Fitzwilliam Insurance Limited
Condensed General Purpose Financial Statements
For the years ended December 31, 2022 and 2021

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

April 30, 2023

Report of Independent Auditors

To the Board of Directors of Fitzwilliam Insurance Limited

Opinions

We have audited the accompanying condensed financial statements of Fitzwilliam Insurance Limited (the "Company"), which comprise the condensed balance sheet and condensed statement of capital and surplus as of December 31, 2022, and the related condensed statement of income for the year then ended, including the related notes (collectively referred to as the "condensed financial statements").

Unmodified opinion on regulatory basis of accounting
In our opinion, the accompanying condensed financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 , and the results of its operations for the year then ended in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial statements (the "Legislation").

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

Basis for Opinions

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

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

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

Change in Accounting Principle

As discussed in Note 4(b) to the condensed financial statements, the Company changed the manner in which it accounts for the amortization of deferred charge assets in 2022.

Responsibilities of management for the condensed financial statements

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

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

Auditors' responsibilities for the audit of the condensed financial statements

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

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

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

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

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

FITZWILLIAM INSURANCE LIMITED
CONDENSED BALANCE SHEET
AS AT DECEMBER 31, 2022 and 2021

BMA Ref		2022 USD '000	2021 Unaudited USD '000
1.	**CASH AND CASH EQUIVALENTS**	60,204	60,907
2.	**QUOTED INVESTMENTS:**		
(a)	Bonds and Debentures		
	i. Held to maturity	—	—
	ii. Other	298,137	325,628
(b)	Total Bonds and Debentures	298,137	325,628
(c)	Equities		
	i. Common stocks	6,120	7,651
	ii. Preferred stocks	—	—
	iii. Mutual funds	—	—
(d)	Total equities	6,120	7,651
(e)	Other quoted investments		
(f)	Total quoted investments	304,257	333,279
3.	**UNQUOTED INVESTMENTS:**		
(e)	Other unquoted investments	85,949	889,855
(f)	Total unquoted investments	85,949	889,855
4.	**INVESTMENTS IN AND ADVANCES TO AFFILIATES**		
(g)	Advances to affiliates	—	—
(h)	Total investments in and advances to affiliates	—	—
9.	**INVESTMENT INCOME DUE AND ACCRUED**	2,422	2,072
10.	**ACCOUNTS AND PREMIUMS RECEIVABLE:**		
(a)	In course of collection	204	79,217
(b)	Deferred - not yet due	—	—
(c)	Receivables from retrocessional contracts	—	—
(d)	Total accounts and premiums receivable	204	79,217
11.	**REINSURANCE BALANCES RECEIVABLE:**		
(d)	All other insurers	2,998	2,941
(e)	Total reinsurance balance receivable	2,998	2,941
12.	**FUNDS HELD BY CEDING REINSURERS**	190,288	265,995
13.	**SUNDRY ASSETS:**		
(e)	Deposit assets		
(f)	Deferred acquisition costs	2	22
(g)	Net receivables for investments sold	255	255
(j)	Deferred charge asset	169,649	181,757
(k)	Total sundry assets	169,906	182,034
14.	**LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS**		
(a)	Letters of credit		
(b)	Guarantees	—	—
(c)	Other instruments	—	—
(e)	Total letters of credit, guarantees and other instruments	—	—
		—	—
15.	**TOTAL**	**816,227**	**1,816,300**

FITZWILLIAM INSURANCE LIMITED
CONDENSED BALANCE SHEET
AS AT DECEMBER 31, 2022 and 2021

BMA Ref		2022 USD '000	2021 Unaudited USD '000
	TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	6	99
(b)	Less: Ceded unearned premium reserve	—	—
(c)	Total ceded unearned premium reserve	—	—
(d)	Net unearned premium reserve	6	99
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	350,412	1,055,935
(b)	Less: Reinsurance recoverable balance		
	iv. All other reinsurers	3,099	3,260
(c)	Total reinsurance recoverable balance	3,099	3,260
(d)	Net loss and loss expense provisions	347,313	1,052,675
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	347,319	1,052,774
	OTHER LIABILITIES		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	2,432	16,384
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE	—	114
30.	LOANS AND NOTES PAYABLE	—	—
31.	(a) INCOME TAXES PAYABLE	—	—
	(b) DEFERRED INCOME TAXES	—	—
32.	AMOUNTS DUE TO AFFILIATES		—
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	4,332	5,596
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:	153	153
35.	DIVIDENDS PAYABLE	135,800	—
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments	—	—
(d)	Net payable for investments purchased	—	—
(e)	Other sundry liabilities	—	—
(h)	Total sundry liabilities	—	—
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS:		
(a)	Letters of credit	—	—
(b)	Guarantees	—	—
(c)	Other instruments	—	—
(d)	Total letters of credit, guarantees and other instruments	—	—
38.	TOTAL OTHER LIABILITIES	142,717	22,247
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	490,036	1,075,021
	CAPITAL AND SURPLUS		
40.	TOTAL CAPITAL AND SURPLUS	326,191	741,279
41.	**TOTAL**	**816,227**	**1,816,300**

FITZWILLIAM INSURANCE LIMITED
CONDENSED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

BMA Ref		2022 USD '000	2021 Unaudited USD '000
	GENERAL BUSINESS UNDERWRITING INCOME		
1.	**GROSS PREMIUMS WRITTEN**		
	(a) Direct gross premiums written	(502)	70
	(b) Assumed gross premiums written	196	115
	(c) Total gross premiums written	(305)	185
2.	REINSURANCE PREMIUMS CEDED	—	7
3.	NET PREMIUMS WRITTEN	(305)	178
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	93	(70)
5.	NET PREMIUMS EARNED	(212)	108
6.	OTHER INSURANCE INCOME	—	—
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	(212)	108
	GENERAL BUSINESS UNDERWRITING EXPENSES		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	7,509	(27,979)
9.	COMMISSIONS AND BROKERAGE	1,427	712
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	8,936	(27,267)
11.	**NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS**	**(9,148)**	**27,375**
29.	**COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS**	**(9,148)**	**27,375**
	UNDERNOTED ITEMS		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	6,835	17,997
	(c) Other	—	—
	(d) Total combined operating expenses	6,835	17,997
31.	COMBINED INVESTMENT INCOME - NET	28,478	34,135
32.	COMBINED OTHER INCOME	383	566
33.	COMBINED INCOME BEFORE TAXES	12,878	44,079
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	—	—
	(b) Deferred	—	—
	(c) Total	—	—
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	12,878	44,079
36.	COMBINED REALIZED GAINS (LOSSES)	(163,269)	(20,919)
37.	COMBINED INTEREST CHARGES	—	—
38.	**NET (LOSS) INCOME**	**(150,391)**	**23,160**

FITZWILLIAM INSURANCE LIMITED
CONDENSED STATEMENTS OF CAPITAL AND SURPLUS
AS AT DECEMBER 31, 2022 and 2021

BMA Ref				2022	2021 Unaudited
				expressed in thousands of USD except share and per share amounts	
1.	**CAPITAL:**				
(a)	Capital Stock				
	(i) Common Shares			1,000	1,000
	authorized	1,000,000	shares of par		
	value	$1	each issued and		
	fully paid	1,000,000	shares		
	(ii)				
	(A) Preferred shares:			34	34
	authorized	50,000,000	shares of par		
	value	$1	each issued and		
	fully paid	34,004	shares		
(b)	Contributed surplus			316,480	452,280
(d)	Total Capital			317,514	453,314
2.	**SURPLUS:**				
(a)	Surplus - Beginning of Year			287,965	181,084
(b)	Add: (Loss) Income for the year			(150,391)	23,160
(c)	Less: Dividends paid and payable			(101,923)	(63,674)
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments			(26,974)	(4,539)
(e)	Add (Deduct) change in any other surplus				151,934
(f)	Surplus - End of Year			8,677	287,965
4.	**TOTAL CAPITAL AND SURPLUS**			**326,191**	**741,279**

1. GENERAL

Fitzwilliam Insurance Limited (the “Company”, “Fitzwilliam”, “we”, “our” or “us”) was incorporated under the laws of Bermuda on March 21, 2002 and is a wholly-owned subsidiary of Kenmare Holdings Ltd. (“Kenmare”), a company incorporated under the laws of Bermuda. The ultimate parent company is Enstar Group Limited (“Enstar”), a company incorporated under the laws of Bermuda.

The Company provides reinsurance coverage to both related and unrelated companies. The exposures reinsured by the Company include property and casualty, accident and health, professional indemnity, marine and political risks. The Company is licensed as a Class 3A Insurer under the Bermuda Insurance Act, 1978 and Related Regulations as amended (the “Insurance Act”) and is also registered under the Segregated Accounts Companies Act, 2000 (“SAC Act”) as amended. Under the provisions of the SAC Act, the Company may establish Segregated Accounts where directed by the related shareholder agreement, insurance policy or reinsurance agreement. For each Segregated Account, the Company has a subscription and shareholders’ agreement with the preferred shareholder. These agreements describe the terms and conditions of establishing the Segregated Account including an agreement by the preferred shareholder to fund any deficiency of Segregated Account assets over Segregated Account liabilities. Creditors of Segregated Accounts have no claim on the assets of other Segregated Accounts or upon the Company’s general assets.

2. BUSINESS UNDERWRITTEN

Specific activity within individual Fitzwilliam Segregated Accounts during the years ended December 31, 2022 and 2021 was as follows:

- **Segregated Account No.11 (“FW#11”**), Segregated Account No.17 (“FW#17”), Segregated Account No.18 (“FW#18”), Segregated Account No.29 (“FW#29”) – The exposures assumed through these four Segregated Accounts from River Thames Insurance Company Limited ("River Thames"), a wholly owned subsidiary of Enstar, were commuted effective April 1, 2020 and the Segregated Accounts were subsequently closed on May 21, 2021.
- **Segregated Account ILU (“FW#ILU”)** and Segregated Account NILU (“FW#NILU”) – The exposures assumed through these two Segregated Accounts from River Thames were commuted effective April 1, 2020. These Segregated Accounts will be closed in 2023.
- **Segregated Account No. 21 (“FW#21”)** – The exposures assumed through this Segregated Account from River Thames were commuted effective April 1, 2020 and Segregated Account FW#21 was subsequently closed in December 2021.
- **Segregated Account No.9 (“FW#9”)** – The Adverse Development Cover ("ADC") reinsurance agreement with Munich Re was commuted effective September 15, 2021 and replaced with an Excess of Loss ("XoL") reinsurance agreement with AXA XL.
- **Segregated Account No.24 (“FW#24”)** – The Clarendon reinsurance agreement was novated to Cavello Bay Reinsurance Limited ("Cavello") and the XoL reinsurance agreement with Cavello was commuted effective June 30, 2021. Segregated Account FW#24 was closed in July 2022.
- **Segregated Account No. 30 (“FW#30”)** – The Yosemite Insurance Company (ex Providence Washington Insurance Company) reinsurance agreement was novated to Cavello and the XoL reinsurance agreement with Cavello was commuted effective June 30, 2021. Segregated Account FW#30 was closed in July 2022.
- **Segregated Account No. 36 (“FW#36”)** – The reinsurance agreement was novated to Cavello effective September 30, 2022. Segregated Account FW#36 will be closed in 2023.

A description of the significant business within specific individual Fitzwilliam Segregated Accounts not already discussed above is summarized below:

- **Segregated Account No. 31 (“FW#31”)** – Effective January 1, 2014, FW#31 entered into retrospective and prospective quota share reinsurance agreements in respect of all of StarStone Insurance Bermuda Limited’s ("SIBL") discontinued lines of business. A premium consideration equal to the loss reserves of $357.6 million ceded to FW#31 and which was retained by SIBL under a funds held arrangement, was agreed to with SIBL with respect to the retrospective business covered by the terms of the reinsurance agreement.

- **Segregated Account No. 41 (“FW#41”)** – Effective October 1, 2018, FW#41 entered into a Loss Portfolio Transfer reinsurance contract ("LPT") with SIBL for specific lines of business in respect of all loses occurring on or prior to October 1, 2018. FW#41 assumed $208.0 million of loss reserves in excess of an attachment point of $97.0 million.
- **Segregated Account No. 42 (“FW#42”)** – On August 6, 2019, FW#42 entered into an LPT with SIBL for (i) Bermuda Cat Retro business in respect of all losses occurring on or prior to January 1, 2019, and (ii) specific lines of business in respect of all loses occurring on or prior to April 1, 2019. FW#42 assumed $164.7 million of loss reserves in excess of an attachment point of $116.7 million.

3. BASIS OF PREPARATION

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

- The presentation and classification of financial statement line items is in accordance with Schedules IX and XI of the Insurance Account Rules 2016 differ from the expected presentation and classification under US GAAP.
- Statement of Cash Flows or equivalent is not included.
- Comprehensive income and its components are not presented in the condensed statements of income.
- The notes included in the condensed general purpose financial statements have been prepared in accordance with Schedule X of the Insurance Account Rules 2016 and exclude certain information required under US GAAP.

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

The condensed general purpose financial statements include the accounts of the Company and its Segregated Accounts. All transactions between Segregated Accounts have been eliminated. This is the first year the Company has prepared condensed general purpose financial statements as in prior years US GAAP financial statements were prepared, as such all comparative information presented herein is unaudited.

4. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in accordance with the Legislation requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from our estimates.

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

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

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

Significant Accounting Policies

(a) Retroactive Reinsurance Contracts

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

(b) Deferred Charge Assets

If, at the inception of a retroactive reinsurance contract, the estimated liabilities for losses and LAE exceed the premiums received, a deferred charge asset (“DCA”) is recorded for this difference. The DCA is recorded in Other Sundry Assets in the Condensed Balance Sheet.

The premium consideration that we charge the ceding companies under retroactive reinsurance contracts may be lower than our estimate of losses and LAE liabilities as these liabilities may not be settled for many years. Our contractual counterparties (cedants) settle the premium consideration upon inception of the contract and we invest the premium received over an extended period of time, thereby generating investment income. As a result, we expect to generate profits from these retroactive reinsurance contracts when taking into account the premium received and expected investment income, less contractual obligations and expenses.

Effective December 31, 2022, we voluntarily changed our accounting policy for calculating the amortization of our DCAs . Previously, any change in ultimate losses on the contracts with a recognized DCA would result in the recognition of an adjustment to the DCA , as if the adjusted reserves had existed upon inception of the contract. We will no longer adjust the DCAs for these events.

We continue to amortize the originating DCA balances over the estimated claim payment period of the related contracts with the amortization adjusted at each reporting period to reflect new estimates of the pattern and timing of remaining loss and LAE payments. Previously, the amortization of our DCAs was included in net incurred losses and LAE. We now present the amortization of our DCAs as a separate line item in our condensed statements of earnings.

When liabilities for losses and LAE are extinguished through commutations and policy buybacks, they are removed from our estimates for the remaining loss and LAE payments, and this will generally result in an acceleration of the amortization of the DCAs.

DCAs are assessed at each reporting period for impairment and if the asset is determined to be impaired, then it is written down in the period in which the determination is made with that write down reflected in earnings as a component of net incurred losses and LAE.

For each reinsurance contact where a DCA has been recorded we assess for impairment at each reporting period by determining the rate of return that we are required to earn on the invested assets to ensure that all cashflows arising from the assumed liabilities are met in full over the projected remaining payout period. This required rate of return is compared against the modeled rate of return, the weighted average portfolio yield and the actual annualized rate of return in order to identify indicators that would lead us to record an impairment of the DCA.

Change in net DCA Amortization

Effective December 31, 2022, we voluntarily changed our accounting policy for calculating the amortization of our DCAs. Previously, any change in ultimate losses on the contracts with a recognized DCA would result in the recognition of an adjustment to the DCA, as if the adjusted reserves had existed upon inception of the contract. We will no longer adjust the DCA for these events.

We will continue to assess the DCA for impairment and record any adjustments in the period evaluated.

We made the change in accounting policy because the primary basis for accepting premium consideration that is lower than the estimate of losses and LAE liabilities assumed is due to the time value of money, inclusive of our expectation of generating investment income, rather than expectations of changes in ultimate losses on the contracts.

We believe that the change in policy improves the usefulness of our financial statements as the changes in amortization of the DCA will no longer offset the loss developments, which allows the insurance loss developments to be recognized consistently through our condensed statement of earnings regardless of whether the contract resulted in a DCA at inception.

We have retrospectively applied this change in accounting policy to all applicable prior period information presented herein as required. As of January 1, 2021, the cumulative effect of this change resulted in a $152 million increase to surplus which is presented as any other change in capital in the 2021 comparative Statement of Capital and Surplus.

The following tables provide a summary of the effect of the change in accounting policy on our 2022 and previously reported condensed financial statements:

Condensed Balance Sheet

	2022		
	As Computed Under Previous Method	**Effect of Accounting Change**	**As Reported Under New Method**
	USD '000	USD '000	USD '000
Deferred Charge Assets	30,938	138,711	169,649
Surplus	(130,034)	138,711	8,677

	2021 Unaudited		
	As Computed Under Previous Method	**Effect of Accounting Change**	**As Reported Under New Method**
	USD '000	USD '000	USD '000
Deferred Charge Assets	34,232	147,525	181,757
Surplus	140,440	147,525	287,965

Condensed Statement of Income

	2022		
	As Computed Under Previous Method	**Effect of Accounting Change**	**As Reported Under New Method**
	USD '000	USD '000	USD '000
Net losses incurred and loss expenses incurred:			
Total net losses incurred and loss adjustment expenses	(4,599)	—	(4,599)
DCA amortization	3,294	8,814	12,108
Total net losses incurred and loss expenses incurred	(1,305)	8,814	7,509
Net (loss)/income	(141,577)	(8,814)	(150,391)

	2021 Unaudited		
	As Computed Under Previous Method	Effect of Accounting Change	As Reported Under New Method
	USD '000	USD '000	USD '000
Net losses incurred and loss expenses incurred:			
Total net losses incurred and loss adjustment expenses	(40,753)	—	(40,753)
DCA amortization	8,365	4,409	12,774
Total net losses incurred and loss expenses incurred	(32,388)	4,409	(27,979)
Net (loss)/income	27,569	(4,409)	23,160

Condensed Statement of Capital and Surplus

	2022		
	As Computed Under Previous Method	Effect of Accounting Change	As Reported Under New Method
	USD '000	USD '000	USD '000
Surplus			
Balance, beginning of year	140,440	147,525	287,965
Net (loss)/income	(141,577)	(8,814)	(150,391)
Dividends paid and payable	(101,923)	—	(101,923)
Unrealized appreciation (depreciation) of investments	(26,974)	—	(26,974)
Balance, end of year	(130,034)	138,711	8,677

	2021 Unaudited		
	As Computed Under Previous Method	Effect of Accounting Change	As Reported Under New Method
	USD '000	USD '000	USD '000
Surplus			
Balance, beginning of year	181,084	151,934	333,018
Net (loss)/income	27,569	(4,409)	23,160
Dividends paid and payable	(63,674)	—	(63,674)
Unrealized appreciation (depreciation) of investments	(4,539)	—	(4,539)
Balance, end of year	140,440	147,525	287,965

Deferred charge asset

The following table presents a reconciliation of the deferred charge asset for the years ended December 31, 2022 and 2021:

	2022	2021 Unaudited
	USD '000	USD '000
Beginning carrying value	181,757	194,531
Amortization	(12,108)	(12,774)
Ending carrying value	169,649	181,757

For the years ended December 31, 2022 and 2021, we completed our assessment for impairment of deferred charge assets and concluded that there had been no impairment of our carried deferred charge asset balances.

(c) Short-duration Insurance Contracts

Premiums written

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

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

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

Unearned Premium Reserves and Premium Receivable

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

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

(d) Acquisition Costs

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

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

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

(e) Loss and LAE

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

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

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

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

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

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

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

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

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

Any material acceleration of payout together with the impact of any material loss reserve savings in any period will also accelerate the amortization of any associated fair value adjustments or DCAs in that period.

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

(f) Reinsurance Balances Recoverable on Paid and Unpaid Losses

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

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

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

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

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

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

(g) Investments, Cash and Cash Equivalents

Cash and cash equivalents

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

Short-term investments and fixed maturity investments

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

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

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

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

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

Allowance for Credit Losses

We perform a detailed analysis every reporting period to identify any credit losses on our investment portfolios not measured at fair value through net income. Credit losses on our AFS fixed maturity securities are recognized through an allowance account which is deducted from the amortized cost basis of the security, with the net carrying value of the security presented on the condensed balance sheets at the amount expected to be collected.

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

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

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

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

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

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

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

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

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

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

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

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

Equities

We hold investments in exchange-traded funds. Our equity investments are carried at fair value with realized and unrealized gains and losses included in net income and recorded as combined investment income and combined realized gains (losses), respectively.

Unquoted investments, at fair value

Unquoted investments include investments in limited partnerships and limited liability companies (collectively "private equity funds"), fixed income funds, hedge funds, balanced fund and collateralized loan obligation ("CLO") equity funds that carry their investments at fair value, as well as direct investments in CLO equities.

We have elected the fair value option for certain of our unquoted investments that would otherwise be accounted for as an equity method investment. The primary reason for electing the fair value option is because we believe this measurement basis is consistent with the applicable accounting guidance used by the investment funds themselves.

Our unquoted investments are stated at fair value, which ordinarily will be the most recently reported net asset value ("NAV") as advised by the fund manager or administrator. The NAV is based on the fund manager's or administrator's valuation of the underlying holdings in accordance with the fund's governing documents. Many of our fund investments publish NAVs on a daily basis and provide daily liquidity while others report on a monthly or quarterly basis. Unrealized gains and losses on other investments are included in net income and reported as net combined net investment income.

(h) Funds held by ceding reinsurers

Under funds held arrangements, certain reinsured companies have retained funds that would otherwise have been remitted to us. The funds balances are carried at cost and, where applicable, are credited with investment income and losses paid are deducted.

Funds held by reinsured companies are carried at cost.

The investment returns of funds held are recognized in net investment income and net realized and unrealized gains (losses), respectively.

(i) Foreign Exchange

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

(j) Derivative Instruments

Enstar uses derivative instruments in the group's risk management strategies and investment operations. Intercompany hedging instruments are recorded with its subsidiaries to hedge any foreign exchange exposure within each company. Derivatives are recorded on a trade-date basis and carried at fair value within line 10 - accounts and premiums receivable and line 33 - accounts payable and accrued liabilities in the condensed balance sheet.

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

5. BASIS OF RECOGNITION OF PREMIUM, COMMISSION AND INVESTMENT INCOME

See Notes 4 (c) and (g). The Company does not have commission income.

6. FOREIGN EXCHANGE TRANSLATION

See note 4(i).

7. EXCHANGE CONTROL RESTRICTIONS

Not applicable.

8. CONTINGENCIES AND COMMITMENTS

8(b) Concentration of Credit Risk and Restricted assets

We believe that there are no significant concentrations of credit risk associated with our cash and cash equivalents, fixed maturity investments, or unquoted 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. Unquoted 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. 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 4 (f) - "Reinsurance Balances 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 Segregated Accounts. The funds may be placed into trust or be subject to other security arrangements. The funds held 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 capital and surplus as of December 31, 2022. Our credit exposure to the U.S. government was $25.6 million and $99.9 million as at December 31, 2022 and 2021, respectively.

Legal Proceedings

We are, from time to time, involved in various legal proceedings in the ordinary course of business, including litigation and arbitration regarding claims. Estimated losses relating to claims arising in the ordinary course of business, including the anticipated outcome of any pending arbitration or litigation are included in loss and loss expense provisions in our condensed balance sheets. In addition to claims litigation, we may be subject to other lawsuits and regulatory actions in the normal course of business, which may involve, among other things, allegations of underwriting errors or omissions, employment claims or regulatory activity. We do not believe that the resolution of any currently pending legal proceedings, either individually or taken as a whole, will have a material effect on our business, results of operations or financial condition. We anticipate that, similar to the rest of the insurance and reinsurance industry, we will continue to be subject to litigation and arbitration proceedings in the ordinary course of business, including litigation generally related to the scope of coverage with respect to asbestos and environmental and other claims.

The carrying value of our restricted assets as of December 31, 2022 and 2021, respectively, was as detailed below:

	2022	2021 Unaudited
	USD '000	USD '000
Collateral in trust for third party agreements	239,477	280,118
Collateral for secured letter of credit facilities	937	595
	240,414	280,713

8(c) 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.

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

Not applicable.

10. ARREARS OF DIVIDENDS ON PREFERRED CUMULATIVE SHARES

Not applicable.

11. LOANS MADE DURING THE YEAR TO DIRECTORS OR OFFICERS

Not applicable.

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

Not applicable.

13. FAIR VALUE OF INVESTMENTS

We hold: (i) Bonds and Debentures held at fair value; (ii) Common stocks held at fair value; and (iii) other investments, both quoted and unquoted, carried at fair value.

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

- Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments.
- Level 2 - Valuations based on quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in inactive markets, or for which significant inputs are observable (e.g. interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.

- Level 3 - Valuations based on unobservable inputs where there is little or no market activity. Unadjusted third-party pricing sources or management's assumptions and internal valuation models may be used to determine the fair values.

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 investments 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, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Fair Value Based on NAV as Practical Expedient**	**Total Fair Value**
	USD '000	USD '000	USD '000	USD '000
Investments:				
Fixed maturity investments:				
U.S. government and agency	—	20,948	—	20,948
U.K. government	—	326	—	326
Other government	—	2,273	—	2,273
Corporate	—	177,848	—	177,848
Municipal	—	4,892	—	4,892
Residential mortgage-backed	—	6,468	—	6,468
Commercial mortgage-backed	—	51,411	—	51,411
Asset-backed	—	33,971	—	33,971
	—	298,137	—	298,137
Equities:				
Exchange traded-fund		6,120	—	6,120
	—	6,120	—	6,120
Other investments:				
Private equity fund	—	—	1,111	1,111
Patcham fixed income fund	—	27,475	—	27,475
Hedge fund	—	—	13,415	13,415
CLO equities	—	2,509	—	2,509
CLO equity funds	—	—	10,189	10,189
Patcham balanced fund	—	31,250	—	31,250
	—	61,234	24,715	85,949
Total investments	—	365,491	24,715	390,206

	December 31, 2021 Unaudited			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Fair Value Based on NAV as Practical Expedient	Total Fair Value
	USD '000	USD '000	USD '000	USD '000
Investments:				
Fixed maturity investments:				
U.S. government and agency	—	83,011	—	83,011
U.K. government	—	—	—	—
Other government	—	13,770	—	13,770
Corporate	—	582,289	—	582,289
Municipal	—	52,405	—	52,405
Residential mortgage-backed	—	38,556	—	38,556
Commercial mortgage-backed	—	232,999	—	232,999
Asset-backed	—	88,879	—	88,879
	—	1,091,909	—	1,091,909
Other assets funds held - directly managed	—	14,082	—	14,082
Equities:				
Publicly traded equity investments	—	7,651	—	7,651
	—	7,651	—	7,651
Other investments:				
Private equity fund	—	—	950	950
Patcham fixed income fund	—	37,595	—	37,595
Hedge funds	—	—	12,803	12,803
CLO equities	—	2,595	—	2,595
CLO equity funds	—	—	12,357	12,357
Patcham balanced fund	—	43,190	—	43,190
	—	83,380	26,110	109,490
Total investments	—	1,197,022	26,110	1,223,132

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

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

As of December 31, 2022	**Fair value**
	USD in '000
One year or less	25,096
More than one year through two years	18,644
More than two years through five years	74,136
More than five years through ten years	30,024
More than ten years	58,387
	206,287
Residential mortgage-backed	6,468
Commercial mortgage-backed	51,411
Asset-backed	33,971
Total bonds and debentures	298,137

As of December 31, 2021	
	Fair value
	Unaudited
	USD in '000
One year or less	25,584
More than one year through two years	34,326
More than two years through five years	188,031
More than five years through ten years	191,607
More than ten years	291,927
	731,475
Residential mortgage-backed	38,556
Commercial mortgage-backed	232,999
Asset-backed	88,879
Total bonds and debentures	1,091,909

15. RELATED PARTY TRANSACTIONS

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

	2022			2021 Unaudited		
2022	**Cavello Bay**	**SGL**	**Starstone**	**Cavello Bay**	**SGL**	**Starstone**
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance Sheet						
Funds held by ceding reinsurers	—	22,379	162,691	—	28,277	232,464
Accounts Payable and accrued liabilities	(1,102)	—	—	75,331	—	—
Deferred acquisition costs	—	—	2	—	—	22
Unearned premium reserve	—	—	(6)	—	—	(99)
Loss and loss expense provisions	—	(14,574)	(163,002)	—	(15,545)	(218,970)
Income statement						
Net premiums written	—	(480)	290	—	69	182
Net losses incurred and net loss expenses incurred	—	(2,501)	(831)	4,242	(1,071)	19,786
Commissions and brokerage	—	—	(823)	(3,606)	—	(547)
Combined investment income	—	(431)	1,153	—	91	906
General and administrative expense	—	286	—	—	(461)	—

a. Enstar Affiliates

The Company incurs costs related to administrative services provided by Enstar (EU) Limited, which is an affiliated company. Our condensed consolidated statements of income and balance sheets for the years ended December 31, 2022 and December 31, 2021 respectively, included the following amounts in respect of these administrative services:

	2022	2021 Unaudited
	USD '000	USD '000
Administrative services costs:		
Enstar (EU) Limited	—	—
Enstar (US) Inc.	—	—
Enstar Limited	(5,646)	(6,321)

	2022	2021 Unaudited
Outstanding balances - administrative services:	USD '000	USD '000
Enstar (EU) Limited	(1,408)	(425)
Enstar (US) Inc.	(26)	(45)
Enstar Limited	(1,335)	(1,191)

b. Cranmore Affiliates

	2022	2021 Unaudited
	USD '000	USD '000
Administrative services costs:		
Cranmore (UK) Limited	—	(102)
Cranmore (US) Inc	(533)	(815)
Cranmore Europe Limited	(9)	(40)

	2022	2021 Unaudited
Outstanding balances - administrative services:	USD '000	USD '000
Cranmore (UK) Limited	—	—
Cranmore (US) Inc	(140)	—
Cranmore Europe Limited	(23)	(15)

c. Patcham Funds

The Company invests in the 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 and are included in unquoted investments at fair value.

The table below summarizes the investments in the Patcham Funds carried on the Company's condensed balance sheets as at December 31, 2022 and 2021 as well as the net realized and unrealized gains (losses) included in the condensed statements of income for the years ended December 31, 2022 and 2021:

	2022	2021 Unaudited
	USD '000	USD '000
Patcham Fixed Income Funds	27,475	37,595
Patcham Balanced Fund	31,250	43,190
Net realized and unrealized gains (losses) on the Patcham Funds	9,448	777

d. Stone Point Capital LLC (“Stone Point”)

As at December 31, 2022, the Company had investments in funds, which are included within unquoted investments and in a registered investment company affiliated with entities owned by Trident V funds ("Trident") or otherwise affiliated with Stone Point, a shareholder of Enstar.

The table below summarizes the investments with Stone Point and its affiliated entities carried on the condensed balance sheet as at December 31, 2022 and 2021 as well as the net realized and unrealized gains (losses) and interest income included in the condensed statements of income for the years ended December 31, 2022 and 2021:

	2022	2021 Unaudited
	USD '000	USD '000
Fixed maturities, trading, at fair value	20,534	24,478
Fixed maturities, AFS, at fair value	22,095	22,824
Equities, at fair value	6,120	7,650
Other investments, at fair value:		
Private equity funds	1,111	950
CLO equity funds	10,189	12,357
Total investments	60,049	68,259
Cash and cash equivalents	331	438
Net investments	60,380	68,697

The following table presents the amounts included in net income related to our related party transactions with Stone Point and its affiliated entities:

	2022	2021 Unaudited
	USD '000	USD '000
Net investment income	1,033	879
Net realized and unrealized gains (losses)	(2,535)	4,434
Total net earnings	(1,502)	5,313

16. SUBSEQUENT EVENTS

There are no significant subsequent events of note.

17. OTHER INFORMATION

Not applicable.

1(a) SHARE CAPITAL / CAPITAL STOCK

As of December 31, 2022 and 2021 the authorized share capital was 1,000,000 common shares of par value $1.00 per share, all of which are issued and outstanding.

	2022	2021 Unaudited
Share Capital		
Authorized share capital		
Par value $1.00 each	1,000,000	1,000,000
Issued and fully paid		
1,000,000 common shares	1,000,000	1,000,000
Total common shares	$ 1,000,000	$ 1,000,000

As of December 31, 2022 and 2021 the authorized share capital was 50,000,000 preference shares of $1.00 each.

The issued preference shares are shown in the following table:

	2022	2021 Unaudited
Preferred Shares in Segregated Accounts		
Issued		
1 Class A, non-voting preferred share	1	1
1 Class B, non-voting preferred share	1	1
1,000 Class 9, non-voting preferred shares	1,000	1,000
1 Class 19, non-voting preferred share	1	1
1 Class 23, non-voting preferred share	1	1
1 Class 24, non-voting preferred share	—	1
1 Class 30, non-voting preferred share	—	1
10,000 Class 31, non-voting preferred shares	10,000	10,000
1,000 Class 33, non-voting preferred share	1,000	1,000
1,000 Class 35, non-voting preferred shares	1,000	1,000
1,000 Class 36, non-voting preferred shares	1,000	1,000
10,000 Class 41, non-voting preferred shares	10,000	10,000
10,000 Class 42, non-voting preferred shares	10,000	10,000
Total preferred shares	$ 34,004	$ 34,006

In most circumstances, preference shares of par value $1 each are issued upon the establishment of a Segregated Account, the class of shares being different for each Segregated Account established. These preference shares hold no voting rights, are not interest bearing and participate only in the earnings of their respective Segregated Accounts.

1(b) ADDITIONAL PAID IN CAPITAL / CONTRIBUTED SURPLUS

As at December 31, 2022, the Company had contributed surplus of $316 million (2021: $452 million).

No additional paid-in capital was contributed to the Company during the year ended December 31, 2022 and 2021.

In December 2022, the Company's Board of Directors approved the declaration of a return of capital from the contributed surplus of FW#36 of $135.8 million.

2(c) DIVIDENDS PAID AND PAYABLE

In March 2022 the Company's Board of Directors approved the declaration of dividends in the amount of $75 million for the year ended December 31, 2021.

In June 2022 the Company's Board of Directors approved the declaration of dividends in the amount of $15 million for the year ended December 31, 2022.

In August 2022 the Company's Board of Directors approved the declaration of dividends in the amount of $11.6 million for the year ended December 31, 2022.

ADDITIONAL NOTES

(a) There were no changes in the Company’s authorized share capital during the year.

(b) The Company has not contracted to issue or reissue shares or given options to purchase shares.

(c) There were no share transactions during the year in relation to the common shares in the Company.

(d) The cumulative effect of the change in deferred charge asset resulted in a $152 million increase to surplus for the year ended December 31, 2021. Refer to Note 4(b) of the General Notes to the condensed financial statements.

1. ENCUMBRANCE ON CASH AND CASH EQUIVALENTS

Restricted assets are discussed in Note 8(b) of the General Notes to the condensed financial statements and the position at the year-end is shown in a table in that note. Cash at December 31, 2022 of $15 million (2021: $25 million) is restricted.

2-3 VALUATION OF INVESTMENTS

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

Restricted assets are discussed in Note 8(b) of the General Notes to the condensed financial statements and the position at the year-end is shown in a table in that note. Investments at December 31, 2022 of $226 million (2021: $256 million) are restricted.

4. INVESTMENTS IN AND ADVANCES TO AFFILIATED ENTITIES

There are no investments in and advances to affiliated entities for year ended December 31, 2022.

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

5. INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE

Not applicable.

6. POLICY LOANS

Not applicable.

7. INVESTMENTS IN REAL ESTATE

Not applicable.

8. COLLATERAL LOANS

Not applicable.

9. INVESTMENT INCOME DUE AND ACCRUED

Investment income due and accrued amounted to $2 million (2021: $2 million) as at year end.

10. ACCOUNTS AND PREMIUMS RECEIVABLE

(a) Accounts and premiums receivable are not collateralized.

(b) Accounts and premiums receivable due from affiliates are $nil (2021: $79 million).

Derivatives and embedded derivatives

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

Foreign Currency Forward Contracts

The following tables present the gross notional amounts and the estimated fair values recorded within line 10 - accounts and premiums receivable and line 33 - accounts payable and accrued as of December 31, 2022 and 2021, on the foreign currency forward exchange rate hedging relationships related to our Segregated Accounts:

	December 31, 2022		
	Gross Notional Amount	Fair Value	
		Assets	Liabilities
	(in thousands of U.S. dollars)		
Foreign exchange forward - CAD	7,613	114	—
Foreign exchange forward - GBP	3,388	4	49
Foreign exchange forward - EUR	9,318	30	309
Total foreign currency non-qualifying hedges	**20,319**	**148**	**358**

	December 31, 2021 Unaudited		
	Gross Notional Amount	Fair Value	
		Assets	Liabilities
	(in thousands of U.S. dollars)		
Total foreign currency non-qualifying hedges	**25,283**	**12**	**203**

There are no embedded derivatives.

11. REINSURANCE BALANCES RECEIVABLE

The following table provides the total reinsurance balances recoverable on paid and unpaid losses as of December 31, 2022 and 2021:

	2022	2021 Unaudited
	USD '000	USD '000
Recoverable on paid losses	2,998	2,941
Total reinsurance reserves recoverable	2,998	2,941

In the event that all or any of the reinsuring companies are unable to meet their obligations under existing reinsurance agreements, the Company's Segregated Accounts will be liable for such defaulted amounts.

We evaluate and monitor the credit risk related to our reinsurers, and an allowance for estimated uncollectible reinsurance balances recoverable on paid and unpaid losses ("allowance for estimated uncollectible reinsurance") is established for amounts considered potentially uncollectible.

With respect to our process for determining the allowances for estimated uncollectible reinsurance, we adopted ASU 2016-13 and the related amendments on January 1, 2020 and recorded a cumulative effect adjustment of $1.8 million in 2020 to decrease the opening retained earnings on the initial adoption of the guidance. Our allowance for estimated uncollectible reinsurance is derived based on various data sources, multiple key inputs and forecast scenarios. These include the duration of the collection period, credit quality, changes in reinsures credit standing, default rates specific to the individual reinsurer, the geographical location of the reinsure, contractual disputes with reinsures over individual contentious claims, contract language or coverage issues, industry analyst reports and consensus economic forecasts.

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

At December 31, 2022, the provision for uncollectible reinsurance relating to losses recoverable was $0.5 million (2021 - $0.5 million).

12. FUNDS HELD BY CEDING REINSURERS

As at December 31, 2022, funds held by ceding reinsurer affiliates are $190 million (2021: $266 million)

13. SUNDRY ASSETS

The following table summarizes the Other Sundry assets as of December 31, 2022 and 2021:

	2022	2021 Unaudited
	USD '000	USD '000
Net receivables for investments sold	255	255
Deferred acquisition costs	2	22
Deferred Charge Asset	169,649	181,756
Total Other Sundry Assets	169,906	182,034

14. LETTERS OF CREDIT GUARANTEES AND OTHER ASSETS

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

16. UNEARNED PREMIUM RESERVE

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

17. LOSS AND LOSS EXPENSE PROVISIONS

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

The table below provides a reconciliation of the beginning and ending liability for losses and LAE for the years ended December 31, 2022 and 2021

	2022	2021 Unaudited
	USD '000	USD '000
Balance as at January 1	1,055,935	1,479,797
Less: reinsurance reserves recoverable	(3,260)	(117,261)
Less: deferred charge asset (1)	(181,757)	(194,532)
Net balance as at January 1	870,918	1,168,004
Net incurred losses and LAE:		
Prior year	—	—
Reduction in estimates of net ultimate losses (2)	(1,670)	(40,383)
Reduction in provisions for ULAE	653	(369)
Amortizations of DCAs	12,108	12,774
Total net incurred losses and LAE	11,091	(27,978)
Net paid losses and LAE:		
Current year	—	—
Prior periods	(121,668)	(37,994)
Total net paid losses and LAE	(121,668)	(37,994)
Effect of exchange rate movement and other	70	(105)
Other adjustments	(438)	
Novated business	(582,309)	(231,009)
Net balance as at December 31	177,664	870,918
Plus: reinsurance reserves recoverable	3,099	3,260
Plus: deferred charge asset (1)	169,649	181,757
Balance as at December 31	350,412	1,055,935

(1) Deferred charge asset balance included in Note 13 Sundry Assets of the Balance Sheet Note to the condensed financial statements.

(2) The reduction in estimates of net ultimate losses excludes bad debts on paid losses written off of $0.5M in FW#35 and gain on novation of $4M in FW#36. These amounts are included in the net losses incurred and net loss expenses incurred in the condensed statement of earnings.

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

The total net change in incurred losses and LAE reserves is comprised 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 of or movement in assumed claims, and (2) the net change in IBNR which represents the gross change in the Company's actuarial estimates of the IBNR , less amounts recoverable from reinsurers.

For the year ended December 31, 2022 the Company recorded an overall increase in ultimate losses and LAE liabilities of $11.1 million (2021 - decrease $28.0 million). The incurred loss developments in both years relate primarily to the resetting of loss ultimates based on actuarial studies.

The Novated business of $582.0 million in 2022 reflects the novation of assumed reserves in FW#36 to Cavello. The Novated business of $231.0 million in 2021 reflects the novation of assumed reserves in FW#24 and FW#30 to Cavello.

20. - 27. NOT APPLICABLE

28. INSURANCE AND REINSURANCE BALANCES PAYABLE

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

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

29. COMMISSION, EXPENSES, FEES AND TAXES PAYABLE

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

30. LOANS AND NOTES PAYABLE

There are no loans and notes payable.

31. INCOME TAX PAYABLE AND DEFERRED TAXATION

The Company is incorporated under the laws of Bermuda 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 taxes and has received an undertaking from the Bermuda government that, in the event of any income or capital gains taxes being imposed, it will be exempt from such taxes until the year 2035.

32. AMOUNTS DUE TO AFFILIATES

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

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

33. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At December 31, 2022, the Company had accounts payable and accrued liabilities of $4 million (2021: $6 million) in relation to expenses incurred. Accounts payable and accrued liabilities due to affiliates are $3 million (2021: $3 million)

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

Foreign currency forward contracts with affiliates are disclosed in Note 11 of the notes to the condensed balance sheet.

34. FUNDS HELD UNDER REINSURANCE CONTRACTS

The company had no liabilities to affiliate reinsurers for funds held under reinsurance contracts at year end.

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

35. DIVIDENDS PAYABLE

At December 31, 2022, the Company had a liability for dividends payable of $135.8 million (2021: $nil) in respect of the declared return of capital from the contributed surplus of Segregated Account FW#36.

36. SUNDRY LIABILITIES

There are no sundry liabilities held at year end.

37. LETTERS OF CREDIT GUARANTEES AND OTHER ASSETS

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

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

6. OTHER INSURANCE INCOME GENERAL BUSINESS

Not applicable.

15. OTHER INSURANCE INCOME LONG TERM BUSINESS

Not applicable.

32. COMBINED OTHER INCOME

	2022	**2021 Unaudited**
	USD '000	USD '000
FX on cash and cash equivalents	383	21
Other income/(expense)	—	545
Total	383	566

36. COMBINED REALIZED GAINS (LOSS)

	2022	**2021 Unaudited**
	USD '000	USD '000
Gains/ (loss) on cash and cash equivalents	(83)	—
Gains/ (loss) on investments	(163,186)	(20,919)
Total	(163,269)	(20,919)