Part of the Enstar Group

StarStone Insurance SE

Annual Report

For the year ended 31 December 2021

Company Number: FL-0002.546.357-6

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STARSTONE INSURANCE SE
DIRECTORS AND OFFICERS
For the year ended 31 December 2021

Directors and Officers

Board of Directors

Name	Appointment Date	Resignation Date
Michael Handler	06/06/2016	-
Donat Marxer	08/05/2017	-
Ian Poynton	16/01/2015	-

Management Board

Name	Appointment Date	Resignation Date
Udo Pickartz	08/05/2017	29/11/2021
Richard Cowling	31/03/2020	31/08/2021
Gordon Walters	31/03/2020	25/06/2021
Jörg Raschke	31/03/2020	31/03/2021
Stephen Allen	18/01/2021	-
Steven Hennessey	31/08/2021	-
Ee Ling Lim	31/08/2021	-
David Matthys	31/08/2021	-
Maxine Ronsmans	31/08/2021	-
Erik Zunic	31/08/2021	-

Company Secretary

Name	Appointment Date	Resignation Date
Siobhan Hextall	08/05/2017	
Clare Traxler		30/09/2021

Company Number

FL-0002.546.357-6

Offices

Registered Office	**Switzerland Representation Office** (until 15 February 2022)	**United Kingdom Branch**	**Germany Branch** (until 22 April 2021)
Zollstrasse 82 9494 Schaan Liechtenstein	Gartenstrasse 25 8002 Zürich Switzerland	One Creechurch Place London EC3A 5AY United Kingdom	Spichernstrasse 8 50672 Köln Germany

France Branch (until 31 December 2021)	**Netherlands Branch** (until 31 December 2021)	**Italy Branch**
34 Avenue Des Champ-Elysees 75008 Paris France	Beurs World Trade Center, 6th Floor, Beursplein 37, PO Box 30162, 3001 DD, Rotterdam, Netherlands	Via Nino Bixio, 31 20129 Milano Italy

Auditors

KPMG (Liechtenstein) AG

Aeulestrasse 2, 9490 Vaduz

Management Report

The Management presents their report and the audited financial statements for StarStone Insurance Societas Europaea ("the Company") for the year ended 31 December 2021.

Principal activity

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

The principal activity of the Company was the underwriting of specialty insurance and reinsurance business. The Company offered a broad range of insurance products from large multi-national through to small and middle-market clients around the world, with the Company writing a diversified portfolio by territory and line of business. The Company's business was also written through its European branch network as listed on page 1.

The Company is authorised by the Financial Market Authority ("FMA") to operate property and casualty insurance in the following classes of business: Accident; Sickness; Land vehicles (excluding railway rolling stock); Railway rolling stock; Aircraft; Ships (sea, lake and river navigation vessels); Goods in transit (including merchandise, baggage and all goods); Fire and natural forces; Other damage to property; Aircraft liability; Assistance; General liability; Credit; Suretyship; Miscellaneous Financial loss; and Legal expenses.

Results and performance

The Company's key financial indicators during the period were as follows:

	Year ended 31 December 2021	**Year ended 31 December 2020**
	USD 000's	USD 000's
Gross written premium	16,204	143,310
Net earned premium	8,957	46,804
Technical result	(5,207)	(15,188)
Net loss for the year	(3,596)	(3,880)
Percentage reduction in net reserves ratio %	36.0%	20.3%
Investment return ratio %	3.1%	1.5%

The Company has generated a net loss for the year of USD 3.6m (2020: USD 3.9m loss) which is primarily driven by the servicing of the Company's administrative expenses and foreign exchange loss. These losses were slightly offset by the favourable increase in investment return and the write up of investment carried at the lower of cost, as required under Liechtenstein GAAP, to market value upon disposal during the year. The majority of the Company's underwriting results continue to be ceded out to its parent company, StarStone Insurance Bermuda Limited ("SIBL").

The Company's gross written premiums continue to reduce from prior year to USD 16.2m (2020: USD 143.3m), as a result of ceasing to underwrite new and renewal business in June 2020. The Company's gross written premium during the year is mainly generated from endorsement premiums on Construction business.

The Company's net expenses reduced due to lower acquisition costs of USD 1.3m (2020: USD 32.3m) as a result of lower premiums following the decision by the Company to cease writing new and renewal business. This is offset by lower commissions received of USD 3.1m (2020: USD 28.4m) due to the same reason. The Company's administrative expenses have also moved favourably comparing to last year as a number of one-off run-off costs were incurred last year but not in this year.

The Company's reported investment income net of investment management expense of USD 5.2m (2020: USD 2.7m) for the financial year. The increase in investment income is mainly driven by an increase in realised gains as more investments were sold during the year to fund claims payments.

The non-technical account includes a foreign exchange loss of USD 2.9m (2020: foreign exchange gain of USD 6.1m) due to strengthening of USD against GBP, EUR and AUD.

Key developments in the year

The Company continues to service policies and manage claims that remain in force, as well as write endorsements to existing policies particularly within construction business and some business written under binding authorities.

The Company's Whole Account intragroup reinsurance arrangement with SIBL is on a risk attaching basis and will continue to protect the existing policies and any endorsements and business written under binding authorities for up to 2020 underwriting year. The intragroup reinsurance cessions under this agreement varies between 65% and 100% depends on the class of business and the underwriting year. This reinsurance arrangement is terminated for the 2021 underwriting year.

On 22 April 2021, the Cologne, Germany branch was closed. The Rotterdam branch in the Netherlands was closed on 31 December 2021. The closure of the Paris branch in France was filed as of 31 December 2021 and the branch was closed on 4 February 2022. The Zurich, Switzerland representation office was closed on 15 February 2022. The London, United Kingdom ("UK") and Milan, Italy branches are the remaining active branches.

Strategy and Future outlook

A Strategic Plan has been developed to manage the orderly and solvent administration of the Company's business until the liabilities of the Company have been settled. The liabilities of the Company vary in duration and the wind down of the Company's activities are expected to occur over a number of years.

The Company continues to monitor the appropriateness of various strategies that either reduces risk, or enhances the outcome for all stakeholders when compared to the Strategic Plan.

The transition of claims management, reserve management and operations to Enstar Group was completed by the end of the third quarter of 2021.

COVID-19

The World Health Organisation (WHO), on 11 March 2020, declared the coronavirus (COVID-19) outbreak as a global pandemic. In response to the ongoing coronavirus pandemic (COVID-19), the Company has successfully continued to with its Business Continuity Plan with minimal disruption to its day-to-day operations for customers. The COVID-19 is a pandemic event that is not clearly timebound nor limited to direct consequences that are easily quantifiable due to the unprecedented nature. As a result, the exposure estimates continue to be assessed on an ongoing basis and remains judgemental. The impact on the Company's financial and capital position to date has been limited due to the Whole Account intragroup reinsurance arrangement with SIBL and the conservative investment strategy. The management continues to closely monitor the COVID-19 outbreak and actively assess the potential impact to all stakeholders.

From an employee wellbeing and business continuity perspective management is proactively monitoring this outbreak by maintaining continuous dialogue regarding its status and issuing periodic updates and guidance to all staff on measures to maintaining good health.

Increased cyber risk is, in part, mitigated through regular phishing tests and additional training. Any staff member failing the test are enrolled onto mandatory cyber-awareness training with follow up training to increase awareness and mitigate a real cyber-attack resulting in fraud.

Brexit

SISE effects and carries on insurance business through its UK authorised branch. The United Kingdom withdrew from the European Union ("Brexit") following a transition period that ended on 31 December 2020. Prior to the end of the transition period, the EU-UK Trade and Cooperation agreement was signed between the European Union and the United Kingdom.

Since 1 January 2021, SISE UK Branch is operating within the UK Temporary Permissions Regime (“TPR”) following the end of post-Brexit transition period on 31 December 2020. The UK Branch is deemed authorised by the Prudential Regulation Authority (“PRA”) and is subject to regulation by the Financial Conduct Authority (“FCA”), and limited regulation by the Prudential Regulation Authority (registered number 778631). The TPR allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation. As SISE UK branch is in run-off and is not seeking to write business, no application for full authorisation from the PRA will be required. The branch will continue to operate under the TPR and will discuss transition to the Supervised Run-Off Regime (“SROR”) with the PRA and the FCA in the second half of 2022.

Dividends

The Directors have not declared nor proposed any dividends to date.

Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through the Enterprise Risk Management (“ERM”) framework along with supporting policies, procedures and internal controls. The ERM Framework and related policies are subject to approval and ongoing review by the Enstar EU/UK Management Risk Committee as the Company has now aligned its governance to that of Enstar (EU) Limited. Compliance with regulation, legal and ethical standards is a high priority for the Company and the Compliance team and Finance department take on an important oversight role in this regard. The Company’s Management Board is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and that controls operate effectively, while the Company’s Board of Directors ensure that management is managing the Company effectively and to deliver shareholder value over the long term. These Boards are also responsible for satisfying the Company’s local law, regulations or practices. Enstar (EU) Limited’s Internal Audit Function is tasked with ensuring the adequacy and effectiveness of the Company’s risk management, control and governance processes. The Company adopts Sarbanes-Oxley (“SOX”) requirements to ensure that a robust control framework is implemented and required by its ultimate parent. Internal Audit assist in enabling the Chief Executive Officer and Chief Finance Officer in discharging their SOX responsibilities through review and testing of key control activities.

Underwriting Risk

Underwriting risk is the risk that insurance premiums and/or reserves are ultimately insufficient to fully settle claims and associated expenses.

Underwriting risk spans many aspects of the insurance operations, including premium risk and risk associated with our reserving assumptions. Underwriting risk relates to the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities that have been assumed through the underwriting process. As mentioned previously, new underwriting has been discontinued, though there remains continued oversight of management of the underwriting portfolio. Exposure levels are monitored across all risk categories in line with the approved risk appetite thresholds.

Premium Risk is the risk that policy terms, premiums and reinsurance protection will not be sufficient to cover ultimate loss and expense costs and achieve target rates of return.

Reserving risk is the risk that a Company's reserves are not sufficient to cover its unpaid loss and loss adjustment expense costs. The estimation of reserves is subject to uncertainty because the ultimate cost of settling claims is dependent upon future events and loss development trends that can vary with the impact of economic, social, and legal and regulatory matters.

The Company strives to mitigate underwriting risk through controls and strategies including the purchase of reinsurance, ensuring underwriting authority limits and guidelines are adhered to for the duration of contract terms.

Appropriate controls and procedures are in place and monitored for on-going operational effectiveness to ensure that residual risk is maintained within approved risk appetite. For example, the reserving team continues to review track and actual claims movements versus expected movements.

While new underwriting has been discontinued within the Company, there has been an improved review process relating to any premium adjustments and movements, with material premium movements requiring additional sign off from Enstar (EU) Limited.

Financial Risk

The Company is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts), reinsurance assets and policyholder liabilities. In particular, the key financial risk is that proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are investment / market risk (including interest rate risk and currency risk), credit risk and liquidity risk. These risks arise from interest rate and currency products, all of which are exposed to general and specific market movements.

The Company's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Investment / Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or investment will fluctuate because of changes in market prices. The market risk module shall reflect the risk arising the level or volatility of economic variables which have an impact upon the value of the assets and liabilities of the Company. It shall properly reflect the structural mismatch between assets and liabilities, in particular with respect to the duration thereof.

Market risk may be triggered by multiple economic, political, and regulatory factors such as recessions, political upheavals, structural changes or regulatory changes. Additionally, Market risk may be amplified by excessive concentration and exposure to individual securities, asset types, or asset and fund managers through relative movements in the underlying valuations of the assets).

The Company manages Market risk in a number of ways, including use of investment guidelines; regular reviews of investment opportunities; market conditions; portfolio duration; oversight of the selection and performance of external asset managers; regular stress testing of the portfolio against known and hypothetical scenarios; established tolerance levels; and, where possible, foreign currency asset/liability matching. Investments are primarily managed by the Investment function, which is overseen by the Investment Committee.

Risk treatment and mitigation strategies are driven by established risk appetite approved by the Board. Risk treatment/mitigation (e.g. establishing controls, procedures and the implementation of modified strategic activities designed to for example rebalance the portfolio into or away from specific asset classes given the underlying risk profile) or accepting risks to the extent at par with Board approved risk appetite is the responsibility of risk owners and oversight by senior management.

Appropriate controls and procedures are in place and monitored for on-going operational effectiveness to ensure that residual risk is maintained within approved risk appetite.

Credit Risk

Credit risk relates to the uncertainty of a counterparty's ability to make timely payments in accordance with contractual terms of the instrument or contract. Key areas where the Company is exposed to credit risk include reinsurers' share of insurance liabilities, amounts due from reinsurers in respect of claims already paid, amounts due from insurance contract holders, amounts due from insurance intermediaries and amounts due from corporate bond issuers and issuers of collateralised mortgage obligations.

The Company's objective in managing credit risk is to ensure the risk is managed in a sound and prudent manner in line with the Company's risk profile and risk appetite, and regulatory requirements. The assets are invested in high quality investment grade securities managed by Goldman Sachs Asset Management. The Company has established policies and procedures in order to manage exposure to credit risk and methods to quantify exposure.

The Company mitigates credit risk through the reinsurance purchasing process, where reinsurers are subject to financial security and rating requirements prior to approval and by limiting exposure to individual reinsurers. Thereafter credit risk is managed by the regular monitoring of reinsurance recoveries and premium due directly or via brokers and other intermediaries. At management level, reinsurer credit risk is monitored and overseen by the Management Board which meets quarterly. The Management Board monitors risk tolerance levels which have been approved by the Board as part of the Risk Appetite Framework.

In fixed maturity and short-term investment portfolios, credit risk is mitigated through diversification and issuer exposure limitation.

The Company's credit risk in respect of debt securities is managed by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. Financial assets are graded according to current credit ratings issued by rating agencies such as Standard and Poor's. The Company has a policy of investing in mainly investment grade assets (i.e., those rated BBB and above).

The Company limits the amount of cash that can be deposited with a single counterparty and maintains an authorised list of acceptable cash counterparties.

Liquidity Risk

Liquidity Risk is the risk that we are unable to realize investments and other assets in order to settle financial obligations when they fall due or that we would have to incur excessive cost to do so.

The Company mitigates this risk by following an investment strategy designed to emphasise the preservation of invested assets and provide sufficient liquidity for the prompt payment of claims and contract liabilities. The Company maintains banking facilities, continuously monitors forecast and actual cash flows and matches the maturity profiles of assets and liabilities such that it will always have sufficient liquidity to meet liabilities when they fall due. In practice, most of the Company's assets are marketable securities which could be converted into cash when required. The assets are invested in liquid government and corporate bonds that more than meet the legal entities liquidity needs.

Operational Risk

Operational risk is the risk of a loss arising from inadequate or failed internal processes, or from external events, personnel, systems or third parties. Operation risk includes outsourcing risk. Outsourcing risk is defined as an arrangement of any form between a firm and a service provider by which that service provider performs a process or activity or provides a service which would otherwise be undertaken by the firm itself.

Operational risk is mitigated through the application of policies and procedures and internal control and compliance processes throughout the Company, including but not limited to business continuity planning, information security procedures, change management processes, financial reporting controls and a review process for material third-party vendor usage. Controls which are executed throughout the Company's operations, to mitigate against their associated risks crystalizing, are assessed on a quarterly basis.

Strategic Risk and Group Risk

Strategic risk is the risk of unintended adverse impact on the business plan objectives arising from business decisions, improper implementation of those decisions, inability to adapt to changes in the external environment, or circumstances that are beyond the Company's control.

Group risk arises from other group entities which may impact on the operation of the Company's risk.

All Strategic and Group risks are assessed via the Risk Management system on a quarterly basis. Risk owners must provide an inherent and residual risk rating along with a supporting rationale. Key Risk Indicators are also assessed quarterly and all tolerances that have been exceeded or where the tolerance threshold is approaching, are reported to Enstar EU Management Risk Committee.

Income statement

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
		USD	USD
I. Technical account			
1. Net earned premium			
a. Gross written premium	**1**	16,204,458	143,309,963
b. Premiums ceded	**1**	(17,150,089)	(114,253,112)
c. Change in unearned premium reserves	**1&4**	66,256,629	74,440,516
d. Change in unearned premium ceded	**1&4**	(56,353,553)	(56,693,680)
		8,957,445	**46,803,687**
4. Net claims incurred			
a. Claims paid			
aa. Gross	**1**	(117,621,379)	(158,323,100)
bb. Ceded	**1**	109,318,241	153,457,614
		(8,303,138)	**(4,865,486)**
b. Change in outstanding claims reserves			
aa. Gross	**1&5**	114,953,212	(40,713,749)
bb. Ceded	**1&5**	(111,567,644)	22,918,982
		3,385,568	**(17,794,767)**
7. Expenses for insurance business			
a. Acquisition costs	**1**	(1,251,816)	(32,286,114)
b. Administrative expenses	**2**	(11,049,275)	(35,464,635)
c. Commissions received	**1**	3,054,413	28,419,472
		(9,246,678)	**(39,331,277)**
10. Technical result		**(5,206,803)**	**(15,187,843)**
III. Non-technical result			
3. Investment income			
c. Income from other investments		2,450,384	2,190,414
e. Realised gains		4,316,076	1,703,636
5. Investment expenses			
a. Investment management and interest expenses		(451,805)	(162,399)
b. Amortisation of investments		(1,029,145)	(1,028,471)
c. Realised losses		(101,199)	(24,129)
7. Other income	**9**	-	6,116,277
8. Other expenses	**9**	(2,914,294)	-
9. Result on ordinary activities		**(2,936,785)**	**(6,392,515)**
13. Income taxes	**10**	(658,828)	2,512,066
Net loss for the year		**(3,595,613)**	**(3,880,449)**

See accompanying notes to the financial statements on pages 12 to 21.

STARSTONE INSURANCE SE
BALANCE SHEET
As at 31 December 2021

Balance Sheet

Assets	Notes	31 December 2021	31 December 2020
		USD	USD
B. Investments			
III. Other investments	**3**	170,975,341	181,042,571
D. Other receivables			
I. Receivables from policyholders	**6a**	19,679,123	58,257,266
II. Other reinsurance business receivables			
1. Receivables from affiliated companies	**6b**	70,912,737	70,572,661
3. Receivables from other parties		24,394,436	27,358,725
III. Other receivables			
1. Receivables from affiliated companies	**6b**	618,715	-
3. Receivables from other parties		6,051,122	6,897,780
E. Other assets			
II. Cash at bank and on hand		4,370,838	17,091,420
F. Accrued items			
I. Accrued interest and rent		577,137	747,589
III. Other accrued items	**7**	1,310,335	1,687,241
Total Assets		**298,889,784**	**363,655,253**

See accompanying notes to the financial statements on pages 12 to 21.

STARSTONE INSURANCE SE
BALANCE SHEET
As at 31 December 2021

Liabilities and Equity

	Notes	31 December 2021 USD	31 December 2020 USD
A. Equity			
I. Called up share capital	11	190,392,725	190,392,725
II. Fund Account - Liechtenstein law	11	-	-
III. Additional paid in capital	11	55,254,795	55,254,795
IV. Revenue reserves			
1. Legal reserves	11	-	-
V. Losses brought forward	11	(27,583,223)	(23,702,774)
VI. Net loss for the year	11	(3,595,613)	(3,880,449)
		214,468,684	**218,064,297**
D. Technical reserve			
I. Unearned premium reserves			
1. Gross	4	38,580,032	104,835,792
2. Of which: reinsurance companies	4	(37,220,562)	(94,018,366)
		1,359,470	**10,817,426**
III. Outstanding claims reserves			
1. Gross	5	590,501,146	717,851,144
2. Of which: reinsurance companies	5	(567,071,279)	(689,936,373)
		23,429,867	**27,914,771**
H. Other payables			
II. Other reinsurance payables			
1. Payable to affiliated companies	6b	43,064,009	53,960,457
3. Payable to other creditors	8	10,965,686	47,995,544
V. Other liabilities			
3. Affiliated companies	6b	4,097,079	1,483,585
5. Other liabilities against third parties		-	430,851
VI. Accruals			
1. Other accruals		1,504,989	2,988,322
Total Liabilities and Equity		**298,889,784**	**363,655,253**

See accompanying notes to the financial statements on pages 12 to 21.

These financial statements were approved by the Board of Directors on 6 April 2022 and signed on their behalf by

Ian Poynton
Director

Donat Marxer
Director

Notes to the Financial Statements

Basis of Preparation

The accounting policies of the Company have been established in conformity with the Liechtenstein Persons and Company Law ("PGR") as well as the Law of 12 June 2015 on the Supervision of Insurance Undertakings (Insurance Supervision Act, "ISA") and the Ordinance of 25 August 2015 on the Supervision of Insurance Undertakings (Insurance Supervision Ordinance, "ISO") . A summary of the principal accounting policies is set out below.

Principal Accounting Policies

A. Insurance Operations

Written Premiums – Gross written premiums comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences. Additional or return premiums are treated as a re-measurement of the initial premium. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

Written premiums include an estimate for pipeline premiums (i.e. premiums written but not reported to the Company by the reporting date) relating only to those underlying contracts of insurance where the period of cover has commenced prior to the reporting date. The most significant assumption in this estimate is that prior year experience will be consistent with current experience.

Earned Premiums – Premiums are earned as revenue over the period of the contract in proportion to the level of protection provided. Generally, this is on a pro-rata basis over the term of the policies to which they relate. Where the amount of insurance protection varies according to a predetermined schedule, the premium is earned over the period of cover in line with the underwriter's assessment of the level of protection provided.

Claims – Claims include all claims occurring during the year, whether reported or not, related internal and external claims management costs that have been determined by an apportionment of employment costs, and any adjustments to claims outstanding from previous years.

Internal claims handling costs, including remuneration costs of the claims department, are reclassified from administrative expenses and included within claims incurred.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at cost. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method.

The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement. Insurance receivables are derecognised when the de-recognition criteria for financial assets have been met.

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at cost. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Reinsurance – Ceded reinsurance premiums are recognised in the same accounting period as the related insurance. Reinsurance premiums ceded are expensed over the period under which the coverage is provided. For contracts written on a 'losses occurring during basis', the reinsurance premiums are earned on a straight-line basis over the term of the contract. For contracts written on a 'risk attaching basis', the reinsurance premiums are earned based on the terms of the underlying contracts.

Reinsurance reinstatement premiums – Where a mandatory reinstatement premium is payable under the contract terms after a loss event has occurred, the reinstatement premiums are recorded as written and fully earned at the date of the loss.

Risk transfer – With respect to ceded business, reinsurance accounting is only applied on reinsurance contracts where the risk transfer requirements have been met including the following key conditions:

(a) The reinsurer assumes significant insurance risk under the reinsured portions of the underlying insurance contracts; and
(b) It is reasonably possible that the reinsurer may realise a significant loss from the transaction.

Acquisition Costs – Acquisition costs comprise those costs that are incurred in the acquisition of new and renewed insurance contracts. These consist of commissions, premium taxes, underwriting costs and other costs, which vary with and are primarily related to, the acquisition of premiums. Acquisition costs are expensed as incurred.

Unearned premium reserve – Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard, where appropriate, to the incidence of risk. The provision for unearned premiums is calculated on a daily pro rata basis where appropriate. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Unearned reinsurance premiums are those proportions of reinsurance premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts, and over the term of the reinsurance contract for losses-occurring contracts.

Unpaid losses – A liability for unpaid losses is established where the insured event has occurred on or before the balance sheet date. The reserve for the unpaid losses is established by management based on the estimated ultimate cost of settling the claim and includes provisions for both reported claims ("case reserves") and estimates relating to incurred but not reported claims ("IBNR").

IBNR is generally subject to a greater degree of uncertainty than reported claims. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims, the Company uses a variety of estimation techniques. In the initial years, the estimation of the claims will be based on pricing assumptions and comparison to industry benchmarks. Once adequate data is available, the estimation is generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Company processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses; and
- any movements in industry benchmarks.

A component of these estimation techniques includes the estimation of the cost of notified but not paid claims. In estimating the cost of these the Company has regard to the claim circumstance as reported, any information available from loss adjusters and any available information on the cost of settling claims with similar characteristics.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distorting effect of the development and incidence of these large claims.

Where possible the Company adopts multiple techniques to estimate the required level of loss provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each underwriting year.

Loss provisions are calculated net of any estimated amounts of salvage and subrogation recoveries, but gross of any reinsurance recoveries. No benefit has been taken for discounting the reserves.

Loss adjustment expenses – A liability is established for all costs expected to be incurred in connection with the settlement of unpaid claims. These include the direct cost relating to the investigation of the claims and other costs which cannot be associated with specific claims but are related to claims paid or in the process of settlement such as internal costs of the claims functions.

Reinsurance recoverable on unpaid losses – Reinsurance recoverable are balances due from reinsurance companies for paid and unpaid losses and loss expenses that are expected to be recoverable from reinsurers under the terms of the reinsurance agreements.

Reinsurance recoverable will be stated net of a reserve for uncollectable reinsurance. This reserve will be calculated based on management's estimate of any amounts that the Company would be unable to recover from the reinsurer due to insolvency or known liquidity issues, contractual dispute or any other reason which in management's judgement is likely to warrant a reserve against a particular reinsurer.

In the determination of the reserve for uncollectable reinsurance, the Company will consider the recoverable balance by reinsurer net of any collateral held. The definition of collateral for this purpose is generally limited to assets held in trust, letters of credit and liabilities held by the Company with the same legal entity for which the Company believes there is a legal right of offset.

B. Investments and other assets

Classification – The Company classifies its investments as Bonds and fixed income securities. The Company determines the classification of its investments in securities on initial recognition.

Recognition – Investments are recognised when the Company becomes a party to the contractual provisions of the investment. Investments are derecognised if the Company's contractual rights to the cash flows from the investments expire or if the Company transfers the investments to another party without retaining control of substantially all risks and rewards of the investment.

Purchases and sales of Investments are recognised and derecognised, as applicable, on the trade date, i.e. the date that the Company commits itself to purchase or sell the investment.

Measurement – Investments in securities are stated at the lower of cost or market value.

Cash at bank and on hand - Cash at bank and on hand includes cash at bank and in hand as well as short-term deposits with credit institutions.

Cash at bank and on hand on the balance sheet includes only cash and balances at central banks and loans and advances to banks repayable on demand. Cash at bank and on hand is measured at nominal values.

C. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

D. Foreign Currencies

The functional and reporting currency of the Company is U.S Dollars (“USD”). Transactions in foreign currencies are translated to the functional currency using the exchange rates at the date of the transactions. The Company’s monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. Unearned premium reserves are non-monetary items.

Differences arising on translation of foreign currency amounts relating to the operations of the Company are included in the Income Statement.

E. Taxes

Current tax expense is charged or credited in the Income Statement based upon amounts payable or recoverable as a result of taxable income or loss for its operations in each country in the current period.

1. Segment Information

An analysis of the Company's underwriting results before operating expenses, investment return and profit/(loss) on foreign exchange by class of business is presented in the table below.

a) The summaries below present written premium, earned premiums, claims incurred, and acquisition costs by class of business, as well as reinsurers share that includes ceding commission.

2021	**Written premium**	**Earned premiums**	**Claims incurred**	**Acquisition costs**
	USD	**USD**	**USD**	**USD**
Marine, aviation and transport	260,935	26,128,214	4,400,000	1,781,577
Property	11,826,413	36,886,080	10,895,571	(1,227,666)
Motor	3,038,836	5,277,786	6,571,105	(812,761)
Accident and health	(510,453)	1,655,037	(2,267,683)	(1,379)
Casualty and other	1,280,159	9,867,331	(25,600,443)	(968,643)
Credit and Suretyship	308,568	2,646,639	3,333,283	(22,944)
Gross	16,204,458	82,461,087	(2,668,167)	(1,251,816)
Reinsurer's share	(17,150,089)	(73,503,642)	(2,249,403)	3,054,413
TOTAL	(945,631)	8,957,445	(4,917,570)	1,802,597

2020	**Written premium**	**Earned premiums**	**Claims incurred**	**Acquisition costs**
	USD	**USD**	**USD**	**USD**
Marine, aviation and transport	67,312,945	75,308,103	(64,231,432)	(12,138,303)
Property	37,587,453	88,556,055	(73,274,931)	(8,960,748)
Motor	2,014,806	4,623,803	(7,981,422)	(4,332,478)
Accident and health	5,073,231	5,044,201	(2,419,710)	(1,115,131)
Casualty and other	27,938,499	36,268,466	(45,925,644)	(5,468,719)
Credit and Suretyship	3,383,029	7,949,851	(5,203,710)	(270,735)
Gross	143,309,963	217,750,479	(199,036,849)	(32,286,114)
Reinsurer's share	(114,253,112)	(170,946,792)	176,376,596	28,419,472
TOTAL	29,056,851	46,803,687	(22,660,253)	(3,866,642)

The USD 510,453 reduction of premium on Accident and health is due to increase in gross acquisition costs relating to the profit commissions as written premium is shown gross of brokerage. The negative net written premium is driven by timing difference of adjustments on ceded written premium. Claims incurred is offset by reserves releases seen across the lines of business, especially on Construction and legacy discontinued lines of business as the Company progresses with the run-off of the claims. Reduction of USD 1,781,577 of acquisition costs under Marine, aviation and transport is driven by revision made to brokerage percentage during the year.

The Company generated gross written premiums of USD 4,202,130 (2020: USD 6,526,677) in Liechtenstein and the branches in the EEA generated gross written premiums of USD 2,835,615 (2020: USD 44,279,020). In 2021, gross written premiums of USD 8,965,370 (2020: USD 91,931,963) were generated in the UK. Gross written premiums of USD 201,344 (2020: USD 572,303) were generated in Zurich primarily relating to changes in estimated premiums for the branch which was placed into run-off.

2. Administrative Expenses

The majority of the Company's administrative expenses are incurred by affiliated entities. StarStone Insurance Services Limited ("SISL") and Enstar (EU) Limited provide administrative services to the Company. Expenses are recharged to the Company in line with group policy.

3. Investments

By category

As at 31 December	2021 Cost USD	2021 Market value USD	2020 Cost USD	2020 Market value USD
Long Term:				
Corporate Securities	61,837,238	62,588,711	69,815,897	72,804,056
US Government Securities	78,353,643	78,639,397	30,711,561	31,660,863
Non-U.S. Government Securities	9,048,340	9,160,689	14,887,555	16,060,679
Mortgage Backed Securities	18,514,935	18,811,324	24,074,317	24,981,700
Other:				
Collective investment schemes	3,221,185	3,252,198	41,553,241	44,836,880
Total investments	170,975,341	172,452,319	181,042,571	190,344,178

During the year the Company disposed of 326,088 units valued at a cost of USD 38,216,664 held in collective investment schemes leaving 3,955 units remaining at the year end (2020: 330,043 units). The significant reduction in Collective investment schemes is due to the disposal of the investments during the year to to fund claims payments.

By maturity

As at 31 December	2021 Cost USD	2021 Market value USD	2020 Cost USD	2020 Market value USD
Due in one year or less	58,769,934	59,039,572	53,935,270	57,429,646
Due after one through five years	87,605,043	88,474,662	99,270,213	103,900,557
Due after five through ten years	6,521,705	6,590,950	4,389,986	4,678,632
Due after ten years	18,078,659	18,347,134	23,447,102	24,335,343
Total investments	170,975,341	172,452,319	181,042,571	190,344,178

Deposits with banks and cash at bank and on hand include assets of USD 437,366 (2020: USD 437,366) that were pledged as collateral for letters of credit issued in relation to insurance business written and USD 1,760,620

(2020: USD 2,492,938) are also used as collateral within individual trust funds or as deposits with regulatory authorities.

The Company has restricted investments of USD 89,679,662 (2020: USD 86,350,282) which are used as collateral within trust funds.

4. Unearned Premium Reserves

As at 31 December 2021	**Gross**	**Reinsurer's share**	**Net**
	USD	USD	USD
Balance at the beginning of the period	104,835,792	(94,018,366)	10,817,426
Change in reporting period	(66,256,629)	56,353,553	(9,903,076)
Currency translation	869	444,251	445,120
Balance at the end of the period	38,580,032	(37,220,562)	1,359,470

As at 31 December 2020	**Gross**	**Reinsurer's share**	**Net**
	USD	USD	USD
Balance at the beginning of the period	179,269,903	(150,279,136)	28,990,767
Change in reporting period	(74,440,516)	56,693,680	(17,746,836)
Currency translation	6,405	(432,910)	(426,505)
Balance at the end of the period	104,835,792	(94,018,366)	10,817,426

5. Claims Reserves

As at 31 December 2021	**Gross**	**Reinsurer's share**	**Net**
	USD	USD	USD
Balance at the beginning of the period	717,851,144	(689,936,372)	27,914,772
Change in reporting period	(114,953,212)	111,567,644	(3,385,568)
Currency translation	(12,396,786)	11,297,449	(1,099,337)
Balance at the end of the period	590,501,146	(567,071,279)	23,429,867

As at 31 December 2020	**Gross**	**Reinsurer's share**	**Net**
	USD	USD	USD
Balance at the beginning of the period	655,895,223	(636,279,641)	19,615,582
Change in reporting period	40,713,749	(22,918,982)	17,794,767
Adverse Development Cover Additional Cession	-	(9,365,114)	(9,365,114)
Currency translation	21,242,172	(21,372,636)	(130,463)
Balance at the end of the period	717,851,144	(689,936,372)	27,914,772

6. Receivables and payables

a. Receivables and payables from insurance activities

	Year ended 31 December 2021	Year ended 31 December 2020
	USD	USD
Receivables from policyholders	19,679,123	58,257,266
	19,679,123	58,257,266

b. Receivables from and payables to affiliated companies

	Year ended 31 December 2021	Year ended 31 December 2020
	USD	USD
Other reinsurance receivables	70,912,737	70,572,661
Other receivables	618,715	-
Other reinsurance payables	(43,064,009)	(53,960,457)
Other liabilities	(4,097,079)	(1,483,585)
	24,370,364	(15,128,619)

7. Other accrued items

	Year ended 31 December 2021	Year ended 31 December 2020
	USD	USD
Prepaid expenses	418,518	214,246
Prepaid Insurance Premium Tax	891,817	1,472,995
	1,310,335	1,687,241

8. Reinsurance payables to other creditors

	Year ended 31 December 2021	Year ended 31 December 2020
	USD	USD
Reinsurance premiums payables	10,965,686	47,995,544
	10,965,686	47,995,544

9. Other income and Other expenses

Other expenses of USD 2,914,294 (2020: other income of USD 6,116,277) wholly comprised of foreign exchange gains and losses.

10. Taxation

The Company had an income tax charge of USD 658,828 (2020: tax credit USD 2,512,066).

11. Share Capital and movement in Shareholders' funds

	Year ended 31 December 2021 USD	Year ended 31 December 2020 USD
140,292,725 Ordinary A registered shares, each with fully paid-up nominal value of EUR 0.8895 each	140,292,725	140,292,725
100,000 Ordinary B registered shares, each with fully paid-up nominal value of EUR 0.8895 each	100,000	100,000
50,000,000 preference shares of EUR 0.8995 each	50,000,000	50,000,000
Total Share Capital	190,392,725	190,392,725
Additional paid in capital	55,254,795	55,254,795
Retained earnings brought forward	(27,583,223)	(23,702,774)
Net loss for the year	(3,595,613)	(3,880,449)
	214,468,684	218,064,297

12. Remuneration of the Board of Directors and Management Board

Pursuant to Art.1092 (9) lit.d PGR, the Company paid a total remuneration to the Board of Directors and Management Board members and as follows:

	Year ended 31 December 2021 USD	Year ended 31 December 2020 USD
Directors' emoluments	141,211	147,500
Management Board's emoluments	1,935,255	1,559,995
Contributions to pension	50,375	83,008

Highest paid Director's emoluments for the Company are as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
	USD	USD
Director's emoluments	69,906	65,000
Management Board's emoluments	480,963	361,169
Contributions to pension	4,492	20,309

13. Employees

Employees at the Schaan head office are employed directly by the Company with the average number of employees totalling 6.

The Company is a registered employer in Belgium and United Kingdom (through the branch in United Kingdom), with 2 employees in the Belgium office, and 3 employees in United Kingdom. The Company's remaining employees based in the United Kingdom are employed by Enstar (EU) Limited.

14. Post balance sheet events – Russia sanctions

On 24 February 2022, Russia began a full-scale invasion of Ukraine, in an escalation of the Russo-Ukrainian War that began in 2014. The potential impacts of this event on the balance sheet of the Company are highly uncertain and fluid. An action group across all functions of the business has been established to monitor the developing situation. Based on the information available to date, the following is highlighted:

- Since the Company does not underwrite new risks, exposures to live risks are being reviewed on a look-through basis. To date the Company has identified limited downside risk exposure. The Company does not have direct exposure to the leased aircraft or wind turbine market wide issues.

- The Company holds minimal investments directly exposed to the affected areas. There is exposure to macro-economic factors affecting the Company's investment portfolio, and this continues to be monitored regularly.

- No physical assets are held in the affected areas and the Company does not have any staff based in Ukraine or Russia. As such the operations of the Company are not affected in this regard.

- The Company continues to carefully monitor sanctions. There are live policies and open claims where there is a connection or association with sanctioned regions or sectors, or a named sanctioned entity or related sanctioned entity. Management continues to ensure appropriate actions are undertaken to meet sanctions requirements, including asset freezes.

15. Ultimate parent company

StarStone Insurance Bermuda Limited, a company incorporated in Bermuda, is the immediate parent company. Enstar Group Limited, a company incorporated in Bermuda, is the ultimate parent company and the ultimate controlling party. Copies of the consolidated financial statements of Enstar Group Limited can be obtained from The Secretary, Enstar Group Limited, Windsor Place, 22 Queen Street, Hamilton HM11, Bermuda.

Report of the Statutory Auditor