StarStone Insurance Bermuda Limited
Consolidated Financial Statements
For the years ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of StarStone Insurance Bermuda Limited

We have audited the accompanying consolidated financial statements of StarStone Insurance Bermuda Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of earnings, total comprehensive loss, changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles this includes 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.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of StarStone Insurance Bermuda Limited as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other matter

U.S. generally accepted accounting principles require that certain disclosures related to short-duration contracts in Note 7 to the basic financial statements be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Financial Accounting Standards Board who consider 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 auditing standards generally accepted in the United States of America, which 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.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 24, 2020

STARSTONE INSURANCE BERMUDA LIMITED
CONSOLIDATED BALANCE SHEETS
As at December 31, 2019 and 2018

	2019	2018
	(expressed in thousands of U.S. dollars except share and per share amounts)	
ASSETS		
Short-term investments, trading, at fair value	$ —	$ 5,738
Short-term investments, available-for-sale, at fair value (amortized cost: 2019 - $5,485; 2018 - $Nil)	5,486	—
Fixed maturities, trading, at fair value	637,047	1,057,004
Fixed maturities, available-for-sale, at fair value (amortized cost: 2019 - $429,796; 2018 - $Nil)	428,837	—
Equities, at fair value	126,343	21,535
Other investments, at fair value	131,985	280,970
Total investments	1,329,698	1,365,247
Cash and cash equivalents	157,273	170,258
Restricted cash and cash equivalents	36,395	60,118
Premiums receivable	405,775	482,092
Prepaid reinsurance premiums	179,224	244,716
Reinsurance recoverables	1,413,243	1,103,690
Due from affiliates	273,741	184,311
Deferred acquisition costs	78,599	66,613
Goodwill and intangible assets	44,659	75,648
Other assets	167,618	68,596
TOTAL ASSETS	**$ 4,086,225**	**$ 3,821,289**
LIABILITIES		
Losses and loss adjustment expenses	1,968,963	1,714,020
Unearned premiums	519,210	619,164
Insurance and reinsurance balances payable	783,912	629,902
Deposit liability	27,500	40,439
Deferred retroactive reinsurance gain	110,503	69,914
Due to affiliates	26,872	5,315
Accrued expenses and other payables	26,292	41,033
TOTAL LIABILITIES	**$ 3,463,252**	**$ 3,119,787**
SHAREHOLDER'S EQUITY		
Common shares - 1,000,000 shares, par value of $1.00	1,000	1,000
Additional paid-in capital	1,114,631	1,114,631
Accumulated other comprehensive loss	(994)	—
Accumulated deficit	(491,664)	(414,129)
TOTAL SHAREHOLDER'S EQUITY	**$ 622,973**	**$ 701,502**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**$ 4,086,225**	**$ 3,821,289**

See accompanying notes to the consolidated financial statements.

STARSTONE INSURANCE BERMUDA LIMITED
CONSOLIDATED STATEMENTS OF EARNINGS
For the Years Ended December 31, 2019 and 2018

	2019	2018
	(expressed in thousands of U.S. dollars)	
INCOME		
Net premiums earned	$ 708,188	$ 561,012
Net investment income	42,360	33,672
Net realized and unrealized investment gains (losses)	48,306	(15,576)
Other income (loss)	116	(541)
	798,970	578,567
EXPENSES		
Net incurred losses and loss adjustment expenses	566,297	527,130
Acquisition costs	138,970	75,952
General and administrative expenses	161,337	153,527
Interest expense	16,137	2,500
Net foreign exchange losses	695	1,400
	883,436	760,509
LOSS BEFORE INCOME TAXES	(84,466)	(181,942)
Income tax benefit	6,931	6,327
NET LOSS	**$ (77,535)**	**$ (175,615)**

See accompanying notes to the consolidated financial statements.

STARSTONE INSURANCE BERMUDA LIMITED
CONSOLIDATED STATEMENTS OF TOTAL COMPREHENSIVE INCOME
For the Years Ended December 31, 2019 and 2018

	2019	2018
	(expressed in thousands of U.S. dollars)	
NET LOSS	$ (77,535)	$ (175,615)
Other comprehensive loss, net of income taxes:		
Unrealized holding losses on fixed income investments arising during the year	(994)	—
Total other comprehensive loss	$ (994)	$ —
TOTAL COMPREHENSIVE LOSS	**$ (78,529)**	**$ (175,615)**

See accompanying notes to the consolidated financial statements.

STARSTONE INSURANCE BERMUDA LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
For the Years Ended December 31, 2019 and 2018

	2019	2018
	(expressed in thousands of U.S. dollars)	
SHARE CAPITAL - COMMON SHARES		
Balance, beginning and end of year	$ 1,000	$ 1,000
ADDITIONAL PAID-IN CAPITAL		
Balance, beginning of year	1,114,631	1,014,631
Contribution of capital	—	100,000
Balance, end of year	$ 1,114,631	$ 1,114,631
ACCUMULATED OTHER COMPREHENSIVE LOSS		
Balance, beginning of year	—	—
Change in unrealized losses on investments	(994)	—
Balance, end of year	$ (994)	$ —
ACCUMULATED DEFICIT		
Balance, beginning of year	$ (414,129)	$ (238,514)
Net loss	(77,535)	(175,615)
Balance, end of year	$ (491,664)	$ (414,129)
TOTAL SHAREHOLDER'S EQUITY	**$ 622,973**	**$ 701,502**

See accompanying notes to the consolidated financial statements.

STARSTONE INSURANCE BERMUDA LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
	(expressed in thousands of U.S. dollars)	
OPERATING ACTIVITIES:		
Net loss	$ (77,535)	$ (175,615)
Adjustments to reconcile net loss to cash flows provided by (used in) operating activities:		
Realized and unrealized (gains) losses on investments	(48,306)	23,081
Depreciation and amortization	33,144	3,880
Sales and maturities of trading securities	825,189	523,352
Purchase of trading securities	(480,464)	(559,510)
Net sales and maturities (purchases) of short term investments	397	(746)
Changes in:		
Reinsurance balances recoverable	(309,553)	(492,296)
Prepaid reinsurance premiums	65,492	(2,879)
Deferred acquisition costs	(11,986)	(21,352)
Premiums receivable	76,317	(110,404)
Losses and loss adjustment expenses	254,943	376,936
Insurance and reinsurance balances payable	194,599	306,557
Unearned premiums	(99,954)	111,516
Due from / to affiliates	(67,873)	(23,454)
Accounts payable and accrued liabilities	(27,683)	12,951
Other assets	(99,429)	(9,290)
Net cash flows provided by (used in) operating activities	227,298	(37,273)
INVESTING ACTIVITIES:		
Sales and maturities of available-for-sale securities	17,923	—
Purchase of available-for-sale securities	(448,310)	—
Purchase of other investments	(52,266)	(147,782)
Sales of other investments	219,437	127,032
Net cash flows used in investing activities	(263,216)	(20,750)
FINANCING ACTIVITIES:		
Capital contribution	—	100,000
Net cash flows provided by financing activities	—	100,000
Effect of exchange rate changes on foreign currency cash, cash equivalents and restricted cash	(790)	1,400
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(36,708)	43,377
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	230,376	186,999
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	$ 193,668	$ 230,376
Reconciliation to Consolidated Balance Sheets:		
Cash and cash equivalents	157,273	170,258
Restricted cash and cash equivalents	36,395	60,118
Cash, cash equivalents and restricted cash	$ 193,668	$ 230,376

See accompanying notes to the consolidated financial statements.

(Tabular information expressed in thousands of U.S. dollars except share and per share data)

1. DESCRIPTION OF BUSINESS

StarStone Insurance Bermuda Limited (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") which is, in turn, wholly owned by North Bay Holdings Limited ("North Bay").

Enstar Group Limited ("Enstar") has a 59.0% equity interest, Trident V funds ("Trident V") managed by Stone Point Capital LLC ("Stone Point") and also a shareholder of Enstar has a 39.3% equity interest and Dowling Capital Partners ("Dowling") has a 1.7% equity interest in North Bay.

The Company is registered as a Class 4 insurer under the Insurance Act 1978, amendments thereto and related regulations (the "Insurance Act"). It underwrites commercial, professional, specialty insurance and reinsurance products to a global client base through the following wholly owned insurance subsidiaries:

- StarStone Specialty Insurance Company ("StarStone Specialty"), a US excess and surplus lines insurer,
- StarStone National Insurance Company ("StarStone National"), a US markets insurer,
- StarStone Insurance SE ("SISE") a Liechtenstein based European Specialty Insurer,
- StarStone Corporate Capital 1 Limited ("SCC1"), a corporate capital provider of Lloyd's Syndicate 1301 prior to January 1, 2017.

  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 2019 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.
- StarStone Underwriting Limited ("SUL"), a company which manages Syndicate 1301.

The Company and its insurance subsidiaries have a financial strength rating of A- (Excellent) from A.M. Best. For business written through Lloyd's Syndicate 1301, Lloyd's is rated A (Excellent) by A.M. Best, AA- by Fitch Ratings and A+ by Standard and Poor's, with these ratings applying to all Lloyd's syndicates.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accompanying consolidated financial statements have been prepared in conformity with U. S. Generally Accepted Accounting Principles ("U.S. GAAP"). The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated.

The Company records its share of Syndicate 1301's assets, liabilities, revenues and expenses under U.S. GAAP.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Our actual results could differ materially from our estimates. Accounting policies that we believe are most dependent on assumptions and estimates are considered to be our critical accounting policies and are related to the determination of:

- liability for losses and loss adjustment expenses ("LAE");
- reinsurance balances recoverable on paid and unpaid losses;

- valuation allowances on reinsurance balances recoverable
- gross and net premiums written and net premiums earned;
- impairment charges, including other-than-temporary impairments on investment securities classified as available-for-sale and impairments on goodwill and intangible assets; and
- fair value measurements of investments.

Significant Accounting Policies

(a) Premiums

Premiums written

Premiums are recorded as written on inception date of a policy. Premiums written are earned proportionally over the coverage period. Written and earned premiums and the related costs include estimates for premiums which have not been finally determined. These relate mainly to contractual provisions for the payment of adjustment or additional premiums, premiums payable under proportional treaties and delegated underwriting authorities. Adjustment and additional premiums are premiums charged which relate to experience during the policy term. Any subsequent differences arising on such estimates are recorded as premiums written in the period in which they are determined.

Outward reinsurance premiums are recognized in the same accounting period as the related inwards premiums and are expensed over the period under which the coverage is provided. For contracts written on a "losses occurring during basis", the outward reinsurance premiums are earned on a pro-rata basis over the term of the contract. For contracts written on a "risk attaching basis", the outward reinsurance premiums are earned based on the terms of the underlying contracts. Premiums payable for retroactive reinsurance coverage and meeting the conditions of reinsurance accounting, are reported as reinsurance recoverables to the extent that those amounts do not exceed the underlying liabilities associated with the retroactive reinsurance contract. To the extent that recorded liabilities exceed premiums payable, a deferred gain is recognized.

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. Additional premiums 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.

Premiums receivable

Premiums receivable represent amounts currently due and amounts not yet due on insurance and reinsurance policies. Premiums for insurance policies are generally due at inception. Premiums for reinsurance policies generally become due over the period of coverage based on the policy terms. We monitor the credit risk associated with premiums receivable, taking into consideration the impact of our contractual right to offset loss obligations or unearned premiums against premiums receivable. Amounts deemed uncollectible are charged to net earnings in the period they are determined. Changes in the estimates of premiums written will result in an adjustment to premiums receivable in the period they are determined.

Unearned premiums and prepaid reinsurance premiums

Unearned premiums represent the portion of premiums written that relate to the unexpired terms of policies in force. Premiums ceded are similarly earned pro-rated over the period the coverage is provided with the unearned portion being deferred as prepaid reinsurance premiums.

(b) Acquisition Costs

Acquisition costs, consisting principally of commissions and brokerage expenses and certain premium taxes and fees incurred at the time a contract or policy is issued and that vary with and are directly related to the successful efforts of acquiring new insurance contracts or renewing existing insurance contracts. With exception of profit commissions, these are deferred and amortized over the period in which the related premiums are earned. Profit commissions are estimated based on the related performance criteria evaluated at the balance sheet date, with subsequent changes to those estimates recognized when they occur. Deferred acquisition costs 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 loss adjustment expenses, deferred acquisition costs and anticipated investment income exceed unearned premiums. A premium deficiency is recorded by charging any deferred acquisition costs to expense to the extent required in order to eliminate the deficiency. If the premium deficiency exceeds deferred acquisition costs then a liability is accrued for the excess deficiency.

(c) Losses and LAE

Losses represent the amount paid or expected to be paid to claimants in respect of events that have occurred on or before the balance sheet date. The costs of investigating, resolving and processing these claims are known as LAE. LAE reserves include allocated loss adjustment expenses ("ALAE") and unallocated loss adjustment expenses ("ULAE"). ALAE are linked to the settlement of an individual claim or loss, whereas ULAE are based on our estimates of future costs to administer the claims.

The reserves for unpaid reported losses and loss expenses are established by management based on reports from brokers, ceding companies and insureds and represent the estimated ultimate cost of events or conditions that have been reported to or specifically identified by us. The reserve for losses incurred but not reported ("IBNR") is determined using a variety of actuarial methods. Inherent in the estimate of ultimate losses and loss expenses are expected trends in claim severity and frequency and other factors which may vary significantly as claims are settled. Accordingly, ultimate losses and loss expenses may differ from the amounts recorded in the consolidated financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, will be recorded in earnings in the period in which they become known. Prior period development arises from changes to loss estimates recognized in the current year that relate to loss reserves established in previous calendar years.

Included within the total net incurred losses and LAE on our consolidated statement of earnings are the following items:

- Net losses paid: paid losses and LAE, net of related reinsurance recoveries.
- Net change in case and LAE reserves: the change in case reserves and associated LAE, net of related reinsurance recoveries.
- Net change in IBNR reserves: the change in IBNR reserves, net of related reinsurance recoveries.
- Increase (reduction) in provisions for unallocated LAE: the net change in our provision for unallocated LAE.
- Amortization of deferred retroactive reinsurance gains: the amortization of the deferred retroactive reinsurance gains associated with retroactive reinsurance contracts, where the estimated ultimate losses ceded at the inception of the contracts is greater than the premium consideration paid.

(d) Reinsurance Recoverables

Amounts billed to, and due from, reinsurers resulting from paid claim movements in the underlying business are calculated in accordance with the terms of the individual reinsurance contracts. Similarly, reinsurance balances recoverable related to our case reserves are calculated by applying the terms of any applicable reinsurance coverage to movements in the underlying case reserves. Our estimate of reinsurance balances recoverable related to IBNR reserves is recognized on a basis consistent with the underlying IBNR reserves.

Our reinsurance balances recoverable are presented net of a provision for uncollectible amounts, reflecting the amount deemed not collectible due to credit quality, collection problems due to the location of the reinsurer, contractual disputes with reinsurers over individual contentious claims, contract language or coverage issues.

(e) Investments, Cash and Cash Equivalents

S*hort-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 maturity investments 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 holding gains and losses included in the consolidated statement of earnings.

Short-term and fixed maturity investments classified as available-for-sale are carried at fair value, with unrealized gains and losses excluded from net earnings and reported as a separate component of accumulated other comprehensive income (loss)

("AOCI"). Realized gains and losses on sales of investments classified as available-for-sale are recognized in the consolidated statement of earnings.

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.

Other-Than-Temporary Impairments

Fixed maturity investments classified as available-for-sale are reviewed quarterly to determine if they have sustained an impairment of value that is, based on our judgment, considered to be other than temporary. The process includes reviewing each fixed maturity investment whose fair value is below amortized cost and: (1) determining if we have the intent to sell the fixed maturity investment; (2) determining if it is more likely than not that we will be required to sell the fixed maturity investment before its anticipated recovery; and (3) assessing whether a credit loss exists, that is, whether we expect that the present value of the cash flows expected to be collected from the fixed maturity investment is less than the amortized cost basis of the investment.

In assessing whether it is more likely than not that we will be required to sell a fixed maturity investment before its anticipated recovery, we consider various factors including our future cash flow requirements, legal and regulatory requirements, the level of our cash, cash equivalents, short-term investments and fixed maturity investments available-for-sale in an unrealized gain position, and other relevant factors.

In evaluating credit losses, we consider a variety of factors in the assessment of a fixed maturity investment including: (1) the time period during which there has been a significant decline below cost; (2) the extent of the decline below cost and par; (3) the potential for the investment to recover in value; (4) an analysis of the financial condition of the issuer; (5) the rating of the issuer; and (6) failure of the issuer of the investment to make scheduled interest or principal payments.

If we conclude that an investment is other-than-temporarily impaired ("OTTI"), then the difference between the fair value and the amortized cost of the investment is presented as an OTTI charge in the consolidated statements of earnings, with an offset for any non-credit related loss component of the OTTI charge to be recognized in other comprehensive income. Accordingly, only the credit loss component of the OTTI amount would have an impact on our earnings.

Equities

Investments in equities include publicly traded equities and exchange-traded funds as well as in privately held equities. Equity investments are carried at fair value with realized and unrealized holding gains and losses included in net earnings and reported as realized and unrealized gains and losses.

Other investments

Other investments include private equity funds which comprise investments in senior secured bank loans and collateralized commercial and residential mortgage backed securities, fixed income funds and a balanced fund. These other investments are stated at fair value, which ordinarily will be the most recently reported net asset value as advised by the fund manager or administrator. Many of the fund investments publish net asset values on a daily or weekly basis and provide liquidity on a daily, weekly or monthly basis. Private equities typically report quarterly. The change in fair value is included in net realized and unrealized gains and losses on investments and recognized in net earnings.

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.

(f) Funds Held

Under funds held arrangements, the reinsured companies have retained funds that would otherwise have been remitted to the Company. The funds held balance is carried at cost within other assets on the consolidated balance sheets and is credited with

premiums and investment income, with losses payable and acquisition costs being deducted. The investment returns on the funds held balance are recognized in net investment income and net unrealized gains in the consolidated statement of earnings, to the extent such investment income accrues to the Company. The funds held balance represents the aggregate of funds held at cost and the value of an embedded derivative. The embedded derivative relates to our contractual right to receive the return on the underlying investment portfolio economics.

(g) Foreign Exchange

Assets and liabilities of entities whose functional currency is not the U.S. dollar are translated at period end exchange rates. Income 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 accumulated other comprehensive income (loss).

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 earnings.

(h) 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, or, in certain cases, to AOCI, 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 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 U.S. GAAP. Any changes in amounts recognized are recorded in the period in which they are determined.

(i) Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired. We perform an initial valuation of our goodwill assets and assess goodwill for impairment on an annual basis. If, as a result of the assessment, we determine the value of our goodwill asset is impaired, goodwill is written down in the period in which the determination is made.

Intangible assets represent the fair values of Lloyd's syndicate capacity, customer relationships and U.S. insurance licenses. Definite-lived intangible assets are amortized over their estimated useful lives. We recognize the amortization of all intangible assets in our consolidated statement of earnings. Indefinite-lived intangible assets are not subject to amortization. The carrying values of intangible assets are reviewed for indicators of impairment at least annually or sooner whenever events or changes in circumstances indicate that the assets may be impaired. Impairment is recognized if the carrying values of the intangible assets are not recoverable from their undiscounted cash flows and is measured as the difference between the carrying value and the fair value.

(j) Retroactive Reinsurance

Retroactive reinsurance policies provide indemnification of losses and LAE with respect to past loss events. We use the balance sheet accounting approach for assumed and ceded loss portfolio transfers, whereby at the inception of the contract there are no premiums or losses recorded in earnings. The initial gain, if applicable, is deferred and amortized into earnings over the settlement period using the recovery method. Subsequent gains are deferred and amortized into earnings over the settlement period using the recovery method while subsequent losses are charged to earnings immediately.

(k) Software Development Costs

Direct internal and external costs to acquire or develop internal-use software are capitalized only after the preliminary project stage has been completed, management has authorized and committed to funding the project, it is probable that the project will

be completed and the software will be used to perform the functions intended. Capitalized costs related to internal-use software are amortized on a straight-line basis over their estimated useful lives. These capitalized costs are also assessed for impairment when impairment indicators exist.

New Accounting Standards Adopted in 2019

Accounting Standards Update ("ASU") 2018-03, Changes to the Disclosure Requirements for Fair Value Measurements

In August 2018, the FASB issued ASU 2018-13, which amended the fair value measurement guidance in Accounting Standards Codification ("ASC") 820 - *Fair Value Measurement*, by removing and modifying certain existing disclosure requirements, while also adding some new disclosure requirements. We adopted the new standard as of December 31, 2019 however these new or modified disclosures did not have a material impact on the fair value measurement disclosures included in our consolidated financial statements.

ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

In February 2018, the FASB issued ASU 2018-02, which gives entities the option to reclassify to retained earnings tax effects related to items in AOCI that are deemed stranded in AOCI as a result of the Tax Cuts and Jobs Act (the "Tax Act") enacted in the United States at the end of 2017. The amendments in this guidance eliminate the stranded tax effects resulting from the Tax Act and will improve the usefulness of information reported to financial statement users. We adopted the new standard on January 1, 2019, and that adoption did not have a material impact on our consolidated financial statements and related disclosures.

ASUs 2016-02, 2018-10, 2018-11 and 2019-01, Leases

In February 2016, the FASB issued ASU 2016-02, which is codified in ASC 842 - *Leases*, amending the guidance on the classification, measurement and disclosure of leases for both lessors and lessees. The ASU requires lessees to recognize a right-of-use asset and an offsetting lease liability on the balance sheet and to disclose qualitative and quantitative information about leasing arrangements. Subsequently, in July 2018, the FASB issued ASU 2018-10, which clarifies how to apply certain aspects of ASC 842. The amendments in the ASU address a number of issues in the new leases guidance, including (1) the rate implicit in the lease, (2) impairment of the net investment in the lease, (3) lessee reassessment of lease classification, (4) lessor reassessment of lease term and purchase options, (5) variable payments that depend on an index or rate, and (6) certain transition adjustments.

In July 2018, the FASB also issued ASU 2018-11, which adds a transition option for all entities and a practical expedient only for lessors, to ASU 2016-02. The transition option, which we elected on adoption of the guidance, allows entities not to apply the new leases standard in the comparative periods they present in their financial statements in the year of adoption. Under the transition option, entities can instead opt to continue to apply the legacy guidance in ASC 840 - *Leases*, including its disclosure requirements, in the comparative periods presented in the year they adopt the new leases standard. This means that entities that elect this option will only provide annual disclosures for the comparative periods because ASC 840 does not require interim disclosures. Entities that elect this transition option are still required to adopt the new leases standard using the modified retrospective transition method, but they will recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption rather than in the earliest period presented. The practical expedient provides lessors with an option to not separate the non-lease components from the associated lease components when certain criteria are met and requires them to account for the combined component in accordance with the revenue recognition standard in ASC 606 if the associated non-lease components are the predominant components.

In addition, in March 2019, the FASB issued ASU 2019-01 to clarify that in the year of initial adoption of ASC 842, entities are not subject to the transition disclosure requirements in ASC 250-10-50-3 related to the effect of an accounting change on certain interim period financial information. Prior to this clarification, the transition guidance in ASC 842 only excluded the annual disclosures required in ASC 250-10-50-1(b)(2).

We adopted ASU 2016-02 and the related amendments on January 1, 2019 using the modified retrospective transition method as required by the standard and recognized a right-of-use asset and an associated lease liability of $2 million on our consolidated balance sheet, relating primarily to office space and facilities that we have leased to conduct our business operations. Refer to Note 13 "Commitments and Contingencies" for further details.

Recently Issued Accounting Pronouncements Not Yet Adopted

ASU 2020-01 - Clarifying the Interactions between ASC 321, ASC 323 and ASC 815

In January 2020, the FASB issued ASU 2020-01 to clarify the interaction of the accounting for equity securities under ASC 321 and investments accounted for under the equity method of accounting in ASC 323 and the accounting for certain forward contracts and purchased options accounted for under ASC 815. With respect to the interactions between ASC 321 and ASC 323, the amendments clarify that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting when applying the measurement alternative in ASC 321, immediately before applying or upon discontinuing the equity method of accounting. With respect to forward contracts or purchased options to purchase securities, the amendments clarify that when applying the guidance in ASC 815-10-15-141(a), an entity should not consider whether upon the settlement of the forward contract or exercise of the purchased option, individually or with existing investments, the underlying securities would be accounted for under the equity method in ASC 323 or the fair value option in accordance with ASC 825. The ASU is effective for interim and annual reporting periods beginning after December 15, 2020, although early adoption is permitted, including adoption in any interim period. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements and disclosures.

ASU 2019-12 - Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU 2019-12 which removes certain exceptions for (1) recognizing deferred taxes for investments, (2) performing intraperiod tax allocation, and (3) calculating income taxes in interim periods. The ASU also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating income taxes to a legal entity that is not subject to income taxes. The ASU is effective for interim and annual reporting periods beginning after December 15, 2020, although early adoption is permitted, including adoption in any interim period. We are currently assessing the impact of adopting this guidance however we do not expect that the adoption will have a material impact on our consolidated financial statements and disclosures.

ASUs 2016-13 and 2018-19, Financial Instruments - Credit Losses - Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13, which is codified in ASC 326, amending the guidance on the impairment of financial instruments and significantly changing how entities measure credit losses for most financial assets and certain other financial instruments including reinsurance balances recoverable on paid and unpaid losses that are not measured at fair value through net income. The ASU will replace the existing “incurred loss” approach, with an “expected loss” model for instruments measured at amortized cost and require entities to record allowances for available-for-sale ("AFS") debt securities rather than reduce the carrying amount under the existing OTTI model. The ASU also simplifies the accounting model for purchased credit-impaired debt securities and loans.

In November 2018, the FASB then issued ASU 2018-19 covering targeted improvements to ASU 2016-13, which clarifies that receivables arising from operating leases are not within the scope of ASC 326-20 and that instead, the impairment of such receivables should be accounted for in accordance with ASC 842 - Leases.

In April 2019, the FASB also issued ASU 2019-04, which amends (1) ASU 2016-13 as codified in ASC 326, (2) ASU 2017-12 on hedging activities as codified in ASC 815, and (3) ASU 2016-01 on recognizing and measuring financial instruments as codified in ASC 825-10. Specifically with respect to ASC 326, the amendments in ASU 2019-04 clarify the scope of the credit losses standard and address issues related to accrued interest receivable balances, recoveries, variable interest rates and prepayments.

In May 2019, the FASB then issued ASU 2019-05, which amends ASU 2016-13 to provide entities with an option to irrevocably elect the fair value option for certain financial assets previously measured on an amortized cost basis. Entities that avail themselves of this transition relief will have the option to irrevocably elect the fair value option in ASC 825-10 on an instrument-by-instrument basis for eligible instruments, upon the adoption of ASC 326. The fair value option election, however, does not apply to held-to-maturity debt securities. An entity that elects the fair value option should subsequently apply the guidance in ASC 820-10 and ASC 825-10 to the eligible instruments for which it has elected the fair value option.

In November 2019, the FASB also issued ASU 2019-10 deferring the effective dates for ASU 2016-13; ASU 2017-12 and ASU 2016-02 for non-public business entities. With respect to ASU 2016-13, this deferral was also extended to entities that meet the smaller reporting company eligibility criteria.

Finally, in November 2019, the FASB issued ASU 2019-11 which clarified the following specific issues related to the amendments in ASU 2016-13: (1) the treatment for expected recoveries for purchased financial assets with credit deterioration or PCD assets, (2) application of the transition relief provided for troubled debt restructuring ("TDRs"), (3) disclosures related to accrued interest receivables, and (4) the application of the practical expedient related to financial assets secured by collateral maintenance provisions.

We adopted ASU 2016-13 and all the related amendments on January 1, 2020 using the modified retrospective approach and recorded a cumulative effect adjustment of less than $1 million to increase opening retained earnings with respect to our financial instruments carried at amortized cost, which primarily relate to our reinsurance balances recoverable and our AFS debt securities whose fair values were less than their amortized cost basis.

In addition to the estimated quantitative impact of adopting ASU 2016-13 and the related amendments, as illustrated above, the guidance will also require us to amend and in certain cases, significantly enhance the qualitative disclosures included in our consolidated financial statements around the following specific items: (1) the credit risk inherent within our portfolios of financial assets and how we monitor credit quality, (2) how we determine the estimation of expected credit losses, (3) changes in the estimate of expected credit losses that have occurred during each reporting period, and (4) providing a roll-forward analysis of our allowance for credit losses.

3. INVESTMENTS

We hold: (i) trading portfolios of fixed maturity, short-term investments 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.

Fixed Maturity Investments

Asset Types

The fair values of the underlying asset types of our short-term investments and fixed maturity investments, classified as trading and available-for-sale, were as follows as at December 31, 2019 and 2018:

	2019				
	Short-term investments, trading	Short-term investments, available-for-sale	Fixed maturities, trading	Fixed maturities, available-for-sale	Total
U.S. government and agency	$ —	$ 5,486	$ 63,221	$ 46,530	$ 115,237
U.K. government	—	—	18,879	398	19,277
Other government	—	—	688	—	688
Corporate	—	—	180,066	213,066	393,132
Municipal	—	—	15,103	12,092	27,195
Residential mortgage-backed	—	—	111,279	34,499	145,778
Commercial mortgage-backed	—	—	109,218	53,978	163,196
Asset backed	—	—	138,593	68,274	206,867
Total fixed maturity and short-term investments	$ —	$ 5,486	$ 637,047	$ 428,837	$ 1,071,370

	2018				
	Short-term investments, trading	Short-term investments, available-for-sale	Fixed maturities, trading	Fixed maturities, available-for-sale	Total
U.S. government and agency	$ 3,746	$ —	$ 90,781	$ —	$ 94,527
U.K. government	—	—	8,461	—	8,461
Other government	—	—	1,876	—	1,876
Corporate	—	—	489,837	—	489,837
Municipal	—	—	26,338	—	26,338
Residential mortgage-backed	—	—	123,714	—	123,714
Commercial mortgage-backed	—	—	143,256	—	143,256
Asset backed	1,992	—	172,741	—	174,733
Total fixed maturity and short-term investments	$ 5,738	$ —	$ 1,057,004	$ —	$ 1,062,742

Included within residential and commercial mortgage-backed securities as at December 31, 2019 were securities issued by U.S. governmental agencies with a fair value of $63 million (as at December 31, 2018: $53 million).

Contractual Maturities

The contractual maturities of our short-term investments and fixed maturity investments, classified as trading and available-for-sale, 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.

As of December 31, 2019	Amortized Cost	Fair Value	% of Total Fair Value
One year or less	$ 40,104	$ 39,966	3.7 %
More than one year through two years	70,245	71,144	6.6 %
More than two years through five years	237,506	239,962	22.5 %
More than five years through ten years	196,757	200,156	18.7 %
More than ten years	4,129	4,301	0.4 %
Residential mortgage-backed	143,046	145,778	13.6 %
Commercial mortgage-backed	161,814	163,196	15.2 %
Asset backed	208,710	206,867	19.3 %
	$ 1,062,311	$ 1,071,370	100.0 %

Credit Ratings

The following table sets forth the credit ratings of our short-term investments and fixed maturity investments, classified as trading and available-for-sale, as of December 31, 2019:

	Amortized Cost	Fair Value	% of Total	AAA Rated	AA Rated	A Rated	BBB Rated	Non-Investment Grade	Not Rated
U.S. government and agency	$ 114,599	$ 115,237	10.8 %	$ 115,237	$ —	$ —	$ —	$ —	$ —
U.K Government	18,348	19,277	1.8 %	—	19,277	—	—	—	—
Other government	665	688	0.1 %	—	533	155	—	—	—
Corporate	388,391	393,132	36.7 %	9,174	45,118	254,873	83,967	—	—
Municipal	26,738	27,195	2.5 %	6,292	20,903	—	—	—	—
Residential mortgage-backed	143,046	145,778	13.6 %	106,450	38,737	101	490	—	—
Commercial mortgage-backed	161,814	163,196	15.2 %	67,573	20,805	38,255	35,540	668	355
Asset backed	208,710	206,867	19.3 %	82,686	11,763	37,103	61,443	13,872	—
	$ 1,062,311	$ 1,071,370	100.0 %	$ 387,412	$ 157,136	$ 330,487	$ 181,440	$ 14,540	$ 355

Unrealized Gains and Losses on Available-for-sale Fixed Maturity Investments

The amortized cost and fair values of our fixed maturity investments classified as available-for-sale were as follows as of December 31, 2019:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Total
U.S. government and agency	$ 52,303	$ 12	$ (299)	$ 52,016
U.K. government	398	—	—	398
Other government	—	—	—	—
Corporate	213,390	339	(663)	213,066
Municipal	12,193	8	(109)	12,092
Residential mortgage-backed	34,526	31	(58)	34,499
Commercial mortgage-backed	54,172	12	(206)	53,978
Asset backed	68,299	58	(83)	68,274
Total fixed maturity and short-term investments	$ 435,281	$ 460	$ (1,418)	$ 434,323

We did not have any fixed maturity investments classified as available-for-sale as of December 31, 2018.

Gross Unrealized Losses on Available-for-sale Fixed Maturity Investments

The following table summarizes our fixed maturity investments classified as available-for-sale in a gross unrealized loss position, as of December 31, 2019:

	12 Months or Greater		Less Than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. government and agency	$ —	$ —	$ 37,665	$ (299)	$ 37,665	$ (299)
U.K. government	—	—	—	—	—	—
Other government	—	—	—	—	—	—
Corporate	—	—	129,982	(663)	129,982	(663)
Municipal	—	—	11,284	(109)	11,284	(109)
Residential mortgage-backed	—	—	17,074	(58)	17,074	(58)
Commercial mortgage-backed	—	—	44,078	(206)	44,078	(206)
Asset backed	—	—	34,077	(83)	34,077	(83)
Total fixed maturity investments	$ —	$ —	$ 274,160	$ (1,418)	$ 274,160	$ (1,418)

We did not have any fixed maturity investments classified as available-for-sale as of December 31, 2018.

As of December 31, 2019, the number of securities classified as available-for-sale in an unrealized loss position was 110. Of these securities, the number of securities that had been in an unrealized loss position for twelve months or longer was nil. From October 1, 2019, where permissible, as trading fixed maturity securities mature, we are investing into available-for-sale.

Other-Than-Temporary Impairment on Available-for-sale Fixed Maturity Investments

For the year ended December 31, 2019, we did not recognize any other-than-temporary impairment losses on our available-for-sale securities. We determined that no credit losses existed as of December 31, 2019. A description of our other-than-temporary impairment process is included in Note 2 "Significant Accounting Policies".

Equity Investment

The following table summarizes our equity investments carried at fair value as at December 31, 2019 and 2018:

	2019	2018
Publicly traded equity investment in common stock	$ 17,455	$ 21,535
Exchange-traded fund	105,888	—
Privately held equity investments in preferred stock	3,000	—
	$ 126,343	$ 21,535

Other Investments

The following table summarizes our other investments carried at fair value as of December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Euro fund	$ 29,939	$ 73,485
Balanced fund	—	61,445
Global fixed income fund	—	55,979
High yield fixed income funds	50,358	46,428
Private equity funds	32,696	22,224
Hedge fund	18,992	19,534
Overseas deposits	—	1,875
	$ 131,985	$ 280,970

The valuation of our other investments is described in Note 4 "Fair Value Measurements." The following is a description of the nature of each of these investment categories:

- The Euro fund (also referred as Patcham Funds), all of whose investors are Enstar subsidiaries and affiliates, comprises a position in a diversified fixed income fund and also direct holdings in fixed income and equity securities. The fund has regularly published prices and is redeemable weekly. Please refer to Note 9 "Related Party Transactions" for more details.

- The balanced fund, all of whose investors are Enstar subsidiaries and affiliates, comprises a number of positions in diversified fixed income, equity funds and also direct holdings in fixed income and equity securities. The fund has regularly published prices and is redeemable weekly.

- The global fixed income fund and high yield fixed income funds comprise a number of positions in diversified fixed income funds that are managed by third party managers. Underlying investments vary from high grade corporate bonds to non-investment grade senior secured loans and bonds, but are generally invested in liquid fixed income markets. These funds have regularly published prices. The funds have liquidity terms that vary from weekly to monthly.

- Private equity funds primarily consist of investments in the financial services industry. All of our investments in private equity funds are subject to restrictions on redemptions and sales that are determined by the governing documents and limit the Company's ability to liquidate those investments. These restrictions have been in place since the inception of the investments.

- The hedge fund invests in a wide range of instruments, including debt and equity securities, and utilizes various sophisticated strategies to achieve its objectives. The hedge fund is eligible for quarterly redemption.

- Overseas deposits represent monies kept in overseas funds managed by Lloyd's. These funds are required in order to protect policyholders in overseas markets and enable the Syndicate to operate in those markets. Access to these funds is restricted and the Company cannot influence the investment strategy.

As at December 31, 2019 the Company had unfunded commitments attributable to its other investments of $24 million.

Net Realized and Unrealized Gains (Losses)

Components of net realized and unrealized gains (losses) for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Net realized gains (losses) on sale:		
Gross realized gains on fixed maturity securities, available-for-sale securities	$ 21	$ —
Gross realized losses on fixed maturity securities, available-for-sale securities	(207)	—
Net realized gains (losses) on sale of fixed maturity securities, trading	11,534	(3,339)
Total net realized gains (losses) on sale	11,348	(3,339)
Net unrealized gains (losses):		
Fixed maturity securities	20,531	(11,037)
Equity investments	(2,428)	3,075
Other investments	13,497	(3,922)
Total net unrealized gains (losses)	31,600	(11,884)
Net realized gains/(losses) and change in the fair value of embedded derivative:		
Net realized gains/(losses) on fixed maturity securities	932	(382)
Change in fair value of embedded derivative	4,426	29
Net realized gains/(losses) and change in the fair value of embedded derivative	5,358	(353)
Net realized and unrealized gains (losses)	$ 48,306	$ (15,576)

The net realized losses and change in the fair value of the embedded derivative relates to the total return on the assets retained by SGL 1 under the terms of the SGL 1 Reinsurance Agreement with the Company which is described in Note 1 "Description of Business". As of December 31, 2019, the Company has recorded an asset of $98 million (2018: $27 million) being the funds retained by SGL 1 under the terms of the SGL 1 Reinsurance Agreement and which is included within 'Other assets' in the consolidated balance sheets.

Net Investment Income

Major categories of net investment income for the years ended December 31, 2019 and 2018 are summarized as follows:

	2019	2018
Fixed maturity investments	$ 31,857	$ 28,795
Short-term investments and cash and cash equivalents	4,549	1,152
Equity investment	1,813	1,384
Interest income from affiliate	5,425	2,522
Funds Held	697	2,205
Gross investment income	44,341	36,058
Investment expenses	(1,981)	(2,386)
Net investment income	$ 42,360	$ 33,672

The interest income from affiliate of $5 million (2018: $3 million) relates to income from a loan advanced to Kenmare Holdings Ltd., please refer to Note 9 "Related Party Transactions" for further details.

Restricted Assets

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.

The carrying value of our restricted assets as of December 31, 2019 and 2018, respectively, was as detailed below:

	2019	2018
Collateral in trust for third party agreements	$ 466,398	$ 409,147
Assets on deposit with regulatory authorities	135,967	135,085
Collateral for secured letter of credit facilities	36,082	37,385
Funds at Lloyd's	107,430	59,744
	$ 745,877	$ 641,361

4. FAIR VALUE MEASUREMENT

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 the 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.

In addition, certain of our other investments are measured at fair value using net asset value ("NAV") per share (or its equivalent) as a practical expedient and are not classified within the three levels of the fair value hierarchy described above. We have categorized our assets and liabilities that are recorded at fair value on a recurring basis among levels based on the observability of inputs, or at fair value using NAV per share (or its equivalent) as follows:

	December 31, 2019				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Based on NAV as Practical Expedient	Total Fair Value
Investments:					
Fixed maturity investments:					
U.S. government and agency	$ —	$ 115,237	$ —	$ —	$ 115,237
U.K. government	—	19,277	—	—	19,277
Other government	—	688	—	—	688
Corporate	—	393,132	—	—	393,132
Municipal	—	27,195	—	—	27,195
Residential mortgage-backed	—	145,778	—	—	145,778
Commercial mortgage-backed	—	163,196	—	—	163,196
Asset-backed	—	206,867	—	—	206,867
	$ —	$ 1,071,370	$ —	$ —	$ 1,071,370
Equities:					
Publicly traded equity investments	$ —	$ 17,455	$ —	$ —	$ 17,455
Exchange-traded fund	105,888	—	—	—	105,888
Privately held equity investments	—	—	3,000	—	3,000
	$ 105,888	$ 17,455	$ 3,000	$ —	$ 126,343
Other investments:					
Euro fund	$ —	$ 29,939	$ —	$ —	$ 29,939
Balanced fund	—	—	—	—	—
Global fixed income fund	—	—	—	—	—
High yield fixed income funds	—	50,358	—	—	50,358
Private equity funds	—	—	—	32,696	32,696
Hedge fund	—	—	—	18,992	18,992
Overseas deposits	—	—	—	—	—
	$ —	$ 80,297	$ —	$ 51,688	$ 131,985
Total Investments	$ 105,888	$ 1,169,122	$ 3,000	$ 51,688	$ 1,329,698
Cash and cash equivalents	$ 42,679	$ 8,546	$ —	$ —	$ 51,225

	December 31, 2018				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Based on NAV as Practical Expedient	Total Fair Value
Investments:					
Fixed maturity investments:					
U.S. government and agency	$ —	$ 94,527	$ —	$ —	$ 94,527
U.K. government	—	8,461	—	—	8,461
Other government	—	1,876	—	—	1,876
Corporate	—	489,837	—	—	489,837
Municipal	—	26,338	—	—	26,338
Residential mortgage-backed	—	123,714	—	—	123,714
Commercial mortgage-backed	—	139,525	3,731	—	143,256
Asset-backed	—	167,275	7,458	—	174,733
	$ —	$ 1,051,553	$ 11,189	$ —	$ 1,062,742
Other investments:					
Euro fund	—	73,485	—	—	73,485
Balanced fund	—	61,445	—	—	61,445
Global fixed income funds	—	55,979	—	—	55,979
High yield fixed income funds	—	46,428	—	—	46,428
Private equity funds	—	—	—	22,224	22,224
Hedge fund	—	—	—	19,534	19,534
Overseas deposits	—	1,875	—	—	1,875
	$ —	$ 239,212	$ —	$ 41,758	$ 280,970
Total Investments	$ —	$ 1,312,300	$ 11,189	$ 41,758	$ 1,365,247
Cash and cash equivalents	$ 57,865	$ 4,989	$ —	$ —	$ 62,854

Valuation Methodologies of Financial Instruments Measured at Fair Value

Fixed Maturity Investments

The fair values for all securities in the fixed maturity investments are independently provided by the investment accounting service providers, investment managers and investment custodians, each of which utilize internationally recognized independent pricing services. We record the unadjusted price provided by the investment accounting service providers, investment managers or investment custodians and validate this price through a process that includes, but is not limited to: (i) comparison of prices against alternative pricing sources; (ii) quantitative analysis (e.g. comparing the quarterly return for each managed portfolio to its target benchmark); (iii) evaluation of methodologies used by external parties to estimate fair value, including a review of the inputs used for pricing; and (iv) comparing the price to our knowledge of the current investment market. Our internal price validation procedures and review of fair value methodology documentation provided by independent pricing services have not historically resulted in adjustment in the prices obtained from the pricing service.

The independent pricing services used by the investment accounting service providers, investment managers and investment custodians obtain actual transaction prices for securities that have quoted prices in active markets. Where we utilize single unadjusted broker-dealer quotes, they are generally provided by market makers or broker-dealers who are recognized as market participants in the markets in which they are providing the quotes. For determining the fair value of securities that are not actively traded, in general, pricing services use "matrix pricing" in which the independent pricing service uses observable market inputs including, but not limited to, reported trades, benchmark yields, broker-dealer quotes, interest rates, prepayment speeds, default rates and such other inputs as are available from market sources to determine a reasonable fair value. In addition, pricing services use valuation models, using observable data, such as an Option Adjusted Spread model, to develop prepayment and interest rate scenarios. The Option Adjusted Spread model is commonly used to estimate fair value for securities such as mortgage-backed and asset-backed securities.

The following describes the techniques generally used to determine the fair value of our fixed maturity investments by asset class:

- U.S. government and agency securities consist of securities issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other agencies. Non-U.S. government securities consist of bonds issued by non-U.S. governments and agencies along with supranational organizations. The significant inputs used to determine the fair value of these securities include the spread above the risk-free yield curve, reported trades and broker-dealer quotes. These are considered to be observable market inputs and, therefore, the fair values of these securities are classified as Level 2.

- Municipal securities consist primarily of bonds issued by U.S.-domiciled state and municipal entities. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker-dealer quotes and benchmark yields. These are considered observable market inputs and, therefore, the fair values of these securities are classified as Level 2.

- Corporate securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker-dealer quotes, benchmark yields, and industry and market indicators. These are considered observable market inputs and, therefore, the fair values of these securities are classified as Level 2. Where pricing is unavailable from pricing services, such as in periods of low trading activity or when transactions are not orderly, we obtain non-binding quotes from broker-dealers. Where significant inputs are unable to be corroborated with market observable information, we classify the securities as Level 3.

- Asset-backed securities consist primarily of investment-grade bonds backed by pools of loans with a variety of underlying collateral. Residential and commercial mortgage-backed securities include both agency and non-agency originated securities. Where pricing is unavailable from pricing services, we obtain non-binding quotes from broker-dealers. This is generally the case when there is a low volume of trading activity and current transactions are not orderly. The significant inputs used to determine the fair value of these securities include the spread above the risk-free yield curve, reported trades, benchmark yields, prepayment speeds and default rates. The fair values of these securities are classified as Level 2 if the significant inputs are market observable. Where significant inputs are unable to be corroborated with market observable information, we classify the securities as Level 3.

Equities

Our investment in equity securities consists of a combination of publicly and privately traded investments. Our publicly traded equity investment however trades in an inactive market and, as a result has been classified as Level 2. Our exchange-traded fund trades on major exchanges. We use an internationally recognized pricing service to estimate the fair value of our exchange-traded fund. We have categorized our exchange-traded as Level 1 investment because the fair value of this investment is based on unadjusted quoted price in active markets for identical assets.

Our privately held equity investment is a direct investment in a company that we believe offer attractive risk adjusted returns and/or offer other strategic advantages. The market for this investment is illiquid and there is no active market. We use a combination of cost, internal models, reported values from co-investors/managers and observable inputs, such as capital raises and capital transactions between new and existing shareholders to calculate the fair value of the privately held equity investment. The fair value estimate of our investment in privately held equity is based on unobservable market data and, as a result, has been categorized as Level 3.

Other investments

We have ongoing due diligence processes with respect to the other investments carried at fair value in which we invest and their managers. These processes are designed to assist us in assessing the quality of information provided by, or on behalf of, each fund and in determining whether such information continues to be reliable or whether further review is warranted. Certain funds do not provide full transparency of their underlying holdings; however, we obtain the audited financial statements for funds annually, and regularly review and discuss the fund performance with the fund managers to corroborate the reasonableness of the reported NAV.

The use of NAV as an estimate of the fair value for investments in certain entities that calculate NAV is a permitted practical expedient. Due to the time lag in the NAV reported by certain fund managers we adjust the valuation for capital calls and

distributions. Other investments measured at fair value using NAV as a practical expedient have not been classified in the fair value hierarchy.

Other investments for which we do not use NAV as a practical expedient have been valued using prices from independent pricing services, investment managers and broker-dealers.

The following describes the techniques generally used to determine the fair value of our other investments:

- Our investments in the Euro fund, fixed income funds and balanced fund are valued based on a combination of prices from independent pricing services, external fund managers or third-party administrators. For the publicly available prices we have classified the investments as Level 2.
- For our investments in private equity funds, we measure fair value by obtaining the most recently available NAV from the external fund manager or third-party administrator. The fair values of these investments are measured using the NAV as a practical expedient and therefore have not been categorized within the fair value hierarchy.
- For our investments in the hedge fund, we measure fair value by obtaining the most recently available NAV as advised by the external fund manager or third-party administrator. The fair values of this investment is measured using the NAV as a practical expedient and therefore has not been categorized within the fair value hierarchy.
- Overseas deposits represent monies kept in overseas funds managed by Lloyd's. These funds are required in order to protect policyholders in overseas markets and enable the Syndicate to operate in those markets. Access to these funds is restricted and the Company cannot influence the investment strategy. Our overseas deposits have been classified as Level 2 within the fair value hierarchy.

Level 3 Measurements and Changes in Leveling

Transfers into or out of levels are recorded at their fair values as of the end of the reporting period, consistent with the date of determination of fair value.

Investments

The following table presents a reconciliation of the beginning and ending balances for all investments measured at fair value on a recurring basis using Level 3 inputs during the years ended December 31, 2019 and 2018:

	2019			
	Commercial mortgage-backed	Asset-backed	Privately held equity	Total
Beginning fair value	$ 3,731	$ 7,458	$ —	$ 11,189
Purchases	—	—	3,000	3,000
Sales	(75)	(2,670)	—	(2,745)
Total realized and unrealized gains (losses)	(4)	270	—	266
Transfers into Level 3 from Level 2	—	19,350	—	19,350
Transfers out of Level 3 into Level 2	(3,652)	(24,408)	—	(28,060)
Ending fair value	$ —	$ —	$ 3,000	$ 3,000

	2018					
	Corporate	Residential mortgage-backed	Commercial mortgage-backed	Asset-backed	Other Investments	Total
Beginning fair value	$ 375	$ 1,980	$ 4,429	$ 4,855	$ 351	$ 11,990
Purchases	—	—	446	14,023	—	14,469
Sales	(375)	(85)	(892)	(15,409)	(270)	(17,031)
Total realized and unrealized gains (losses)	—	(27)	46	(1,487)	(81)	(1,549)
Transfers into Level 3 from Level 2	—	1,795	—	8,679	—	10,474
Transfers out of Level 3 into Level 2	—	(3,663)	(298)	(3,203)	—	(7,164)
Ending fair value	$ —	$ —	$ 3,731	$ 7,458	$ —	$ 11,189

Net realized and unrealized gains (losses) related to our Level 3 investments summarized on the tables above are included in net realized and unrealized gains(losses) in our consolidated statements of earnings.

The securities transferred from Level 2 to Level 3 were transferred due to insufficient market observable inputs for the valuation of the specific investments. The transfers from Level 3 to Level 2 were based upon us obtaining market observable information regarding the valuations of the specific assets.

5. RETROACTIVE REINSURANCE ARRANGEMENTS

The Company has entered into a series of reinsurance agreements which have been accounted for on a retroactive basis.

Fitzwilliam #31:

With effect from January 1, 2014, the Company entered into a Loss Portfolio Transfer reinsurance contract (“LPT”) with Fitzwilliam Insurance Limited ("Fitzwilliam"), a wholly owned subsidiary of Enstar, through its Segregated Account 31 (“Fitzwilliam #31”), for all discontinued lines of business in relation to the 2013 and prior underwriting years. Under the terms of the LPT transaction, the Company ceded $360 million of retrospective losses and loss adjustment expenses and $46 million of prepaid premiums net of acquisition costs in relation to future insurable losses. The $360 million of loss and allocated loss adjustment expense reserves ceded to Fitzwilliam #31 was net of $169 million of ceded loss and allocated loss adjustment expense reserves under existing third-party reinsurance contracts. Enstar and Trident have guaranteed the payment obligations of Fitzwilliam #31 up to the full aggregate reinsurance limit.

The LPT agreement with Fitzwilliam #31 is on a funds withheld basis. The Company has established a segregated investment portfolio in relation to the LPT which is shown as part of investments within the consolidated balance sheets and has a fair value as at December 31, 2019 of $90 million (2018: $88 million). For the year ended December 31, 2019, the Company recorded a decrease of $19 million in the deferred retroactive gain and $12 million of the deferred retroactive gain was amortized by the Company and recognized in earnings.

Fitzwilliam #41

With effect from October 1, 2018, the Company entered into a reinsurance contract with Fitzwilliam through its Segregated Account 41 (“Fitzwilliam #41”), for specific lines of business covering all losses occurring on or prior to October 1, 2018. Through this reinsurance agreement, the Company ceded net loss and loss adjustment expense reserves of $208 million, in excess of the attachment point of $97 million, to Fitzwilliam #41 subject to a contractual limit of $283 million on a net paid basis.

For the year ended December 31, 2019, the Company recorded a increase of $25 million in the deferred retroactive gain and $22 million of the deferred retroactive gain was amortized by the Company and recognized in earnings.

Fitzwilliam #42

With effect from April 1, 2019, the Company entered into a reinsurance contract with Fitzwilliam through its Segregated Account 42 (“Fitzwilliam #42”), for specific lines of business covering all losses occurring prior to April 1, 2019 or, for one specific line of business, prior to January 1, 2019. Through this reinsurance agreement, the Company ceded net loss and loss adjustment expense reserves of $117 million to Fitzwilliam #42 subject to a contractual limit of $165 million on a net paid basis.

From inception of the contract on April 1, 2019 to December 31, 2019, the Company recorded a increase of $43 million in the deferred retroactive gain and $12 million of the deferred retroactive gain was amortized by the Company and recognized in earnings.

Cavello Bay

On December 15, 2016, the Company entered into a continuous 35% quota share reinsurance contract with KaylaRe Ltd ("KaylaRe") pursuant to which KaylaRe reinsures 35% of all business written by StarStone Specialty, StarStone National, SISE and business written through Syndicate 1301 for risks attaching from January 1, 2016, net of third party reinsurance in relation to the 2016 and subsequent underwriting years. With effect from January 1, 2018, StarStone Specialty and StarStone National terminated their quota share reinsurance arrangement with KaylaRe on a run-off basis. With effect from January 1, 2019, KaylaRe terminated its quota share reinsurance arrangement with SISE and Syndicate 1301 on a run-off basis. 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. All amounts previously presented with KaylaRe as the counterparty have been updated to reflect Cavello Bay as the counterparty.

With effect from October 1, 2019, the Company simultaneously entered into two reinsurance contracts with Cavello Bay. The first contract provides retrospective coverage for specific lines of business covering all losses occurring prior to October 1, 2019. Through this agreement, the Company ceded net loss and loss adjustment expense reserves of $149 million, in excess of the attachment point of $67 million. The second contract provides prospective coverage for construction business covering all losses occurring on or after October 1, 2019. Through this agreement, the Company ceded unearned premium reserves, net of deferred acquisition costs, of $40 million. The aggregate limit for retrospective and the prospective contract is $248 million on a net paid basis.

From inception of the contract on October 1, 2019 to December 31, 2019, the Company recorded a increase of $14 million in the deferred retroactive gain and none of the deferred retroactive gain was amortized by the Company and recognized in earnings. There was no amortization of the retroactive gain through earnings for the year ended December 31, 2019 as there have been no ceded paid recoveries since inception of the contract.

Deferred Retroactive Reinsurance Gain

As described within Note 2 "Significant Accounting Policies", in the event that the cumulative loss and allocated loss adjustment expenses ceded under the retroactive reinsurance agreements exceed the consideration paid, the resulting gain from such excess is deferred. A portion of the deferred gain is cumulatively recognized in earnings in the period such excess arises as if the revised estimate was available at the inception date of the contract.

The table below provides a consolidated reconciliation of the beginning and ending deferred gain arising on the retroactive reinsurance agreements for the years ended December 31, 2019 and 2018:

	2019				
	Fitzwilliam #31	**Fitzwilliam #41**	**Fitzwilliam #42**	**Cavello Bay**	**Total**
Balance as at January 1	$ 20,280	$ 49,634	$ —	$ —	$ 69,914
Retroactive reinsurance gain (loss)	(18,754)	25,366	42,948	13,924	63,484
Amortization of gain	11,610	(22,023)	(12,482)	—	(22,895)
Balance as at December 31	$ 13,136	$ 52,977	$ 30,466	$ 13,924	$ 110,503

	2018				
	Fitzwilliam #31	**Fitzwilliam #41**	**Fitzwilliam #42**	**Cavello Bay**	**Total**
Balance as at January 1	$ 23,386	$ —	$ —	$ 1,765	$ 25,151
Retroactive reinsurance (loss) gain	(597)	49,634	—	—	49,037
Amortization of gain	(2,509)	—	—	(1,765)	(4,274)
Balance as at December 31	$ 20,280	$ 49,634	$ —	$ —	$ 69,914

Funds Withheld - Affiliated Reinsurers

The Company holds a funds withheld liability balance due to its affiliated reinsurers Fitzwilliam #31, Fitzwilliam #41, Fitzwilliam #42 and Cavello Bay included within insurance and reinsurance balances payable on the consolidated balance sheets. In relation to Fitzwilliam #31, the Company retains the underlying investments within a segregated investment portfolio and credits the total return on the investments to the funds withheld balance owing to Fitzwilliam #31. In relation to Fitzwilliam #41, Fitzwilliam #42 and Cavello Bay, the Company credits the funds withheld account with a rate of interest that is pegged to a benchmark rate plus a specified margin with such investment income accruing to Fitzwilliam #41, Fitzwilliam #42 and Cavello Bay as the reinsurer.

6. REINSURANCE RECOVERABLE

The Company has used retrocessional agreements to reduce its exposure to the risk of insurance and reinsurance assumed. The purchase of reinsurance does not legally discharge the Company from its primary gross liability and therefore the Company remains liable to the extent that its reinsurers do not meet their obligations under these reinsurance agreements. The Company continuously evaluates and monitors the concentration of its credit risk among its reinsurers and provisions are made for amounts considered potentially uncollectible. Reinsurers that are not considered to meet the Company's security requirements are required to provide collateral or a guarantee from a parent or group company with appropriate security.

Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying liabilities.

The effects of reinsurance on premiums written and earned for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Premiums Written:		
Direct	$ 770,626	$ 691,675
Assumed	146,927	429,460
Total Gross Premium Written	917,553	1,121,135
Ceded Premium Written - Affiliates	(63,383)	(128,371)
Ceded Premium Written - Non-Affiliates	(181,920)	(321,852)
Net Premium Written	$ 672,250	$ 670,912
Premiums Earned:		
Direct	$ 818,924	$ 638,853
Assumed	200,059	369,714
Total Gross Premiums Earned	1,018,983	1,008,567
Ceded Premiums Earned - Affiliates	(94,413)	(150,275)
Ceded Premiums Earned - Non-Affiliates	(216,382)	(297,280)
Net Premiums Earned	$ 708,188	$ 561,012

The following table provides the total reinsurance balances recoverable as of December 31, 2019 and 2018:

	2019	2018
Recoverable from reinsurers on unpaid:		
Outstanding losses	$ 726,278	$ 573,293
IBNR	625,068	502,319
Total reinsurance balances recoverable	1,351,346	1,075,612
Paid losses recoverable	61,897	28,078
	$ 1,413,243	$ 1,103,690

The following table summarizes our reinsurance balances recoverable by reinsurer and rating as appropriate, as of December 31, 2019 and 2018:

	2019	2018
Affiliated Reinsurers		
Cavello Bay	$ 409,090	$ 154,121
Fitzwilliam #31	89,288	104,856
Fitzwilliam #41	200,348	258,268
Fitzwilliam #42	113,249	—
	811,975	517,245
Non-Affiliated Reinsurers		
Reinsurers rated A+ or above by A.M. Best	339,297	360,895
Reinsurers rated A by A.M. Best	188,933	149,782
Reinsurers rated A- or below by A.M. Best	48,052	31,318
Reinsurers secured by collateral / guarantees	24,986	44,450
	601,268	586,445
	$ 1,413,243	$ 1,103,690

7. LOSS AND LOSS ADJUSTMENT EXPENSES

The following table summarizes the liab ility for gross losses and LAE as of December 31, 2019 and 2018:

	2019	2018
Outstanding losses	$ 938,886	$ 853,069
IBNR	997,290	831,364
ULAE	32,787	29,587
Losses and loss adjustment expenses	1,968,963	1,714,020

The table below provides a consolidated reconciliation of the beginning and ending liability for losses and LAE for the years ended December 31, 2019 and 2018:

	2019	2018
Loss and loss adjustment expenses	$ 1,714,020	$ 1,337,084
Less: reinsurance recoverable on unpaid losses	(1,075,612)	(583,809)
Deferred gain on retroactive reinsurance	69,914	25,151
Net balance as at January 1	708,322	778,426
Net incurred losses and LAE:		
Current year	482,514	406,028
Prior periods	43,194	76,339
Movement in the deferred gain on retroactive reinsurance contracts	40,589	44,763
Total net incurred losses and LAE	566,297	527,130
Net losses paid:		
Current year	(76,038)	(119,439)
Prior periods	(206,133)	(269,236)
Total net paid losses	(282,171)	(388,675)
Assumed business	—	10,268
Ceded business	(265,870)	(208,634)
Effect of exchange rate movement	1,542	(10,193)
Net unpaid losses and LAE reserves as at December 31	617,617	638,408
Plus: reinsurance recoverables on unpaid losses as at December 31	1,351,346	1,075,612
Gross losses and loss adjustment expenses as at December 31	1,968,963	1,714,020
Deferred gain on retroactive reinsurance as at December 31	110,503	69,914
Total losses and LAE and deferred retroactive reinsurance gain as at December 31	$ 2,079,466	$ 1,783,934

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, 2019, the Company recorded an overall net increase in ultimate losses and loss adjustment expense liabilities of $566 million. Current year loss activity was $483 million in 2019, driven by large losses on lines of business that have been exited (construction, airlines) or re-underwritten (marine). The Company recorded net adverse prior period reserve development of $43 million primarily due to U.S. excess casualty. The ceded business of $266 million represents the initial cessions with Fitzwilliam #42 and Cavello Bay which have been accounted for on a retroactive basis as further discussed in Note 5 "Retroactive Reinsurance Arrangements".

For the year ended December 31, 2018, the Company recorded an overall net increase in ultimate losses and loss adjustment expense liabilities of $527 million. Current year loss activity was $406 million in 2018, driven in part by accumulation of large losses during the year which impacted our international property, construction, marine cargo and marine hull and war lines of business. The Company recorded net adverse prior period reserve development of $76 million primarily due to U.S. healthcare, excess casualty, marine, aviation and construction lines of business. The assumed business of $10 million relates to additional business assumed after the reinsurance to close of the 2015 and prior year of account for our participation within Syndicate 1301. The ceded business of $209 million represents the initial cession with Fitzwilliam #41 which has been accounted for on a retroactive basis.

Loss Development Information

Methodology for Establishing Loss Reserves

The liability for losses and LAE includes an amount determined from reported claims and an amount based on historical loss experience and industry statistics for IBNR using a variety of actuarial methods. Our loss reserves cover multiple lines of business, which include casualty, marine, property, aerospace and workers' compensation. Management, through our loss reserving committee, considers the reasonableness of loss reserves recommended by our actuaries, including actual loss development during the year.

Case reserves are recognized for known claims (including the cost of related litigation) when sufficient information has been reported to us to indicate the involvement of a specific insurance policy. We use considerable judgment in estimating losses for reported claims on an individual claim basis based upon our knowledge of the circumstances surrounding the claim, the severity of the injury or damage, the jurisdiction of the occurrence, the potential for ultimate exposure, the type of loss, and our experience with the line of business and policy provisions relating to the particular type of claim. The reserves for unpaid reported losses and LAE are established by management based on reports from brokers, ceding companies and insureds and represent the estimated ultimate cost of events or conditions that have been reported to, or specifically identified, by us. We also consider facts currently known and the current state of the law and coverage litigation.

IBNR reserves are established by management based on actuarial estimates of ultimate losses and loss expenses. We use generally accepted actuarial methodologies to estimate ultimate losses and LAE and those estimates are reviewed by management. In addition, the routine settlement of claims, at either below or above the carried advised loss reserves, updates historical loss development information to which actuarial methodologies are applied, often resulting in revised estimates of ultimate liabilities. On an annual basis, we engage an independent actuarial firm to review the estimates of ultimate losses developed by our actuaries, for reasonableness.

Within the annual loss reserve studies produced by our actuaries, our assumed exposures are separated into homogeneous reserving categories for the purpose of estimating IBNR. Each reserving category contains either direct insurance or assumed reinsurance reserves and groups relatively similar types of risks and exposures (for example, casualty, property, workers compensation) and lines of business written (for example, marine, aviation, non-marine). Based on the exposure characteristics and the nature of available data for each individual reserving category, a number of methodologies are applied. Recorded reserves for each category are selected from the actuarial indications produced by the various methodologies after consideration of exposure characteristics, data limitations and strengths and weaknesses of each method applied. This approach to estimating IBNR has been consistently adopted in the annual loss reserve studies for each period presented.

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 insurance or reinsurance company and the ultimate payment of the claim on the loss event. Our actuarial methodologies include industry benchmarking which, under certain methodologies, compares the trend of our loss development to that of the industry. To the extent that the trend of our loss development compared to the industry changes in any period, it is likely to have an impact on the estimate of ultimate liabilities. Unpaid claim liabilities for property and casualty exposures in general are impacted by changes in the legal environment, jury awards, medical cost trends and general inflation. 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. Ultimate values for such claims cannot be estimated using reserving techniques that extrapolate losses to an ultimate basis using loss development factors, and the uncertainties surrounding the estimation of unpaid claim liabilities are not likely to be resolved in the near future. In addition, reserves are established to cover loss development related to both known and unasserted claims. Consequently, our subsequent estimates of ultimate losses and LAE, and our liability for losses and LAE, may differ materially from the amounts recorded in the consolidated financial statements.

These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, will be recorded in earnings in the period in which they become known. Prior period development arises from changes to loss estimates recognized in the current year that relate to loss reserves established in previous calendar years.

Disclosures of Incurred and Paid Loss Development, IBNR, Claims Counts and Payout Percentages

The loss development tables disclosed below, sets forth our historic incurred and paid loss development by accident year through December 31, 2019, net of reinsurance, as well as the cumulative number of reported claims, IBNR balances, and other supplementary information. All the lines of business related to the Company have been included within the loss development disclosures below, namely, Casualty, Marine, Property, Aerospace and Workers' Compensation with the exception of the legacy discontinued liabilities which have been fully ceded to Fitzwilliam #31, as described in Note 5 "Retroactive Reinsurance Arrangements", as the Company has no net liability with respect to these reserves.

Cumulative Number of Reported Claims

Reported claim counts, on a cumulative basis, are provided as supplemental information to each incurred loss development table by accident year. The claim frequency information is determined at the claimant level for the exposures within the Company's lines of business disclosed within the loss development tables below. Our claims system assigns a unique claim identifier to each reported claim we receive. Each unique claim identifier is deemed to be a single claim, irrespective of whether the claim remains open or has been closed with or without payment. For certain insurance facilities and business produced or managed by managing general agents, coverholders and third party administrators where the underlying claims data is reported to us in an aggregated format, the information necessary to provide cumulative claims frequency is not available. In such cases, we typically record a "block" claim in our system. This also applies to a small amount of assumed reinsurance business that we write where, similarly, the underlying claims data is reported to us in an aggregated format. In such instances, each assumed reinsurance contract is deemed a single claim.

Summary of Liability for Losses and LAE by Line of Business

The following table provides a breakdown of the Company's liability for losses and LAE reserves by line of business, as of December 31, 2019 and 2018.

	2019					
	Gross			Net		
	OLR	IBNR	Total	OLR	IBNR	Total
Casualty	$ 193,105	$ 482,096	$ 675,201	$ 88,630	$ 258,392	$ 347,022
Marine	193,921	173,167	367,088	41,211	62,114	103,325
Property	365,234	144,253	509,487	20,078	21,118	41,196
Aerospace	57,285	122,314	179,599	(4,126)	6,347	2,221
Workers' Compensation	79,249	40,508	119,757	31,982	68,167	100,149
LPT with Fitzwilliam #31	50,092	34,952	85,044	—	—	—
Total	$ 938,886	$ 997,290	$ 1,936,176	$ 177,775	$ 416,138	$ 593,913
ULAE			32,787			23,704
Total			**$ 1,968,963**			**$ 617,617**

	2018					
	Gross			Net		
	OLR	IBNR	Total	OLR	IBNR	Total
Casualty	$ 164,498	$ 334,679	$ 499,177	$ 101,700	$ 209,423	$ 311,123
Marine	185,084	182,453	367,537	93,789	40,460	134,249
Property	306,065	123,157	429,222	52,970	20,757	73,727
Aerospace	67,203	40,416	107,619	7,755	6,551	14,306
Workers' Compensation	49,373	110,082	159,455	27,333	57,692	85,025
LPT with Fitzwilliam #31	80,846	40,577	121,423	—	—	—
Total	$ 853,069	$ 831,364	$ 1,684.433	$ 283.547	$ 334.883	$ 618,430
ULAE			29.587			19,978
Total			**$ 1,714,020**			**$ 638,408**

Incurred and Paid Loss Development by Line of Business

The following tables set forth information about incurred and paid loss development information for all of the Company's lines of business as at December 31, 2019. The information on the incurred losses and loss expenses and cumulative paid losses and loss expenses as of December 31, 2019 is presented net of reinsurance. The information related to incurred and paid loss development for the years ended December 31, 2014 through 2018 is presented as supplementary information and is therefore unaudited. The information in the incurred and paid loss development tables below is presented on a prospective basis from the date of the acquisition of the Company by Enstar, Trident V and Dowling through SSHL as described in Note 1 "Description of Business" since providing pre-acquisition incurred and paid losses by accident year for years prior to 2014 was determined to be impracticable due to significant data limitations.

Casualty

Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance								
	For the Years Ended December 31,						As of December 31, 2019	
Accident Year	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019	IBNR*	Cumulative Number of Claims
2009 and Prior	$ 82,278	$ 82,329	$ 82,400	$ 82,324	$ 82,535	$ 82,552	$ —	2,543
2010	16,623	17,769	17,856	18,538	18,556	18,531	89	729
2011	21,101	25,435	25,745	24,971	24,637	25,664	238	2,035
2012	56,891	48,251	43,936	40,095	39,200	38,468	186	3,128
2013	72,771	66,888	86,756	76,172	72,456	70,396	629	4,998
2014	91,369	92,793	92,812	90,335	85,774	79,383	4,500	5,734
2015		105,135	111,067	110,179	113,070	104,512	8,540	4,744
2016			101,599	98,814	103,249	92,479	9,356	4,467
2017				95,734	108,942	84,033	19,080	4,830
2018					126,438	112,186	52,081	3,902
2019						187,538	163,693	2,780
					Total	$ 895,742	$ 258,392	39,890

* Total of IBNR plus expected development on reported losses.

Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the Years Ended December 31,					
Accident Year	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019
2009 and Prior	$ 82,257	$ 82,319	$ 82,395	$ 82,318	$ 82,534	$ 82,542
2010	15,555	17,768	17,855	18,537	18,555	18,466
2011	15,745	21,088	23,731	24,294	24,925	25,377
2012	18,412	29,503	32,694	33,943	35,162	36,260
2013	23,054	30,448	50,137	54,688	60,389	66,520
2014	5,769	21,911	37,607	50,767	64,582	67,186
2015		8,088	27,292	49,014	68,194	84,183
2016			3,638	32,723	59,992	70,327
2017				6,078	33,204	55,559
2018					15,658	35,004
2019						7,296
					Total	548,720
					Total outstanding liabilities for unpaid losses and LAE, net of reinsurance	$ 347,022

The reconciliation of incurred and paid loss development to the liability for unpaid losses and LAE as presented in the tables above for the year ended December 31, 2019 is set forth below:

	2019
Liabilities for unpaid losses and allocated LAE, net of reinsurance	$ 347,022
Reinsurance recoverable on unpaid losses	$ 328,179
Gross liability for unpaid losses and LAE	$ 675,201

The following is unaudited supplementary information for average annual historical duration of claims:

Average Annual Percentage Payout of Incurred Losses by Age, Net of Reinsurance

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Casualty	6.5 %	20.5 %	18.5 %	18.4 %	12.4 %	5.6 %	3.1 %	1.4 %	0.7 %	— %

Marine

Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance	For the Years Ended December 31,						As of December 31, 2019	
Accident Year	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019	IBNR*	Cumulative Number of Claims
2009 and Prior	$ 27,070	$ 27,002	$ 27,018	$ 27,050	$ 27,076	$ 27,132	$ —	1,991
2010	22,347	19,270	19,114	19,176	18,987	16,445	115	1,029
2011	29,527	27,753	27,330	27,371	27,661	32,853	419	1,961
2012	47,957	51,418	51,074	49,813	50,430	60,022	34	2,422
2013	62,904	55,154	52,938	53,913	56,531	35,221	23	2,226
2014	50,079	53,452	48,450	54,958	49,758	42,618	120	4,003
2015		71,004	70,033	79,494	74,090	60,593	127	5,742
2016			64,063	60,653	58,686	46,978	232	6,904
2017				86,686	80,463	58,921	473	8,524
2018					103,198	68,757	471	9,881
2019						121,072	60,100	5,219
					Total	$ 570,612	$ 62,114	49,902

* Total of IBNR plus expected development on reported losses.

Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance	For the Years Ended December 31,					
Accident Year	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019
2009 and Prior	$ 26,939	$ 26,990	$ 27,015	$ 27,042	$ 27,077	$ 27,010
2010	16,300	18,324	18,403	18,372	18,437	16,133
2011	29,395	31,152	32,397	32,643	32,803	32,625
2012	49,727	53,711	55,446	56,589	57,206	59,701
2013	12,529	21,213	25,135	27,237	29,071	32,653
2014	10,878	24,813	32,332	36,773	42,420	40,905
2015		10,871	30,562	50,062	56,154	55,981
2016			10,721	32,487	43,685	45,837
2017				16,628	41,343	57,513
2018					31,451	66,855
2019						32,074
					Total	$ 467,287
					Total outstanding liabilities for unpaid losses and LAE, net of reinsurance	$ 103,325

The reconciliation of incurred and paid loss development to the liability for unpaid losses and LAE as presented in the tables above for the year ended December 31, 2019 is set forth below:

	2019
Liabilities for unpaid losses and allocated LAE, net of reinsurance	$ 103,325
Reinsurance recoverable on unpaid losses	263,763
Gross liability for unpaid losses and LAE	$ 367,088

The following is unaudited supplementary information for average annual historical duration of claims:

	Average Annual Percentage Payout of Incurred Losses by Age, Net of Reinsurance									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Marine	19.7 %	28.0 %	18.0 %	6.9 %	4.8 %	2.9 %	2.0 %	1.2 %	— %	— %

Property

Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance								
	For the Years Ended December 31,						As of December 31, 2019	
Accident Year	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019	IBNR*	Cumulative Number of Claims
2009 and Prior	$ 113,828	$ 113,118	$ 113,206	$ 113,696	$ 113,238	$ 112,065	$ —	2,901
2010	74,893	67,437	72,072	72,134	71,462	72,002	—	1,557
2011	91,161	89,708	89,752	89,441	88,018	89,179	—	1,621
2012	65,824	61,707	60,683	61,637	56,339	57,572	—	1,501
2013	78,145	65,152	64,804	63,959	59,112	59,638	—	1,959
2014	58,975	43,848	43,169	43,603	37,224	36,161	—	2,094
2015		78,993	76,550	70,359	66,366	63,880	—	5,720
2016			73,794	78,738	70,309	68,130	—	6,791
2017				106,619	86,461	91,974	—	8,034
2018					85,267	65,895	759	6,653
2019						35,714	20,359	3,277
					Total	$ 752,210	$ 21,118	42,108

* Total of IBNR plus expected development on reported losses.

Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance						
	For the Years Ended December 31,					
Accident Year	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019
2008 and Prior	$ 112,693	$ 112,957	$ 112,987	$ 113,237	$ 113,143	$ 112,042
2009	69,070	71,958	72,069	72,131	72,148	71,999
2010	87,411	88,608	89,113	89,366	89,345	89,132
2011	48,103	52,168	54,308	55,274	55,474	57,543
2012	30,880	46,285	51,086	53,172	59,277	59,624
2013	5,500	18,830	31,617	34,563	36,106	35,850
2014		10,433	28,652	55,372	63,880	64,154
2015			23,208	49,077	62,826	68,147
2016				24,709	63,339	85,080
2017					51,849	51,470
2018						15,973
					Total	$ 711,014
					Total outstanding liabilities for unpaid losses and LAE, net of reinsurance	$ 41,196

The reconciliation of incurred and paid loss development to the liability for unpaid losses and LAE as presented in the tables above for the year ended December 31, 2019 is set forth below:

	2019
Liabilities for unpaid losses and allocated LAE, net of reinsurance	$ 41,196
Reinsurance recoverable on unpaid losses	468,291
Gross liability for unpaid losses and LAE	$ 509,487

The following is unaudited supplementary information for average annual historical duration of claims:

	Average Annual Percentage Payout of Incurred Losses by Age, Net of Reinsurance									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Property	22.1 %	24.5 %	25.9 %	8.2 %	2.5 %	2.6 %	0.3 %	0.9 %	— %	— %

Aerospace

Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance								
	For the Years Ended December 31,						As of December 31, 2019	
Accident Year	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019	IBNR*	Cumulative Number of Claims
2009 and Prior	$ —	$ —	$ —	$ —	$ —	$ —	$ —	—
2010	18,441	18,073	18,382	18,896	18,532	18,546	2	594
2011	58,786	57,257	57,681	58,114	57,528	57,485	3	2,197
2012	55,675	55,370	56,212	56,159	55,365	55,150	1	2,421
2013	72,098	70,180	70,511	74,900	72,554	73,457	4	2,568
2014	65,208	53,541	53,553	52,341	46,817	44,363	4	2,861
2015		66,335	69,499	72,519	66,353	65,666	337	2,975
2016			30,673	34,320	30,083	31,497	185	2,880
2017				20,055	17,150	35,086	41	3,100
2018					26,661	23,890	501	2,891
2019						14,082	5,269	1,232
					Total	$ 419,222	$ 6,347	23,719

* Total of IBNR plus expected development on reported losses.

Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the Years Ended December 31,					
Accident Year	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019
2009 and Prior	$ —	$ —	$ —	$ —	$ —	$ —
2010	15,396	16,539	17,145	18,209	18,494	18,530
2011	53,821	55,179	55,858	56,435	57,028	57,420
2012	45,897	49,332	52,142	53,622	54,812	55,100
2013	50,842	59,850	63,439	68,775	72,770	73,429
2014	17,297	31,147	38,426	40,678	43,801	44,210
2015		32,388	52,185	60,820	64,000	65,666
2016			10,181	25,223	28,777	30,270
2017				6,582	19,524	34,692
2018					17,655	23,883
2019						13,801
					Total	$ 417,001
					Total outstanding liabilities for unpaid losses and LAE, net of reinsurance	$ 2,221

The reconciliation of incurred and paid loss development to the liability for unpaid losses and LAE as presented in the tables above for the year ended December 31, 2019 is set forth below:

	2019
Liabilities for unpaid losses and allocated LAE, net of reinsurance	$ 2,221
Reinsurance recoverable on unpaid losses	177,378
Gross liability for unpaid losses and LAE	$ 179,599

The following is unaudited supplementary information for average annual historical duration of claims:

Average Annual Percentage Payout of Incurred Losses by Age, Net of Reinsurance

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Aerospace	35.9 %	29.0 %	17.3 %	4.8 %	4.6 %	3.2 %	1.8 %	2.4 %	1.1 %	— %

Workers' Compensation

Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the Years Ended December 31,						As of December 31, 2019	
Accident Year	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019	IBNR*	Cumulative Number of Claims
2009 and Prior	$ —	$ —	$ —	$ —	$ —	$ —	$ —	—
2010	—	—	—	—	—	—	—	—
2011	—	—	—	—	—	—	—	—
2012	—	—	—	—	—	—	—	—
2013	—	—	—	—	—	—	—	—
2014	15,607	17,199	18,290	15,662	15,203	14,873	1,421	1,062
2015		54,977	55,505	50,103	47,338	45,812	4,905	2,522
2016			52,997	45,464	48,568	46,740	7,622	2,507
2017				28,025	25,491	19,246	3,881	2,110
2018					35,941	31,511	11,361	2,820
2019						55,811	38,977	2,860
					Total	$ 213,993	$ 68,167	13,881

* Total of IBNR plus expected development on reported losses.

Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the Years Ended December 31,					
Accident Year	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019
2009 and Prior	$ —	$ —	$ —	$ —	$ —	$ —
2010	—	—	—	—	—	—
2011	—	—	—	—	—	—
2012	—	—	—	—	—	—
2013	—	—	—	—	—	—
2014	1,491	6,079	9,279	11,431	12,243	12,617
2015		6,361	20,194	30,439	35,311	37,385
2016			6,458	19,695	27,996	33,430
2017				3,560	8,781	12,284
2018					3,187	11,438
2019						6,690
					Total	$ 113,844
					Total outstanding liabilities for unpaid losses and LAE, net of reinsurance	$ 100,149

The reconciliation of incurred and paid loss development to the liability for unpaid losses and LAE as presented in the tables above for the year ended December 31, 2019 is set forth below:

	2019
Liabilities for unpaid losses and allocated LAE, net of reinsurance	$ 100,149
Reinsurance recoverable on unpaid losses	19,608
Gross liability for unpaid losses and LAE	$ 119,757

The following is unaudited supplementary information for average annual historical duration of claims:

	Average Annual Percentage Payout of Incurred Losses by Age, Net of Reinsurance									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Workers' Compensation	13.1 %	28.5 %	20.0 %	12.2 %	5.0 %	2.5 %	— %	— %	— %	— %

8. GOODWILL AND INTANGIBLE ASSETS

The following table represents a reconciliation of the beginning and ending goodwill and other intangible assets as of December 31, 2019 and 2018.

	Goodwill	Insurance Licenses	Syndicate Capacity	Customer & Broker Relationships	Total
Balance as at January 1, 2018	$ 30,400	$ 19,900	$ 24,600	$ 1,249	$ 76,149
Amortization	—	—	—	(501)	(501)
Balance as at December 31, 2018	$ 30,400	$ 19,900	$ 24,600	$ 748	$ 75,648
Amortization	—	—	—	(589)	(589)
Impairment	(30,400)	—	—	—	(30,400)
Balance as at December 31, 2019	$ —	$ 19,900	$ 24,600	$ 159	$ 44,659

Goodwill

In 2010, the Company acquired Glacier Insurance AG and the Direct and Facultative book of Glacier Reinsurance AG (collectively "Glacier") and recorded $30.4 million of goodwill. During the year ended December 31, 2019 and in accordance with U.S. GAAP, the recorded goodwill amount was assessed for impairment by management. An income-based approach was used to develop a discounted cash flow model, including sensitivity analysis, to estimate the current fair value of the reporting unit which could then be compared to its current carrying value on our consolidated balance sheet. Based on this model, management concluded that the goodwill value was impaired. As a result, an impairment charge of $30 million was recorded.

Intangible assets with an indefinite life

In 2009, the Company acquired StarStone Specialty and recorded intangible assets of $12 million at the acquisition date. In 2010, the Company acquired StarStone National and recorded $8 million of intangible assets at the acquisition date. In both cases, the acquired assets consisted of insurance licenses which have an indefinite life.

In 2012, the Company recorded $25 million of syndicate capacity as a result of the acquisition of SCC1. The intangible asset acquired consists of syndicate capacity which represents the authorization to write insurance and reinsurance business at Lloyd's in London.

Intangible assets with a definite life

In 2010, as part of the Glacier acquisition, an intangible asset of $5 million was recognized in respect of customer and broker relationships. In 2012, management subsequently reassessed the nature of this intangible asset and determined that its useful life was ten years. The remaining unamortized balance at December 31, 2019 will be amortized in 2020.

9. RELATED PARTY TRANSACTIONS

The Company has entered into certain reinsurance transactions with affiliated companies and also earns fees or incurs costs related to various administrative services that are either provided to, or obtained from entities related through common control. Some of the Company's investment portfolios are also managed by affiliated entities as described further below.

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 North Bay, the sole shareholder of SSHL and are managed by Fitzwilliam, a wholly owned subsidiary of Enstar. Our consolidated statements of earnings for the years ended December 31, 2019 and 2018 included the following amounts:

Amounts under Fitzwilliam #31 LPT:	2019	2018
Ceded premium earned	$ 674	$ 4,741
Net incurred losses and LAE	(9,198)	(4,075)
Acquisition costs	(1,349)	1,975
Investment income on assets supporting the LPT	—	(3,198)

Our consolidated balance sheets as at December 31, 2019 and 2018 include the following balances in relation to Fitzwilliam #31:

Amounts under Fitzwilliam #31 LPT:	2019	2018
Reinsurance recoverables	$ 89,288	$ 104,856
Ceded unearned premium	1,165	1,633
Ceded deferred acquisition costs	833	1,086
Funds held	90,096	87,862

Our consolidated statements of earnings for the years ended December 31, 2019 and 2018 included the following amounts in relation to Fitzwilliam #41:

Amounts under Fitzwilliam #41 LPT:	2019	2018
Net incurred losses and LAE	$ 22,366	$ —
Investment income on assets supporting the LPT	(6,823)	—

Our consolidated balance sheets as at December 31, 2019 and 2018 include the following balances in relation to Fitzwilliam #41:

Amounts under Fitzwilliam #41 LPT:	2019	2018
Reinsurance recoverables	$ 200,348	$ 258,268
Funds held	197,171	208,634

Our consolidated statements of earnings for the years ended December 31, 2019 and 2018 included the following amounts in relation to Fitzwilliam #42:

Amounts under Fitzwilliam #42 LPT:	2019	2018
Net incurred losses and LAE	$ 42,948	$ —
Investment income on assets supporting the LPT	(2,616)	—

Our consolidated balance sheets as at December 31, 2019 and 2018 include the following balances in relation to Fitzwilliam #42:

Amounts under Fitzwilliam #42 LPT:	2019	2018
Reinsurance recoverables	$ 113,249	$ —
Funds held	98,915	—

See Note 5 "Retroactive Reinsurance Arrangements" for more details.

Cavello Bay

As detailed further in Note 5 "Retroactive Reinsurance Arrangements", the Company has a continuous 35% quota share reinsurance contract with KaylaRe. Effective September 30, 2019, KaylaRe merged with Cavello Bay 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. Our consolidated statements of earnings for the years ended December 31, 2019 and 2018 included the following amounts, inclusive of the amounts ceded via the SGL 1 Reinsurance Agreement:

Amounts under Cavello Bay quota share:	2019	2018
Ceded premium earned	$ (88,050)	$ (208,504)
Net incurred losses and LAE	109,872	183,555
Acquisition costs	34,249	78,985
Investment income supporting the quota share	(4,905)	(1,953)

Our consolidated balance sheets as at December 31, 2019 and 2018 includes the following balances, inclusive of the amounts ceded via the SGL 1 Reinsurance Agreement:

Amounts under Cavello Bay quota share:	2019	2018
Reinsurance recoverables	$ 241,073	$ 255,575
Ceded prepaid reinsurance premiums	17,676	87,053
Ceded deferred acquisition costs	8,838	29,365
Funds held	227,129	227,337

The Company entered into a LPT agreement with Cavello Bay in 2019. Our consolidated statements of earnings for the years ended December 31, 2019 and 2018 included the following amounts:

Amounts under Cavello Bay LPT:	2019	2018
Ceded premium earned	$ (5,688)	$ —
Net incurred losses and LAE	18,759	—
Acquisition costs	1,457	—
Investment income on assets supporting the LPT	(1,794)	—

Our consolidated balance sheets as at December 31, 2019 and 2018 includes the following balances in relation to Cavello Bay:

Amounts under Cavello Bay LPT:	2019	2018
Reinsurance recoverables	$ 168,018	$ —
Ceded unearned premium	38,815	—
Ceded deferred acquisition costs	1,251	—
Funds held	101,848	—

Effective August 5, 2016, the Company entered into a reinsurance agreement with The Coca Cola Company ("TCCC") and Cavello Bay, a wholly-owned subsidiary of Enstar, to assume 100% of certain TCCC liabilities for deductible/retention exposures in respect of TCCC's policies placed with external reinsurers' for the periods between 1986 through 1996, 1997 through 2001 and 2002 through 2010. The Company subsequently retroceded 100% of the risks that it assumed from TCCC to Cavello Bay. Since both the reinsurance agreement with TCCC and the retrocession agreement with Cavello did not meet the U.S. GAAP risk transfer criteria, they were subjected to deposit accounting by the Company. As of December 31, 2019, the deposit asset and liability with Cavello Bay and TCCC respectively, was $28 million (2018: $40 million).

SGL 1

SGL 1 has reinsured its participation in Syndicate 1301 through the SGL 1 Reinsurance Agreement with the Company. Our consolidated statements of earnings for the years ended December 31, 2019 and 2018 included the following amounts:

	2019	2018
Amounts under SGL 1 assuming Reinsurance Agreement:		
Net premiums earned	$ 186,317	$ 181,033
Net incurred losses and LAE	169,868	180,966
Net acquisition costs	49,151	33,089
Other income/(expense)	5,678	(38,623)

Our consolidated balance sheets as at December 31, 2019 and 2018 include the following balances:

	2019	2018
Amounts under SGL 1 assuming Reinsurance Agreement:		
Premiums receivable	$ 139,962	$ 206,963
Deferred acquisition costs	22,952	15,979
Net unearned premiums	85,297	87,350
Net losses and loss adjustment expenses	296,655	241,618
Other assets	97,637	26,800

Kenmare Holdings Ltd.

In 2019 and 2018, 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 1 "Description of Business". 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. As at December 31, 2019, the balance owed by Kenmare to the Company under this funding agreement was $238 million (2018: $121 million).

Enstar Affiliates

The Company incurs costs related to administrative services provided by Enstar (EU) Limited and Enstar (US) Inc., which are both affiliated companies. Our consolidated statements of earnings and consolidated balance sheets for the years ended December 31, 2019 and 2018 and as at December 31, 2019 and 2018 respectively, included the following amounts in respect of these administrative services:

	2019	2018
Administrative services costs:		
Enstar (EU) Limited	$ 10,215	$ 47,168
Enstar (US) Inc.	16,311	51,851
Outstanding balances - administrative services:		
Enstar (EU) Limited	$ 11,133	$ 751
Enstar (US) Inc.	5,345	2,415

Stone Point

As at December 31, 2019 and 2018, the Company had investments in funds, which are included within other investments that are either affiliated with entities owned by the Trident V funds or with Stone Point. Our consolidated statements of earnings and consolidated balance sheets for the years ended December 31, 2019 and 2018 included the following amounts in respect of these investments:

	2019	2018
Other investments, at fair value	$ 53,591	$ 49,038
Net unrealized gains (losses)	4,553	(2,243)

The Company also had a separate account managed by Eagle Point Credit Management, which is an affiliate of entities owned by the Trident V funds. Our consolidated statements of earnings and consolidated balance sheets for the years ended December 31, 2019 and 2018 and as at December 31, 2019 and 2018, respectively, included the following amounts in respect of these investments:

	2019	2018
Other investments, at fair value	$ 39,386	$ 37,931
Management fees	99	224

The Company also had an investment in a registered investment company affiliated with entities owned by Trident. Our consolidated statements of earnings and consolidated balance sheets for the years ended December 31, 2019 and 2018 and as at December 31, 2019 and 2018 respectively, included the following amounts in respect of these investments:

	2019	2018
Other investments, at fair value	$ 17,455	$ 21,535
Net unrealized (losses) gains	(4,080)	4,459

In addition, the Company has invested in a fund, which is included within other investments, that is managed by Sound Point Capital, an entity in which Mr. James D. Carey, who is a director of Enstar, has an indirect minority ownership interest and serves as a director. Our consolidated statement of earnings and consolidated balance sheets for the years ended December 31, 2019 and 2018 and as at December 31, 2019 and 2018, respectively, included the following amounts in respect of these investments:

	2019	2018
Other investments, at fair value	$ 18,993	$ 19,535
Net unrealized losses	(542)	(936)

Patcham Investment Funds Plc ("Patcham Funds")

The Company also invests in Patcham Funds, as part of a group investment pool with other companies related through common control. These funds are managed by a wholly-owned subsidiary of Enstar. During 2019, these holdings were sold and the proceeds were used for other operational purposes. Our consolidated statements of earnings and consolidated balance sheets for the years ended December 31, 2019 and 2018 and as at December 31, 2019 and 2018, respectively, included the following amounts in respect of these investments:

	2019	2018
Patcham fixed income fund	$ —	$ 55,979
Patcham balanced fund	—	61,445
Patcham euro fund	29,939	73,485
Net realized and unrealized gains (losses)	14,097	(3,179)

Clear Spring Property and Casualty Company

Effective January 1, 2017, Enstar sold Seabright Insurance Company ("SeaBright Insurance") and its licenses to Delaware Life Insurance Company ("Delaware Life"), a subsidiary of Guggenheim Partners, LLC. Following the sale, SeaBright Insurance was renamed Clear Spring Property and Casualty Company ("Clear Spring"). Clear Spring was subsequently capitalized with $56 million of equity, with Enstar retaining a 20% indirect equity interest in Clear Spring.

Effective January 1, 2017, StarStone National entered into a Quota Share Treaty with Clear Spring pursuant to which Clear Spring reinsures 33.3% of core Workers Compensation business written by StarStone National. Our consolidated statements of earnings for the years ending December 31, 2019 and 2018 includes the following transactions between StarStone National and Clear Spring:

Amounts under Clear Spring quota share:	2019	2018
Ceded premiums earned	$ (14,994)	$ (29,520)
Net incurred losses and LAE	6,567	18,143
Acquisition costs	356	7,035

Our consolidated balance sheet as at December 31, 2019 and 2018 includes the following balances related to transactions between StarStone National and Clear Spring:

Amounts under Clear Spring quota share:	2019	2018
Reinsurance recoverables	$ 22,812	$ 23,718
Prepaid reinsurance premiums	51	13,821
Ceded reinsurance payable	3,616	14,153
Ceded deferred acquisition costs	21	3,233

Effective December 31, 2018, the Quota Share Treaty between the Company and Clear Spring was discontinued.

10. INCOME TAXATION

The Company is incorporated under the laws of Bermuda and is therefore subject to Bermuda law with respect to taxation. Under current law, the Company is not taxed on any Bermuda income or capital gains and has received an undertaking from the Bermuda Minister of Finance that, in the event of any Bermuda income or capital gains taxes being imposed, it will be exempt from those taxes until 2035.

The Company has foreign operating subsidiaries and branch operations principally located in the United States, United Kingdom, and Continental Europe that are subject to federal, foreign state and local taxes in those jurisdictions.

The following table illustrates our current and deferred income tax benefit by foreign and domestic jurisdictions for the years ended December 31, 2019 and 2018:

Current:	2019	2018
Domestic (Bermuda)	$ —	$ —
Foreign	(880)	(2,305)
	(880)	(2,305)
Deferred:		
Domestic (Bermuda)	$ —	$ —
Foreign	(6,051)	(4,022)
	(6,051)	(4,022)
Total income benefit	$ (6,931)	$ (6,327)

The actual income tax rate differs from the amount computed by applying the effective rate of 0% under Bermuda law to earnings before income taxes as shown in the following reconciliation for the years ended December 31, 2019 and 2018:

	2019	2018
Loss before income tax	$ (84,466)	$ (181,942)
Bermuda income taxes at statutory rate	—	—
Foreign income tax rate differential	2,649	(3,560)
Change in valuation allowance	(12,544)	(156)
U.S. base erosion and anti-abuse tax	1,959	773
Effect of change in foreign tax rate	(221)	(1,426)
Other	1,226	(1,958)
Total income tax (benefit)	$ (6,931)	$ (6,327)

Deferred tax assets and liabilities reflect the tax effect of the differences between the financial reporting and income tax bases of assets and liabilities. Significant components of the deferred tax assets and deferred tax liabilities relating to our operations were as follows:

Deferred tax assets:	2019	2018
Net operating loss carryforwards	$ 29,473	$ 34,893
Insurance reserves	6,569	3,314
Unearned premiums	6,980	6,767
Lloyd's underwriting losses taxable in future periods	—	3,809
Other deferred tax assets	2,316	5,025
Gross deferred tax assets	$ 45,338	$ 53,808
Less valuation allowance	(13,839)	(32,623)
Deferred tax assets	$ 31,499	$ 21,185
Deferred tax liabilities:		
Unrealized gains	(181)	—
Other deferred tax liabilities	(13,927)	—
Intangible assets	—	(9,961)
Net deferred tax asset	$ 17,391	$ 11,224

As of December 31, 2019, we had net operating loss carry forwards that could be available to offset future taxable income, as follows:

Tax Jurisdiction	Loss Carryforwards	Tax effect	Expiration
Operating Loss Carryforwards:			
United States	$ 70,605	$ 14,827	2029-2038
United Kingdom	71,688	12,187	Indefinite
Other	13,141	2,459	2024-Indefinite

Assessment of Valuation Allowance on Deferred Tax Assets

As of December 31, 2019, we had deferred tax asset valuation allowances of $14 million (2018: $33 million) related to foreign subsidiaries.

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 revised in the future if estimates of future taxable income change. Taxes are determined and assessed jurisdictionally by legal entity or by

filing group. Certain jurisdictions require or allow combined or consolidated tax filings. We have estimated future taxable income of our foreign subsidiaries and provided a valuation allowance in respect of those assets where we do not expect to realize a benefit. 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 earnings or losses in recent years; (ii) the future sustainability and likelihood of positive net earnings of our subsidiaries; (iii) the carryforward periods of tax losses including the effect of reversing temporary differences; and (iv) tax planning strategies, 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.

The Company classifies all interest and penalties related to uncertain tax positions as income tax expense. As of December 31, 2019 and 2018, the Company recognized no expenses or liabilities for tax related interest and penalties in its consolidated statements of earnings and consolidated balance sheets, respectively. The Company had no unrecognized tax benefits relating to uncertain tax positions as of December 31, 2019 and 2018.

Our operating subsidiaries may be subject to audit by various tax authorities and may have different statutes of limitations expiration dates. Tax authorities may propose adjustments to our income taxes. Listed below are the tax years that remain subject to examination by major tax jurisdiction as of December 31, 2019:

Major Tax Jurisdiction	Open Tax Years
United States	2016-2019
United Kingdom	2016-2019

11. SHAREHOLDER'S EQUITY

Share Capital

As at December 31, 2019 and 2018 the authorized share capital was 1,000,000 ordinary shares of par value $1 per share, all of which are issued and outstanding.

Additional paid-in capital

As at both December 31, 2019 and 2018, the Company had additional paid-in capital of $1,115 million. During the year ended December 31, 2018, the Company received $100 million of additional paid-in capital from SSHL, its immediate parent company. No additional paid-in capital was contributed to the Company during the year ended December 31, 2019.

12. STATUTORY REQUIREMENTS

The statutory capital and surplus amounts for the years ended December 31, 2019 and 2018 for the Company and its subsidiaries based in Bermuda, the United States and Liechtenstein were as detailed below. The Bermuda requirements are calculated at the consolidated Bermuda group level.

	As of December 31, 2019		
	Bermuda	U.S.	Liechtenstein
Required Statutory Capital and Surplus	$ 343,283	$ 98,030	$ 82,424
Actual Statutory Capital and Surplus	$ 685,938	$ 192,657	$ 191,950

	As at December 31, 2018		
	Bermuda	U.S.	Liechtenstein
Required Statutory Capital and Surplus	$ 276,241	$ 72,082	$ 71,605
Actual Statutory Capital and Surplus	$ 749,525	$ 156,963	$ 205,551

Bermuda

The Company is registered under the Insurance Act 1978 of Bermuda and related regulations, as amended (the "Insurance Act"). The Insurance Act imposes certain solvency and liquidity standards, auditing and reporting requirements and grants the Bermuda Monetary Authority ("BMA") powers to supervise, investigate, require information and the production of documents and intervene in the affairs of insurance companies.

Under the Insurance Act, the Company is either required to or is prohibited from doing the following:

- Required to maintain certain solvency and liquidity standards which includes maintaining a minimum liquidity ratio whereby the value of relevant assets must not be less than 75% of the amount of relevant liabilities. Relevant assets include, but are not limited to, cash and time deposits, quoted investments, unquoted bonds and debentures, investments in mortgage loans on real estate, investment income due and accrued, accounts and premiums receivable, reinsurance balance receivable and funds held by ceding reinsurers. There are certain categories of assets which, unless specifically permitted by the BMA, do not automatically qualify as relevant assets, such as unquoted equity securities, investments in and advances to affiliates and real estate and collateral loans. The relevant liabilities are total general business insurance reserves and total other liabilities less deferred income tax, sundry liabilities (by interpretation, those not specifically defined), and letters of credit and guarantees.

- Required to maintain a minimum statutory capital and surplus in an amount equal to or exceeding its Enhanced Capital Requirement (“ECR”). The Company’s ECR is to be calculated by reference to the Bermuda Solvency Capital Requirement (“BSCR”) Model. The BSCR employs a standard mathematical model that correlates the risk underwritten by Bermuda insurers to the capital that is dedicated to their business. The BSCR applies a standard measurement format to the risk associated with an insurer’s assets, liabilities and premiums, including a formula to take account of the catastrophe risk exposure.

- Prohibited from declaring or paying any dividends if it were in breach of its minimum solvency margin or liquidity ratio or if the declaration or payment of such dividends would cause it to fail to meet such margin or ratio.

- Prohibited, without the prior approval of the BMA, from reducing by 15% or more its total statutory capital as set out in its previous year’s statutory financial statements.

- As a Class 4 Insurer, the Company is also required to meet a minimum margin of solvency, which is the minimum amount by which the value of the general business assets of the insurer must exceed its general business liabilities, being equal to the greater of: (i) $100,000,000; or (ii) 50% of net premiums written (being gross premiums written less any premiums ceded by the insurer (not exceeding 25% of gross premiums)) in its current financial year; or (iii) 15% of net losses and loss expense provisions and other insurance reserves; or (iv) 25% of the ECR reported at the end of its relevant year.

The Company in aggregate exceeded its minimum solvency requirements by $343 million as of December 31, 2019 (2018: $473 million) and was in compliance with its liquidity requirements.

United States

As defined by the regulations of the state of Delaware, the maximum amount of dividends that can be paid by StarStone National and StarStone Specialty to shareholders, without prior approval of the Insurance Commissioner, is subject to certain restrictions. Dividends are not considered to be extraordinary and may be paid out of earned surplus without prior approval if during the preceding twelve month period the dividends declared and paid do not exceed the greater of (1) 10% of surplus as regards policyholders for the prior year or (2) prior year’s net income excluding realized capital gains. As of December 31, 2019, our U.S. subsidiaries exceeded their required levels of risk-based capital by $95 million (2018: $85 million).

United Kingdom - Lloyd's

As of December 31, 2018, the Company participated in the Lloyd’s market through its interests in Syndicate 1301, which is managed by SUL. The Lloyd’s operations are subject to supervision by the Council of Lloyd’s. Lloyd’s prescribes, in respect of its managing agents and corporate members, certain minimum standards relating to their management and control, solvency and various other requirements.

The underwriting capacity of a member of Lloyd’s is supported by providing a deposit (referred to as “Funds at Lloyd’s”) in the form of cash, securities or letters of credit in satisfaction of its capital requirement. The amount of the Funds at Lloyd’s is assessed annually and is determined by Lloyd’s in accordance with applicable capital adequacy rules.

Business plans, including maximum underwriting capacity, for Lloyd's syndicates requires annual approval by the Lloyd's Franchise Board, which may require changes to any business plan or additional capital to support underwriting plans.

The Lloyd's market has applied the Solvency II internal model under Lloyd's supervision, and the Company's Lloyd's operations are required to meet Solvency II standards. The Society of Lloyd's has received approval from the PRA to use its internal model under the Solvency II regime.

Liechtenstein

The Company's European insurance subsidiary SISE is based in Liechtenstein and is regulated by the Financial Market Authority Liechtenstein ("FMA"). The FMA sets the solvency regime for insurance companies under its jurisdictions and it is based on Solvency II framework directive, which took effect on January 1, 2016. SISE is required to comply with its regulatory solvency requirements which is calculated using the Solvency II Standard Formula methodology prescribed by European Insurance and Occupational Pensions Authority ("EIOPA") as an appropriate basis for calculating its Solvency Capital Requirement ("SCR").

SISE's available capital exceeded its solvency capital requirement of $82 million at December 31, 2019 (2018: $72 million).

13. COMMITMENTS AND CONTINGENCIES

Leases

2019 Disclosures under ASC 842 - Leases

We adopted the new leasing standard and the related amendments on January 1, 2019 using the modified retrospective transition method as required by the standard, and based on the detailed analysis of our operating lease arrangements we have recognized a right-of-use asset and an offsetting lease liability on our consolidated balance sheet, relating primarily to office space and facilities that we have leased to conduct our business operations. On an ongoing basis we determine whether an arrangement is a lease or contains a lease at inception and also complete an assessment to determine the classification of each lease as either a finance lease or an operating lease. Our leases are all currently classified as operating leases.

Our leases have remaining lease terms of one year to 37 years, some of which include options to extend the lease term for up to five years and some of which include options to terminate the lease within one year. We consider these options in determining the lease term used to establish our right-of-use assets and lease liabilities. Only those renewal options that we believe we are reasonably certain to exercise are taken into account when determining lease terms. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Since a majority of our leases do not provide an implicit discount rate, we use our collateralized incremental borrowing rate based on the information available at the commencement date of the lease in determining the present value of lease payments. The starting point for determining a collateralized incremental borrowing rate is our general unsecured borrowing rate, given the term of the lease and the amount of the related lease payments. This base rate is then adjusted to reflect the effect of collateral. Since adding collateral improves a lender's level of security in a lending arrangement, it has the impact of lowering our implied borrowing rate that we use to determine the present value of lease payments.

We also adopt a portfolio approach as permitted by ASC 842 whereby we use attributes such as the lease term to determine the appropriate incremental borrowing rate to be used to determine the present value of lease payments. In this regard, we use the same incremental borrowing rate for leases with a similar term while ensuring that the use of this portfolio approach does not result in an outcome that would materially differ from applying the lease accounting guidance on a lease-by-lease basis.

We have lease agreements that contain both lease and non-lease components. For real estate leases, we account for lease components together with non-lease components such as common-area maintenance costs as a single lease component.

As part of our adoption of the new leasing standard, we elected the practical expedient package as well as the hindsight practical expedient permitted by the FASB in ASC 842. The practical expedient package covers the application of the new leasing standard to leases that commenced before January 1, 2019, the effective date of the standard and gives an entity the option of not reassessing, (1) whether any expired or existing contracts are or contain leases, (2) the lease classification for any expired or existing leases, and (3) initial direct costs for any existing leases. The hindsight practical expedient permits an entity to consider changes in facts and circumstances from commencement through to the effective date of the new standard when determining the lease term and assessing any potential impairment of the recorded right-of-use asset. All these practical expedients were consistently applied to our leases as required by the leasing standard.

The table below provides a summary of the components of our lease cost including the gross sublease income received under sublease arrangements related to certain office spaces that we have leased to conduct our business operations for the year ended December 31, 2019:

	2019
Operating lease cost	$ 1,620
Sublease income	(200)
Total lease cost	$ 1,420

The table below provides a summary of the cash flow information and non-cash activity related to our operating leases for the year ended December 31, 2019:

	2019
Operating cash flow information:	
Cash paid for amounts included in the measurement of lease liabilities	$ 1,626
Non-cash activity:	
Right-of-use assets obtained in exchange for lease obligations	$ 1

The table below provides a summary of the leases recorded on our consolidated balance sheets for the year ended December 31, 2019:

	Balance sheet classification	2019
Right-of-use assets	Other assets	$ 4,883
Current lease liabilities	Accrued expenses and other payables	787
Non-current lease liabilities	Accrued expenses and other payables	920

Weighted-average remaining lease term and discount rate used for our operating leases are as follows for the year ended December 31, 2019:

	2019
Weighted-average remaining lease term	21.4 years
Weighted-average discount rate	6.6%

The table below provides a summary of the maturity of the operating lease liabilities for the year ended December 31, 2019:

	2019
2020	$ 862
2021	267
2022	(125)
2023	8
2024	74
2025 and beyond	2,392
Total lease payments	$ 3,478
Less: Imputed interest	(1,771)
Present value of lease liabilities	$ 1,707

2018 Comparative Disclosures under ASC 840 - Leases

As discussed in Note 2 "Significant Accounting Policies", on adoption of ASU 2016-02 as codified in ASC 842 on January 1, 2019, we elected the transition option in ASU 2018-11 which amended ASU 2016-02 to allow entities not to apply the new leases standard in the comparative periods presented in the financial statements in the year of adoption. Under the transition option, entities can instead opt to continue to apply the legacy guidance in ASC 840 - Leases, including its disclosure requirements, in the comparative periods presented in the year they adopt the new leases standard.

Pursuant to the transition option provided in ASU 2018-11 which we elected on adoption of ASU 2016-02 on January 1, 2019 as discussed above, the following is a schedule of future minimum rental payments that were required under operating leases that had initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2018:

	2018
2019	$ 3,349
2020	3,000
2021	2,632
2022	1,550
2023	1,399
2024 and beyond	7,966
Total	$ 19,896

Concentration of Credit Risk

We believe that there are no significant concentrations of credit risk associated with our cash and cash equivalents, fixed maturity investments, or other 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. Other investments are managed pursuant to guidelines that emphasize diversification and liquidity. Pursuant to these guidelines, we manage and monitor risk across a variety of investment funds and vehicles, markets and counterparties. 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 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.

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 described in Note 6 "Reinsurance Recoverable".

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.

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 shareholders' equity as of December 31, 2019. Our credit exposure to the U.S. government was $179 million as at December 31, 2019.

Banking Facilities

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 $35 million (2018: $35 million) and as at the end of the year, Letters of Credit with a value of $28 million (2018: $27 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 terms of the facility require that certain financial covenants be met through the filing of compliance certificates.

Lloyd's Syndicate

The Company's Lloyd's Operations included in the consolidated financial statements represent its participation in Syndicate 1301, through its affiliate SGL 1. Syndicate 1301's stamp capacity was £186 million or approximately $252 million for the 2019 underwriting year (£216 million or approximately $275 million for the 2018 underwriting year). Stamp capacity is a measure of the amount of premiums a Lloyd's syndicate is authorized to write based on a business plan approved by the Society of Lloyd's. The Syndicate stamp capacity is expressed net of commission as is standard at Lloyd's. The Syndicate premiums

recorded in the Company's financial statements are gross of commission.

The Company pledged cash and investments to the Society of Lloyd's to collateralize the business it assumes from SGL 1 under the SGL 1 Reinsurance and Leasing Agreements, which in effect assigned the Company's participation in Syndicate 1301's stamp capacity to SGL 1 as described in Note 1 "Description of Business".

At December 31, 2019, the Company pledged investments with a total fair value of $107 million (2018: $59 million) with the Society of Lloyd's to support its capital requirements with respect to SCC1's participation in Syndicate 1301's capacity which has since been assigned to SGL 1. This is in addition to the cash and investments of $238 million (2018: $121 million) pledged by Kenmare as disclosed in Note 9 "Related Party Transactions".

If Syndicate 1301 increases it's stamp capacity and the Company directly, or through its affiliate SGL 1, participates in the additional stamp capacity, or if Lloyd's changes the capital requirements, the Company may be required to supply additional cash collateral acceptable to Lloyd's. If the Company is unwilling or unable to provide additional acceptable collateral, it will be required to reduce its participation in the stamp capacity, whether directly or through its affiliate SGL 1.

Guarantees and Indemnifications

The Company has provided a variety of guarantees and indemnifications to its policyholders with respect to the obligations and liabilities of its insurance subsidiaries arising from the reinsurance operations. The maximum exposure with respect to such contractual guarantees are deemed to be minimal.

14. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 24, 2020, which is the date the financial statements were available to be issued.

Events after the end of the reporting period

The World Health Organisation (WHO), on 11 March 2020 , declared the coronavirus, COVID-19, outbreak as a global pandemic. The Company is closely monitoring the outbreak and actively assessing the potential impact to all stakeholders. The Company has a formal business continuity plan which is being continually reviewed in light of current developments and being actively deployed as events require, which includes office closures where required. From an employee wellbeing and business continuity perspective, the Company is proactively monitoring this outbreak by maintaining continuous dialogue regarding its status and issuing periodic updates and guidance to all staff on preventative measures to maintaining good health. As the situation evolves, the Company is regularly assessing the impact on solvency capital in line with established risk metrics and in compliance with the Company's risk appetite, including the impact following the recent volatility in the financial markets.

The long-term impact of this pandemic is unclear at this time due to the unprecedented nature but may have a significant impact on the operations of the Company. The key areas within the consolidated financial statements that have the potential to be impacted include valuation of the Company's investment portfolio, reserves for loss and loss expenses, reinsurance recoverables, premiums receivable, and the deferred tax asset.