating a “fair value floor”.

For our fixed income securities, AFS that we do not intend to sell or for which it is more likely than not that we will not be required to sell before an anticipated recovery in value, we separate the credit loss component of any unrealized losses from the amount related to all other factors and record the credit loss component in net realized gains (losses) in our condensed consolidated statements of earnings. The unrealized losses related to non-credit factors are recorded in surplus. The allowance for credit losses account is adjusted for any additional credit losses, write-offs and subsequent recoveries and is reflected in our condensed consolidated statements of earnings.

For our fixed income securities, AFS where we record a credit loss, a determination is made as to the cause of the credit loss and whether we expect a recovery in the fair value of the security. For our fixed income securities, AFS where we expect a recovery in fair value, the constant effective yield method is utilized, and the investment is amortized to par.

For our AFS fixed income securities, AFS that we intend to sell or for which it is more likely than not that we will be required to sell before an anticipated recovery in fair value, the full amount of the unrealized loss is included in net realized gains (losses). The new cost basis of the investment is the previous amortized cost basis less the credit loss recognized in net realized gains (losses). The new cost basis is not adjusted for any subsequent recoveries in fair value.

Our allowance for credit losses is derived based on various data sources, multiple key inputs and forecast scenarios. These include default rates specific to the individual security, vintage of the security, geography of the issuer of the security, industry analyst reports, credit ratings and consensus economic forecasts.

To determine the credit losses on our fixed income securities, AFS, we use the PD and LGD methodology through a third-party proprietary tool which calculates the expected credit losses based on a discounted cash flow method. The tool uses effective interest rates to discount the expected cash flows associated with each AFS security to determine its fair value, which is then compared with its amortized cost basis to derive the credit loss on the security.

The methodology and inputs used to determine the credit loss by security type are as follows:

- **Corporate and government securities:** Expected cash flows are derived that are specific to each security. The PD is based on a quantitative model that converts agency ratings to term structures that vary by country, industry and the state of the credit cycle. This is used along with macroeconomic forecasts to produce scenario conditioned PDs. The LGD is based on default studies provided by a third party which we use along with macroeconomic forecasts to produce scenario conditioned LGDs.

- **Municipal securities:** Expected cash flows are derived that are specific to each security. The PD model produces scenario conditioned PD output over the lifetime of the municipal security. These PDs are based on key macroeconomic and instrument specific risk factors. The LGD is derived based on a model which uses assumptions specific to the municipal securities.

  For corporate, government and municipal securities, we use an explicit reversion and a three year forecast period, which we consider to be a reasonable duration during which an economic forecast could continue to be reliable.

- **Asset-backed, commercial and residential mortgaged-backed securities:** Expected cash flows are derived that are specific to each security. The PD and LGD for each security is based on a quantitative model that generates scenario conditioned PD and LGD term structures based on the underlying collateral type, waterfall and other trustee information. This model also considers prepayments. For these security types, there is no explicit reversion and the forecasts are deemed reasonable and supportable over the life of the portfolio.

We report the investment income accrued on our fixed income securities, AFS separately from the underlying fixed income securities, AFS on line 9 of the condensed consolidated balance sheet. Due to the short-term period during which accrued investment income remains unpaid, which is typically six months or less since the coupon on our debt securities is paid semi-annually or more frequently, we elected not to establish an allowance for credit losses on our accrued investment income balances. Accrued investment income is written off through net realized gains (losses) at the time the issuer of the debt security defaults or is expected to default on payments.

Uncollectible fixed income securities are written off when we determine that no additional payments of principal or interest will be received.

Equity Securities

From time to time we may hold investments in exchange-traded funds. Equity investments are carried at fair value with realized and unrealized gains and losses included in net income and recorded as net realized and unrealized gains and losses, respectively.

(g) Funds Held by ceding reinsurers

Under funds held arrangements, the reinsured company has retained funds that would otherwise have been remitted to us. The funds balance is credited with investment income and losses paid are deducted.

Funds held by reinsured companies are carried at cost.

(h) Foreign Exchange

Our reporting currency is the U.S. dollar. Assets and liabilities of certain of our subsidiaries and equity method investees whose functional currency is not the U.S. dollar are translated at period end exchange rates. Revenues and expenses of such foreign entities are translated at average exchange rates during the year. The effect of the currency translation adjustments for these foreign entities is included in net income.

Other foreign currency assets and liabilities that are considered monetary items are translated at exchange rates in effect at the balance sheet date. Foreign currency revenues and expenses are translated either at transaction date exchange rates or using an appropriately weighted average exchange rate for the reporting period. These exchange gains and losses are recognized in net income.

(i) Income taxes

Certain of our subsidiaries operate in jurisdictions where they are subject to taxation. Current and deferred income taxes are charged or credited to net income in the condensed consolidated statement of income, based upon enacted tax laws and rates applicable in the relevant jurisdiction in the period in which the tax becomes accruable or realizable. Deferred income taxes are provided for all temporary differences between the carrying value of assets and liabilities used in the financial statements and the tax bases used in the various jurisdictional tax returns. When our assessment indicates that it is more likely than not that all or some portion of deferred income tax assets will not be realized, a valuation allowance is recorded against the deferred tax assets to reduce the assets to the amount more likely than not to be realized.

We recognize a tax benefit relating to uncertain tax positions only where the position is more likely than not to be sustained assuming examination by tax authorities. A liability or other adjustment is recognized for any tax benefit (along with any interest and penalty, if applicable) claimed in a tax return in excess of the amount allowed to be recognized in the financial statements under the Legislation. Any changes in amounts recognized are recorded in the period in which they are determined.

(j) Bermuda Corporate Income Tax

In December 2023, legislation implementing a Corporate Income Tax Act 2023 (“the Act”) in Bermuda was enacted. The Bermuda income tax regulations aims to closely align with the global anti-base erosion rules of the Organization for Economic Co-operation and Development to ensure consistent and predictable tax outcomes. The Act includes a provision referred to as the Economic Transition Adjustment ("ETA"), which is intended to provide a transition framework into the tax regime.

The ETA allows Bermuda subject entities to establish tax basis in the assets and liabilities of such Bermuda entities (as of September 30, 2023 (the “Basis Valuation Date”)) using fair values which results in deductible and taxable temporary differences which are reflected as deferred income tax assets and liabilities in the condensed consolidated financial statements. For each asset and liability subject to the adjustment, the amount of the adjustment would generally be the difference, as of the Basis Valuation Date, between each asset/liability’s fair market value and the carrying value of the item in the condensed consolidated financial statements. As the ETA is assessed based on fair value only as of the Basis Valuation Date, it is not subsequently reassessed and therefore, not subject to any sensitivities to changes in fair value.

Following an analysis of the Act and ETA provision, the Company is expected to remain within the ETA framework.

We may be required to change our provision for income taxes when estimates used in determining valuation allowances on deferred tax assets change, or when receipt of new information indicates the need for adjustment in valuation allowances, however, such changes would need to be significant to establish a valuation allowance. Additionally, future events, such as changes in Bermuda tax laws and tax regulations, or interpretations of such laws or regulations, could have an impact on the provision for income tax and the effective tax rate. Any such changes could significantly affect the amounts reported on the financial statements in the year these changes occur.

(k) Derivative instruments

Enstar uses derivative instruments in the group's risk management strategies and investment operations. Intercompany hedging instruments are recorded with its subsidiaries to hedge any foreign exchange exposure within each company. Derivatives, with the exception of embedded derivatives, are recorded on a trade-date basis and carried at fair value within line 10 - Accounts and Premium Receivable and line 33 - Accounts Payable and Accrued Liabilities in the condensed consolidated balance sheet.

Changes in fair value as well as realized gains or losses on derivative instruments are recognized in net income.

5. BASIS OF RECOGNITION OF PREMIUM, ACQUISITION COSTS AND INVESTMENT INCOME

See Notes 4 (b), (c) and (f).

6. FOREIGN EXCHANGE TRANSLATION

See note 4(h).

7. EXCHANGE CONTROL RESTRICTIONS

Not applicable.

8. CONTINGENCIES AND COMMITMENTS

8(b) Concentration of Credit Risk and Restricted assets

We believe that there are no significant concentrations of credit risk associated with our cash and cash equivalents, or fixed maturity investments. Cash, cash equivalents and fixed maturity investments are managed pursuant to guidelines that follow prudent standards of diversification and limit the allowable holdings of a single issue and issuers.

We are also subject to custodial credit risk on our fixed maturity and equity investments, which we manage by diversifying our holdings amongst large financial institutions that are highly regulated.

We limit the amount of credit exposure to any one counterparty and none of our counterparty credit exposures, excluding U.S. government instruments, exceeded 10% of capital and surplus as of December 31, 2023. Our credit exposure to the U.S. government was $67 million as at December 31, 2023 (2022: $78 million).

Credit risk exists in relation to our insurance and reinsurance balances recoverable on paid and unpaid losses. We remain liable to the extent that counterparties do not meet their contractual obligations and, therefore, we evaluate and monitor concentration of credit risk among our insurers and reinsurers. Amounts recoverable from reinsurers are disclosed under items 16(c) and 17(c) of the condensed consolidated balance sheets.

We have exposure to credit risk on certain of our assets pledged to ceding companies under insurance contracts. In addition, we are potentially exposed should any insurance intermediaries be unable to fulfill their contractual obligations with respect to payments of balances owed to and by us.

We are required to maintain investments and cash and cash equivalents on deposit to support our insurance and reinsurance operations. The investments and cash and cash equivalents on deposit are available to settle insurance and reinsurance liabilities. We also utilize trust accounts to collateralize business with our insurance and reinsurance counterparties. These trust accounts generally take the place of letter of credit requirements. The assets in trusts as collateral are primarily highly rated fixed maturity securities. We pledge assets with the Society of Lloyd's in respect of 2020 and prior years of account to support its capital requirements with respect to SCC1's participation in Lloyd's Syndicate 2008's ("Syndicate 2008") capacity which has since been assigned to SGL 1.

We are also subject to credit risk in relation to funds held by reinsured companies. Under funds held arrangements, the reinsured company has retained funds that would otherwise have been remitted to our subsidiaries. The funds may be placed into trust or subject to other security arrangements. The funds balance is credited with investment income and losses payable are deducted.

We are subject to credit risk if the reinsured company is unable to honor the value of the funds held balances, such as in the event of insolvency. However, we generally have the contractual ability to offset any shortfall in the payment of the funds held balances with amounts owed by us to the reinsured for losses payable and other amounts contractually due. We routinely monitor the creditworthiness of reinsured companies with whom we have funds held arrangements.

In July 2009, the Company entered into a multi-currency revolving Letter of Credit facility with Barclays Bank Plc. to be applied in the issuance of Letters of Credit to support its reinsurance business. The commitment under the facility is for $27 million (2022: $26 million) and as at the end of the year, Letters of Credit with a value of $23 million (2022: $26 million) have been issued. This facility is collateralized by eligible assets of the Company in the form of cash and investments held in a trust account.

The carrying value of our restricted assets as of December 31, 2023 and 2022, respectively, was as detailed below:

	2023	2022
	USD '000	USD '000
Collateral in trust for third party agreements	195,850	223,193
Collateral for secured letter of credit facilities	27,738	26,301
Funds at Lloyd's	19,107	22,616
Others	818	957
	243,513	273,067

9. DEFAULT BY THE INSURER IN RELATION TO SECURITIES ISSUED OR ANY CREDIT ARRANGEMENT

Not applicable.

10. ARREARS OF DIVIDENDS ON PREFERRED CUMULATIVE SHARES

Not applicable.

11. LOANS MADE DURING THE YEAR TO DIRECTORS OR OFFICERS

Not applicable.

12. RETIREMENT BENEFIT OBLIGATIONS TO EMPLOYEES ARISING FROM PRE-YEAR END SERVICE NOT CHARGED IN THE FINANCIAL STATEMENTS

Not applicable.

13. FAIR VALUE OF INVESTMENTS

We may hold: (i) trading portfolios of fixed maturity and equities, carried at fair value; (ii) available-for-sale portfolios of fixed maturity and short-term investments, carried at fair value; and (iii) other investments, carried at fair value

Fair value is defined as the price at which to sell an asset or transfer a liability (i.e. the “exit price”) in an orderly transaction between market participants. We use a fair value hierarchy that gives the highest priority to quoted prices in active markets and lowest priority to unobservable data. The hierarchy is broken down into three levels as follows:

- Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments.
- Level 2 - Valuations based on quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in inactive markets, or for which significant inputs are observable (e.g. interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.
- Level 3 - Valuations based on unobservable inputs where there is little or no market activity. Unadjusted third-party pricing sources or management's assumptions and internal valuation models may be used to determine the fair values.

	December 31, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Fair Value Based on NAV as Practical Expedient	Total Fair Value
	USD '000	USD '000	USD '000	USD '000
Investments:				
Fixed maturity investments:				
U.S. government and agency	—	67,179	—	67,179
Corporate	—	81,055	—	81,055
Residential mortgage-backed	—	26,406	—	26,406
Commercial mortgage-backed	—	59,179	—	59,179
Asset-backed	—	73,413	—	73,413
Total investments	**—**	**307,232**	**—**	**307,232**

	December 31, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Fair Value Based on NAV as Practical Expedient	Total Fair Value
	USD '000	USD '000	USD '000	USD '000
Investments:				
Fixed maturity investments:				
U.S. government and agency	—	78,060	—	78,060
Corporate	—	61,992	—	61,992
Residential mortgage-backed	—	27,553	—	27,553
Commercial mortgage-backed	—	76,352	—	76,352
Asset-backed	—	63,755	—	63,755
	—	307,712	—	307,712
Equities:				
Exchange traded-fund	22,358	—	—	22,358
	22,358	—	—	22,358
Total investments	**22,358**	**307,712**	**—**	**330,070**

14. CONTRACTUAL MATURITY PROFILE OF FIXED MATURITY AND SHORT-TERM INVESTMENTS

The contractual maturities of our short-term investments and fixed maturity investments are shown below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	2023 Fair value	2022 Fair value
	USD '000	USD '000
One year or less	44,828	22,956
More than one year through two years	43,035	52,227
More than two years through five years	42,117	61,922
More than five years through ten years	17,408	2,939
More than ten years	847	8
Residential mortgage-backed	26,406	27,553
Commercial mortgage-backed	59,179	76,352
Asset-backed	73,412	63,755
Total bonds and debentures	307,232	307,712

15. RELATED PARTY TRANSACTIONS

The following tables summarize our related party balances and transactions. Additional details about the nature of our relationships and transactions are included further below:

2023	FW31	FW41	FW42	Cavello	SGL 1	Core Specialty	Kenmare Holdings
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance Sheet							
Funds Held asset/(liability)	(42,501)	(69,755)	(13,605)	(38,824)	156,302	—	—
(Ceded)/ deferred acquisition costs	(2)	—	—	76	1,180	—	—
Reinsurance recoverables	—	—	—	19,702	(3,828)	(1,637)	—
Net losses and LAE	38,025	65,304	11,974	141,372	(141,115)	(46,707)	—
Insurance and Reinsurance Balances Payable	—	—	—	—	(27,754)	(16,003)	—
Advances to affiliates	—	—	—	—	—	—	153,140
Income Statement							
Ceded premium earned	1,264	—	—	(7,212)	5,353	(2,592)	—
Net loss incurred	(4,210)	—	—	(4,603)	10,785	6,272	—
Acquisition costs	3	—	—	232	(93)	(192)	—
Other income/(expense)	(2,621)	(3,923)	(1,387)	(1,762)	(6,261)	(6)	—
Investment income/(loss)	—	—	—	—	8,997	—	4,107

2022	FW31	FW41	FW42	Cavello	SGL 1	Core Specialty	Kenmare Holdings
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance Sheet							
Funds Held	(52,302)	(76,803)	(33,586)	(43,218)	187,311	—	—
Ceded deferred acquisition costs	(2)	—	—	(160)	1,365	—	—
Reinsurance recoverables	6	—	—	12,884	(9,527)	—	—
Net losses and LAE	53,384	76,276	33,342	179,078	(189,575)	(85,920)	—
Insurance and Reinsurance Balances Payable	—	—	—		(41,425)	(11,196)	
Advances to affiliates	—	—	—	—	—	—	171,697
Income Statement							
Ceded premium earned	290	—	—	2,774	(3,762)	(1,487)	—
Net losses incurred	(811)	—	—	7,089	(9,558)	9,679	—
Acquisition costs	(842)	—	—	(2,163)	4,318	—	—
Other income/(expense)	346	528	279	880	3,595	(21)	—
Investment income	—	—	—	—	3,341	—	(5,793)

Fitzwilliam Insurance Limited

The Company entered into LPT agreements with Fitzwilliam #31, Fitzwilliam #41 and Fitzwilliam #42 in 2014, 2018 and 2019, respectively. Each of these counterparties are segregated account entities whose preferred shares are held by SSHL and are managed by Fitzwilliam, a wholly owned subsidiary of Enstar.

Cavello Bay

The Company, through various of its affiliates, has a 35% quota share reinsurance contract with KaylaRe for the 2016, 2017 and 2018 underwriting years. Effective September 30, 2019, KaylaRe merged with Cavello Bay Reinsurance Limited ("Cavello Bay"), a wholly owned subsidiary of Enstar, with Cavello Bay as the surviving company. The Company has investment assets to support the quota share agreement on a funds withheld basis. Cavello Bay pays Enstar Limited, a wholly owned subsidiary of Enstar, 3% of the net written premiums assumed under this continuous quota share contract as a servicing fee, 75% of which is then paid to the Company.

The Company entered into an LPT agreement with Cavello Bay in 2020.

SGL 1

SGL 1 has reinsured its participation in Syndicate 2008 through the SGL 1 Reinsurance Agreement with the Company.

Core Specialty

On November 30, 2020, we completed the sale and recapitalization of StarStone U.S. to Core Specialty. There is existing reinsurance agreement with Core Specialty where SIBL provides reinsurance protection to Core Specialty.

Kenmare Holdings Ltd.

Kenmare Holdings Limited (“Kenmare”), an affiliated company which is wholly owned by Enstar, pledged cash and investments to Lloyd’s of London to collateralize the Company’s exposure to the business it assumes from SGL 1 under the SGL 1 Reinsurance and Leasing Agreements as described in Note 3 "Basis of Preparation". The Company in turn loaned funds to Kenmare equal to the cash and investments pledged to Lloyd's of London to collateralize the Company's exposure to the business it assumes from SGL 1 as described above.

Enstar Affiliates

The Company incurs costs related to administrative services provided by Enstar (EU) Limited, Enstar Group Limited and Enstar (US) Inc. which are affiliated companies. Our condensed consolidated statements of income and balance sheets for the years ended December 31, 2023 and December 31, 2022 respectively, included the following amounts in respect of these administrative services:

Administrative services costs:	2023	2022
	USD '000	USD '000
Enstar (EU) Limited	12,813	11,517
Enstar Limited	3,268	—
Enstar (US) Inc.	48	3,472

Outstanding balances - administrative services:	2023	2022
	USD '000	USD '000
Enstar (EU) Limited	(6,977)	(5,538)
Enstar Limited	(343)	(575)
Enstar (US) Inc.	(457)	1

Stone Point

The Company had a separate account managed by Eagle Point Credit Management, which is an affiliate of entities owned by the Trident V funds. Our condensed consolidated statements of income and balance sheets for the years ended December 31, 2023 and December 31, 2022 included the following amounts in respect of these investments:

	2023	2022
	USD '000	USD '000
Fixed maturities, trading, at fair value	14,877	16,189
Fixed maturities, AFS, at fair value	31,541	28,140
Cash	1,103	117
Management fees	—	318

16. Subsequent Events

The following subsequent events took place after the 2023 financial year:

- Approval received from BMA during April 2024 to commute the reinsurance agreements between the Company and Fitzwilliam Insurance Limited.
- Following the closure of Syndicate 1301 2021 underwriting year, the reinsurance agreement between the Company and SGL 1 was terminated effective 1 January 2024.

17. OTHER INFORMATION

There is no other information of note.

1(a) SHARE CAPITAL / CAPITAL STOCK

As at December 31, 2023 and December 31, 2022 the authorized share capital was 1,000,000 ordinary shares of par value $1 per share, all of which are issued and outstanding.

1(b) ADDITIONAL PAID IN CAPITAL / CONTRIBUTED SURPLUS

As at December 31, 2023 and December 31, 2022, the Company had contributed surplus of $1,115 million.

No additional paid-in capital was contributed to the Company during the years ended December 31, 2023 and December 31, 2022.

2(c) DIVIDENDS PAID AND PAYABLE

There are no dividends proposed with respect to the years ended December 31, 2023 and December 31, 2022.

ADDITIONAL NOTES

(a) There were no changes in the Company's authorized share capital during the year.
(b) The Company has not contracted to issue or reissue shares or given options to purchase shares.
(c) There were no share transactions during the year in relation to shares in the Company.

1. ENCUMBRANCE ON CASH AND CASH EQUIVALENTS

Restricted assets are discussed in Note 8(b) of the General Notes to the condensed consolidated financial statements and the position at the year-end is shown in a table in that note. Cash at December 31, 2023 of $55 million (2022: $33 million) is restricted.

2-3 VALUATION OF INVESTMENTS

The valuation methodology applied to investments is explained in note 4(f) of the General Notes to the condensed consolidated financial statements.

Restricted assets are discussed in Note 8(b) of the General Notes to the condensed consolidated financial statements and the position at the year-end is shown in a table in that note. Investments at December 31, 2023 of $188 million (2022: $240 million) are restricted.

4. INVESTMENTS IN AND ADVANCES TO AFFILIATED ENTITIES

There are no investments in affiliated entities. Affiliate balances included under point 4 in the condensed consolidated balance sheets relate to interest bearing inter-company loans which are repayable on demand.

Details of transactions and balances with affiliated entities are provided in Note 15 of the General Notes to the condensed consolidated financial statements.

5. INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE

The Company does not provide direct mortgages on real estate. The amounts of the Company's investments in residential and commercial mortgage-backed securities are shown in Note 13 of the General Note to the condensed consolidated financial statements.

6. POLICY LOANS

Not applicable.

7. INVESTMENTS IN REAL ESTATE

Not applicable.

8. COLLATERAL LOANS

Not applicable.

9. INVESTMENT INCOME DUE AND ACCRUED

Investment income due and accrued amounted to $2 million (2022: $2 million) as at year end.

10. ACCOUNTS AND PREMIUMS RECEIVABLE

(a) Accounts and premiums receivable are not collateralized. Balance as at December 31, 2023 is $5 million (2022: $49 million).

11. REINSURANCE BALANCES RECEIVABLE

Reinsurance balances receivable include reinsurance balances receivable on paid losses. Reinsurance balances receivable are not collateralized and total $27 million as at December 31, 2023 (2022: $27 million).

12. FUNDS HELD BY CEDING REINSURERS

As at December 31, 2023, funds held by ceding reinsurer affiliates are $165 million (2022: $214 million)

13. SUNDRY ASSETS

The following table summarizes the Sundry Assets as of December 31, 2023 and December 31, 2022:

	2023	**2022**
	USD '000	USD '000
Deferred acquisition costs	1,843	2,593
Net receivables for investments sold	821	167
Leasehold and software development assets	3,816	3,838
Deferred tax assets	5,991	—
Corporation tax receivable	426	—
Prepayments and other assets	3,960	4,749
Total Other Sundry Assets	16,857	11,347

14. LETTERS OF CREDIT GUARANTEES AND OTHER ASSETS

There are no letters of credit, guarantees and other assets which have not been considered in points 1 to 13 above.

16. UNEARNED PREMIUM RESERVE

The method of calculating the unearned premium reserve is set out in note 4(b) of the General Note to the condensed consolidated financial statements.

17. LOSS AND LOSS EXPENSE PROVISIONS

(a) Movements in loss and loss expense provisions for the current and previous year

The following table summarizes the liability for gross losses and LAE as of December 31, 2023 and December 31, 2022:

	2023	2022
	USD '000	USD '000
Outstanding losses	358,724	466,486
IBNR	194,129	270,956
ULAE	17,053	25,777
Losses and loss adjustment expenses	569,906	763,219

The table below provides a consolidated reconciliation of the beginning and ending liability for losses and LAE for the years ended December 31, 2023 and 2022:

	2023	2022
	USD '000	USD '000
Loss and loss adjustment expenses	763,219	1,102,260
Less: reinsurance recoverable on unpaid losses	(509,567)	(777,996)
Deferred gain on retroactive reinsurance	39,472	61,430
Net balance as at January 1	293,124	385,694
Net incurred losses and LAE:		
Current year	1,505	13,958
Prior periods	(19,159)	(21,442)
Movement in the deferred gain on retroactive reinsurance contracts	(12,747)	(21,958)
Total net incurred losses and LAE	(30,401)	(29,442)
Net losses paid:		
Current year	(8)	(273)
Prior periods	(48,764)	(44,353)
Total net paid losses	(48,772)	(44,626)
Effect of exchange rate movement	7,026	(18,502)
Net unpaid losses and LAE reserves as at December 31	194,252	253,652
Plus: reinsurance recoverable on unpaid losses as at December 31	375,654	509,567
Gross losses and loss adjustment expenses as at December 31	569,906	763,219
Deferred gain on retroactive reinsurance as at December 31	26,725	39,472
Total losses and LAE and deferred retroactive reinsurance gain as at December 31	596,631	802,691

(b) Reasons for the change in the net loss incurred and net loss expenses incurred related to prior years and indicate whether additional premiums or return premiums have been accrued as a result of the prior year effects

Net change in incurred losses and LAE reserves comprises of: (1) the movement during the year in specific case reserve liabilities as a result of claims settlements or changes advised to us by our policyholders and attorneys, less changes in case reserves recoverable advised by us to our reinsurers as a result of the settlement or movement of assumed claims, and (2) the net change in IBNR which represents the gross change in our actuarial estimates of IBNR, less amounts recoverable.

For the year ended December 31, 2023, the Company recorded an overall net decrease in ultimate losses and loss adjustment expense liabilities of $30 million (2022: net decrease $29 million) after considering the impact of foreign exchange. The incurred loss favourable developments in both years relate primarily to the resetting of loss ultimates based on actuarial studies.

(b) Secured and unsecured policyholder liabilities

Restricted assets are discussed in Note 8(b) of the General Note to the condensed consolidated financial statements and the position at the year-end is shown in a table in that note. As at December 31, 2023 the total restricted assets of $244 million (2022: $273 million) are deposited as security for policyholder liabilities. The total restricted assets include $19 million (2022: $23 million) FAL deposits made to Lloyd's which can be called to protect policyholders in case any underwriting member should be unable to meet his or her liabilities.

As at December 31, 2023, the amount of unsecured policyholder liabilities was $502 million (2022: $624 million).

20-27. NOT APPLICABLE

28. INSURANCE AND REINSURANCE BALANCES PAYABLE

Details of transactions and balances with affiliated entities are provided in Note 15 of the General Note to the condensed consolidated financial statements.

Balances with affiliates relate primarily to reinsurance contracts and therefore there are no repayment terms and rates to interest to disclose.

29. COMMISSION, EXPENSES, FEES AND TAXES PAYABLE

The method of recognizing commission is set out in note 4(c) of the General Note to the condensed consolidated financial statements.

30. LOANS AND NOTES PAYABLE

There are no loans and notes payable.

31. INCOME TAX PAYABLE AND DEFERRED TAXATION

The Company is incorporated under the laws of Bermuda. In December 2023, the Government of Bermuda enacted the Corporate Income Tax Act 2023 (the "Act"). The Act introduces a 15% corporate income tax on Bermuda businesses that are part of an In Scope Multinational Enterprise Group ("MNE Group"), effective for tax years beginning on or after January 1, 2025. An MNE Group is an In Scope MNE Group if, with respect to any fiscal year beginning on or after January 1, 2025, the MNE Group had annual revenue of €750 million or more in the consolidated financial statements for at least two of the four fiscal years immediately preceding such fiscal year. Based on annual revenue in the ultimate parent company consolidated financial statements, the Company will be part of an In Scope MNE Group commencing with the tax year beginning on January 1, 2025.

In accordance with ASC 740, effects of changes in tax laws are required to be recognized in the period in which the law is enacted, regardless of the effective date. The application of the ETA resulted in our recognition of net deferred tax assets of $6 million in 2023. We have not recorded a valuation allowance against these deferred tax assets as of December 31, 2023. Furthermore, due to the enactment of the Act, we have recognized a deferred tax expense related to the remeasurement of deferred taxes on unrealized earnings on AFS securities recorded in OCI, due to the change in income tax rate.

The incremental financial statement impact related to the Act was as follows:

	2023
	USD '000
Provision for income tax expense (benefit):	
Economic Transition Adjustment	(6,233)
Effect of change in income tax rate on the net change in unrealized gains (losses) on AFS securities recorded in OCI since the Basis Valuation Date	242
Total provision for income tax expense (benefit)	(5,991)

Income Tax Expense

The following table presents the Company's current and deferred income tax (benefit) expense attributable to continuing operations by jurisdiction for the years ended December 31, 2023, and 2022:

	2023	2022
	USD '000	USD '000
Current:		
Domestic (Bermuda)	—	—
Foreign	10	(6)
	10	(6)
Deferred:		
Domestic (Bermuda)	(5,991)	—
Foreign	—	42
	(5,991)	42

Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities (included in sundry assets and other liabilities, respectively, in the condensed balance sheets) reflect the tax effect of the differences between the financial statement carrying amount and the income tax bases of assets and liabilities.

Significant components of the deferred tax assets and deferred tax liabilities as of December 31, 2023, and 2022 were as follows:

	2023	2022
	USD '000	USD '000
Deferred tax assets:		
Net operating loss carryforwards	21,697	23,314
Insurance reserves	7,574	
Unearned premiums	860	
Other deferred tax assets	2,097	2,522
Deferred tax assets	32,228	25,836
Valuation allowance	(23,793)	(25,836)
Deferred tax assets, net of valuation allowance	8,435	—
Deferred tax liabilities:		
Fair value of investments	(242)	—
Fair Value of Financial Instruments	(2,202)	—
Deferred tax liabilities	(2,444)	—
Net deferred tax asset	5,991	—

Assessment of Valuation Allowance on Deferred Tax Assets

As of December 31, 2023 and 2022, we had deferred tax asset valuation allowances of $24 million and $26 million, respectively, related to foreign subsidiaries. As of December 31, 2023, the Company recorded a net decrease of $2 million primarily due to a write-off of operating losses as a result of EU branch closure.

The realization of deferred tax assets is dependent on generating sufficient taxable income in future periods in which the tax benefits are deductible or creditable. The amount of the deferred tax asset considered realizable, however, could be adjusted in the future if estimates of future taxable income change. We have considered all available evidence using a “more likely than not” standard in determining the amount of the valuation allowance.

We considered the following evidence:

i. net income or losses in recent years;

ii. the future sustainability and likelihood of positive net income of our subsidiaries;

iii. the carryforward periods of tax losses including the effect of reversing temporary differences.

In making our determination, the assumptions used in determining future taxable income require significant judgment and any changes in these assumptions could have an impact on earnings.

Unrecognized Tax Benefits

During the year ended December 31, 2023, the Company had no unrecognized tax benefits. There were no accruals for the payment of interest and penalties related to income taxes as of December 31, 2023.

32. AMOUNTS DUE TO AFFILIATES

Affiliate balances included under item 32 of the condensed consolidated balance sheets do not relate to insurance or reinsurance contracts and are non-interest bearing and repayable on demand.

Details of transactions and balances with affiliated entities are provided in Note 15 of the General Notes to the condensed consolidated financial statements.

33. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At December 31, 2023, the Company had accrued liabilities of $1 million (2022: $2 million) in relation to expenses incurred.

Derivatives and embedded derivatives

From time to time, Enstar may also utilize foreign currency forward contracts as part of our overall foreign currency risk management strategy.

Foreign Currency Forward Contract

The following tables present the gross notional amounts and the estimated fair values recorded within other assets and liabilities as of December 31, 2023 on the non-qualifying foreign currency forward exchange rate hedging relationships related to our Segregated Accounts:

	December 31, 2023		
	Gross Notional Amount	Fair Value	
		Assets	Liabilities
	(in thousands of U.S. dollars)		
Foreign exchange forward - AUD	9,159	9	323
Foreign exchange forward - GBP	50,343	74	624
Foreign exchange forward - EUR	48,756	12	604
Total foreign currency non-qualifying hedges	**108,258**	**95**	**1,551**

As at December 31, 2023, there are no embedded derivatives.

34. FUNDS HELD UNDER REINSURANCE CONTRACTS

The company had liabilities to affiliate reinsurers for funds held under reinsurance contracts of $165 million as at December 31, 2023 (2022: $206 million).

Details of transactions and balances with affiliated entities are provided in Note 15 of the General Notes to the condensed consolidated financial statements.

35. DIVIDENDS PAYABLE

At December 31, 2023 and 2022 the Company had no liability for dividends payable.

36. SUNDRY LIABILITIES

As at December 31, 2023 and 2022, the Company had no sundry liabilities.

37. LETTERS OF CREDIT GUARANTEES AND OTHER ASSETS

There are no letters of credit, guarantees and other assets provided by the Company which have been included as liabilities on the condensed consolidated balance sheets.

Details of assets provided as collateral for letters of credit are shown in Note 8(b) of the General Notes to the condensed consolidated financial statements.

6. OTHER INSURANCE INCOME GENERAL BUSINESS

There is no other insurance income on general business.

15. OTHER INSURANCE INCOME LONG TERM BUSINESS

Not applicable.

32. COMBINED OTHER INCOME

	2023	2022
	USD '000	USD '000
Rental income	—	183
Other income/(expense)	(2,328)	1,590
Total	(2,328)	1,773

36. COMBINED REALIZED GAINS (LOSSES)

This relates to realized gains on investments as set out in Note 4(f) of the General Notes to the condensed consolidated financial statements.